

SUNNYVALE COMMUNITY SERVICES

AUDITED FINANCIAL STATEMENTS  
& Reports Required by Uniform Guidance

JUNE 30, 2016

## TABLE OF CONTENTS

### FINANCIAL SECTION

Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

### REQUIRED SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Internal Control over Financial Reporting and Other Matters Based on an audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i>	15
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance in Required by Uniform Guidance	16
Schedule of Expenditures of Federal Awards	18
Notes to the Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Questioned Costs	20
Schedule of Prior Audit Findings	21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Sunnyvale Community Services:

Report on the Financial Statements

We have audited the accompanying financial statements of Sunnyvale Community Services (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expense and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Sunnyvale Community Services as of June 30, 2016, and the changes in its net assets and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited Sunnyvale Community Services June 30, 2015 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been obtained.

### Other Matters

### Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying *schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sunnyvale Community Services' internal control over financial reporting and compliance.



Pleasanton, California  
October 11, 2016

Sunnyvale Community Services  
Statement of Financial Position  
June 30, 2016 with Comparative Totals at June 30, 2015

	Unrestricted	Temporarily Restricted	Total 2016	Summarized 2015
<b>ASSETS</b>				
Cash	\$1,061,438	\$457,011	\$1,518,449	\$875,251
Awards & grants receivable, current	522,660	370,000	892,660	333,420
Inventory	347,009		347,009	193,641
Prepaid expenses	54,521		54,521	25,558
TOTAL CURRENT ASSETS	<u>1,985,628</u>	<u>827,011</u>	<u>2,812,639</u>	<u>1,427,870</u>
Awards & grants receivable, long term		147,000	147,000	
Investments	1,188,141		1,188,141	1,714,137
Deposits	1,620		1,620	978
Property and equipment, net	2,361,620		2,361,620	2,264,503
TOTAL ASSETS	<u>\$5,537,009</u>	<u>\$974,011</u>	<u>\$6,511,020</u>	<u>\$5,407,488</u>
<b>LIABILITIES</b>				
Accounts payable	\$44,776		\$44,776	\$14,795
Agency transactions refundable	264,845		264,845	219,192
Accrued compensation	59,963		59,963	53,192
Deferred revenue				16,595
TOTAL CURRENT LIABILITIES	<u>369,584</u>		<u>369,584</u>	<u>303,774</u>
Notes payable	400,000		400,000	400,000
TOTAL LIABILITIES	<u>769,584</u>		<u>769,584</u>	<u>703,774</u>
<b>NET ASSETS</b>				
Unrestricted	4,058,895		4,058,895	3,602,273
Board designated reserves	708,530		708,530	708,530
Temporarily restricted		\$974,011	974,011	392,911
TOTAL NET ASSETS	<u>4,767,425</u>	<u>974,011</u>	<u>5,741,436</u>	<u>4,703,714</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$5,537,009</u>	<u>\$974,011</u>	<u>\$6,511,020</u>	<u>\$5,407,488</u>

See Independent Accountant's Audit Report and Notes to Financial Statements.

Sunnyvale Community Services  
Statement of Activities  
For the year ended June 30, 2016 with Comparative Totals for the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total 2016	Summarized 2015
Support and Revenue				
Support				
Foundation & corporate grants	\$399,029	\$1,236,558	\$1,635,587	\$969,992
Government contracts	1,276,336		1,276,336	494,212
Donations	1,098,752	130,675	1,229,427	978,946
In-kind donations	3,747,915		3,747,915	3,326,358
United Way allocation		20,000	20,000	101,252
Forgiveness of debt				132,000
Special events	81,946		81,946	81,657
Total support	6,603,978	1,387,233	7,991,211	6,084,417
Revenue				
Fee for services	49,372		49,372	69,778
Interest income	39		39	33
Investment income	(26,848)		(26,848)	50,986
Other income				66,546
Total revenue	22,563		22,563	187,343
Net assets released from restrictions				
Purpose & time restrictions released	806,133	(806,133)		
Total revenue and support	7,432,674	581,100	8,013,774	6,271,760
Expenses				
Program services				
Emergency Assistance	6,241,767		6,241,767	5,303,355
Supporting services				
Management and general	428,885		428,885	259,520
Fundraising	305,400		305,400	300,868
Total expenses	6,976,052		6,976,052	5,863,743
Changes in net assets	456,622	581,100	1,037,722	408,017
Net assets at beginning of year	4,310,803	392,911	4,703,714	4,295,697
Net assets at end of year	\$4,767,425	\$974,011	\$5,741,436	\$4,703,714

See Independent Accountant's Audit Report and Notes to Financial Statements.

Sunnyvale Community Services  
Statement of Functional Expenses  
For the year ended June 30, 2016 with Comparative Totals for the Year Ended June 30, 2015

	Services	Supporting Services			2016	2015
	Emergency Assistance	Management & General	Fund - Raising	Total Support	Total	Summarized
Salaries & wages	\$931,392	\$219,912	\$142,296	\$362,208	\$1,293,600	\$882,759
Payroll taxes	83,180	19,640	12,708	32,348	115,528	72,338
Fringe benefits	111,385	26,299	17,018	43,317	154,702	117,170
Total salaries	1,125,957	265,851	172,022	437,873	1,563,830	1,072,267
Conferences and meetings	14,128	15,665	2,813	18,478	32,606	15,819
Dues, fees and other charges	1,533	21,530	2,714	24,244	25,777	13,586
Emergency assistance	974,964				974,964	776,245
Equipment lease / purchase	8,192	1,934	1,252	3,186	11,378	
In-kind emergency assistance	3,522,861				3,522,861	3,264,892
In-kind interest expense		12,000		12,000	12,000	12,000
In-kind facility rent	6,000				6,000	
In-kind professional services	3,865	6,734	1,857	8,591	12,456	8,252
Insurance	17,902	4,227	2,735	6,962	24,864	20,793
Interest expense		754		754	754	
Maintenance & repair	36,375	8,588	5,557	14,145	50,520	44,847
Occupancy	32,682	7,717	4,993	12,710	45,392	41,594
Outside services	49,265	26,084	31,126	57,210	106,475	83,087
Postage	1,889	2,120	6,902	9,022	10,911	11,332
Printing	6,695	3,159	45,518	48,677	55,372	47,841
Subcontractor payments	277,000				277,000	267,895
Supplies	33,382	20,708	8,210	28,918	62,300	55,225
Telephone	11,907	2,811	1,819	4,630	16,537	18,179
Travel	2,366	1,897	343	2,240	4,606	771
Volunteer expense	16,730	3,950	2,556	6,506	23,236	21,112
Subtotal before depreciation	6,143,693	405,729	290,417	696,146	6,839,839	5,775,737
Depreciation	98,074	23,156	14,983	38,139	136,213	88,006
Total expenses	\$6,241,767	\$428,885	\$305,400	\$734,285	\$6,976,052	\$5,863,743

See Independent Accountant's Audit Report and Notes to Financial Statements.

Sunnyvale Community Services  
Statement of Cash Flows  
For the year ended June 30, 2016 with Comparative Totals for the Year Ended June 30, 2015

	Total 2016	Summarized 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$1,037,722	\$408,017
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	136,213	88,006
Forgiveness of mortgage interest on long term loan		(132,000)
Net realized and unrealized changes on investments	26,848	(50,986)
 (Increase) decrease in operating assets		
Awards and grants receivable	(559,240)	84,388
Inventory	(153,368)	(47,115)
Prepaid expenses	(28,963)	7,185
Deposits	(642)	(32)
Increase (decrease) in operating liabilities		
Accounts payable	29,981	(13,049)
Agency transactions refundable	45,653	(21,513)
Accrued compensation	6,771	(2,938)
Deferred revenue	(16,595)	16,595
Restricted contributions for long term use	(147,000)	
<b>NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES</b>	<b>377,380</b>	<b>336,558</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(233,330)	(120,356)
(Purchases) / Sales of investments, net	499,148	76,029
<b>NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES</b>	<b>265,818</b>	<b>(44,327)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>643,198</b>	<b>292,231</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b>875,251</b>	<b>583,020</b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$1,518,449</b>	<b>\$875,251</b>
 Supplemental disclosures:		
Cash paid for interest expense	\$754	\$0

See Independent Accountant's Audit Report and Notes to Financial Statements.



SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF ACTIVITIES

Sunnyvale Community Services (Organization) is California nonprofit public benefit corporation founded in 1970. Sunnyvale Community Services is a community organization that administers and coordinates essential human services to promote and create independence and self-sufficiency for low income individuals, families, seniors and disabled persons residing within the city and surrounding areas of Sunnyvale.

NOTE B – PROGRAM SERVICES

Sunnyvale Community Services is an independent nonprofit agency designated by United Way of the Bay Area as the Emergency Assistance Network agency for the City of Sunnyvale, covering zip codes 94085, 94086, 94087, 94088, and 94089, along with the Alviso neighborhood of San Jose, zip code 95002.

The mission of Sunnyvale Community Services is to prevent homelessness and hunger for low-income families and seniors facing temporary crises. The Organization provides financial aid, food assistance, case management, referrals, and other support at no charge to clients. The Organization's clients are the homeless, working poor, and seniors or disabled persons living on fixed incomes. The Organization serves all ethnic, racial, language, age, and abilities groups.

Nothing is more basic than the need for food, shelter, and health care. Sunnyvale Community Services provides financial aid, food, and other in-kind assistance to low-income families and seniors walking a financial tightrope, helping our neighbors to keep their balance when an unexpected emergency strikes: job loss, reduced hours, uncovered or unaffordable medical expenses. The Organization's assistance prevents homelessness, hunger, malnutrition, and untreated medical conditions. Keeping families housed with food on their tables and access to medical care is more cost effective, both in terms of dollars and human lives, than dealing with later problems with more expensive solutions.

Sunnyvale Community Services assisted 7,991 unduplicated individuals in fiscal year 2016, a sixteen percent increase over the prior year. The increase was attributed to expanded outreach, as well as a growing need caused by the soaring costs of living and growing income divide in Silicon Valley. Based on historical trends in food distributions and financial aid, Sunnyvale Community Services forecasts that families and seniors will come more frequently for food each month, and the need for more than one-time financial assistance and case management will continue.

The Community's Safety Net: The organization operates a food distribution center at its location in Sunnyvale. Food is supplied primarily by Second Harvest Food Bank, local grocery stores, bakeries, churches and individuals. Sunnyvale Community Services is one of the largest seven "transformer" partners of Second Harvest Food Bank. Supplemental food, including proteins such as shelf-stable milk and meats, are funded by cash donations. The Organization engages over 2,000 volunteers, enabling Sunnyvale Community Services to have deep connections with the community and to keep costs low. The organization is well known for its innovation and efficiency, distributing over three million pounds of nutritious food and fresh produce annually. Sunnyvale Community Services accepts donations of household and emergency items that are passed through to clients residing in the community.

The Organization distributed over \$800,000 in financial aid in fiscal year 2016. The average amount of rental assistance per family has increased to over \$1,300 due to rising rents and inadequate public transportation. Financial assistance included payments for rent, rental deposits, utilities, medical, and other emergency bills.

Prudent and sustained growth: As a community-based nonprofit, the organization strives to have diversified funding sources, and enjoys growing support from individual, corporate, and foundation donors. Sunnyvale Community Services prudently adds resources based on sustained funding commitments. Over the last five years Sunnyvale Community Services has piloted nutrition activities and added comprehensive case management for individuals and families who are homeless or at risk of homelessness. Funding for pilot projects and case management comes from corporations and foundations as well as long-term government contracts.

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE B – PROGRAM SERVICES (continued)

Since 2011, Sunnyvale Community Services has collaborated on nutrition programs with El Camino Healthcare District, Palo Alto Medical Foundation, and Kaiser Permanente to support healthy nutrition and access to health care. As part of the Coalition Against Predatory Payday Lending, Sunnyvale Community Services piloted financial education and savings programs to help clients become self-sufficient.

In 2012, the City of Sunnyvale invited Sunnyvale Community Services to launch a new partnership with Downtown Streets Team to assist homeless individuals gain employment and housing. In 2015, the organization launched our Supportive Services for Veterans Families program, funded by the U.S. Veterans Administration, to assist veterans who are homeless or at risk of homelessness move into stable housing.

Sunnyvale Community Services educates and advocates on issues tied to the agency's mission to prevent homelessness and hunger. The Sunnyvale Community Services leadership team frequently speaks to business, community, and public sector audiences on the needs and trends affecting the most needy in our local community.

The Organization owns the building at its sole location in Sunnyvale. The agency has a mortgage from the City of Sunnyvale, with a one-time principal payment of \$400,000 due in 2038. In 2014, Sunnyvale Community Services requested forgiveness of all past and future interest on the loan, and the request was granted, in recognition of the organization's unique role as the emergency assistance agency for the most needy in the community.

The Organization solicits funding for ongoing needs. In fiscal year 2016, Sunnyvale Community Services received several grants at the end of the fiscal year for program costs in the following fiscal year. The Organization was also awarded a new three-year grant of \$150,000 each year, which was reported as one-time income in fiscal year 2016. The Board of Directors and staff of Sunnyvale Community Services have reserved these funds for future program costs.

**Twin Pines Manor Fire:** On April 15, 2016, when 169 people lost their homes in the Twin Pines Manor Apartments, the City of Sunnyvale, the Red Cross, Sunnyvale Community Services and countless volunteers worked to arrange emergency shelter and other necessities. The entire complex and all of the units were condemned. On Day Four (Monday), Sunnyvale Community Services became the lead agency to manage short-term needs and secure long-term housing for the displaced families - 80% of the 70 households had low to extremely low incomes. The organization's ability to quickly scale and work across sectors has been heralded as a best practice and example to other communities. Sunnyvale Community Services quickly reached out to public, private, and non-profit partners to address the most urgent needs. New financial donations were solicited and there was unprecedented outreach to local hotels and landlords. All 169 individuals were safely sheltered during their housing searches, and all families moved into safe housing by September 30, 2016.

2016 Awards and Recognition:

Nonprofit of the Year: Sunnyvale Community Services was honored as "Nonprofit of the Year" for Assembly District 24 at the inaugural California Nonprofits Day ceremony in Sacramento on June 22, 2016. Sunnyvale Community Services was nominated by Assembly member Russ Gordon, in recognition of the Organization's long-standing role as the safety net agency for the community.

Mayor's Award of Excellence: Given by Mayor Glenn Hendricks, City of Sunnyvale, in recognition of Sunnyvale Community Services work to rapidly re-house 70 families displaced by the fire in Twin Pines Manor Apartments.

4-Star Charity Navigator Agency: For the fifth year in a row, Charity Navigator, the nation's largest and most-utilized evaluator of charities, awarded Sunnyvale Community Services the highest "4-star" ranking in 2016, in recognition of the Organization's sound fiscal management and commitment to accountability and transparency.

Gold-level Guide Star Exchange: The organization is a Gold-level GuideStar Exchange participant, demonstrating its commitment to transparency.

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE B – PROGRAM SERVICES (continued)

Comprehensive Emergency Financial Assistance: The Organization's comprehensive emergency assistance is year-round. At Sunnyvale Community Service, staff see clients quickly and assess their needs, respond within 24-48 hours when a client is facing eviction, and treat client emergencies effectively. Management reviews all documents necessary to verify a client's eligibility and emergency, such as proof of income and dates of birth. All eligible clients can apply for the following services:

Financial Assistance, including financial aid for rent, rental deposits, utility bills, and other family emergency bills. All payments are made directly to landlords/vendors. Families asking for financial aid complete a three-month budget, and receive budget counseling to help them stretch their finances further. All information is verified by the caseworker. Financial aid recipients are also offered emergency food assistance, and automatically enrolled in our weekly produce and monthly food distributions and other in-kind services.

Food and In-Kind Assistance, providing up to six distributions of nutritious food and produce per family each month valued at \$462 for a family of four, helping them to afford other necessities. Food distribution includes: Daily emergency food, Weekly "Produce Mondays", Monthly food distributions for families and seniors, School Weekend Food distributions at four "Title I" low-income schools in Sunnyvale, Kids' Summer Food, giving extra food to 1,500 children when schools are closed, along with filled backpacks and \$30 shoe gift cards for every child, Pantry Days, giving families a choice of days to "shop" once a month for additional food and household items, "Challenge Diabetes" program in partnership with El Camino Healthcare District, offering Diabetes screening and monthly food as part of a 10-month nutrition and education program for 250 low-income individuals, Community Christmas Center, giving clients the dignity of selecting a two-week supply of food, gifts for infants through teens, and a household gift for each family, Other in-kind services including bus passes, gas vouchers, school backpacks, gift cards for shoes, groceries and basic necessities.

Case Management, for At-Risk Populations, including Supportive Services for Veteran Families, helping veterans who are homeless or at risk of homelessness to gain and retain housing, Work First Sunnyvale Program, helping 50 homeless individuals each year through job training and access to housing opportunities, Families and Seniors Case Management offering 3-12 months of in-depth support to secure benefits, housing, and other assistance to achieve self-sufficiency.

NOTE C – 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. Temporary restricted net assets include those subject to donor restrictions not met at the end of the reporting period. Permanently restricted net assets include those subject to non-expiring restrictions. The Organization does not presently have any permanently restricted net 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.

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE C – SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Organization considers all cash accounts held in commercial accounts with an initial maturity of three months or less to be cash. The Organization is required to hold the San Francisco Chronicle's "Season of Sharing Fund" in a separate bank account. At June 30, 2016 the amount set aside is \$431,610. At June 30, 2015 the amount set aside is \$318,922.

Investments

The Organization carries investments in certificates of deposit, 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 is reported as an increase in unrestricted net assets.

Contributions

The Organization accounts for contributions received and contributions made in accordance with accounting standards for non-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. Temporarily restricted contributions are reported as an increase in temporarily restricted net assets and shown as a reclassification to unrestricted net assets as donor restrictions are satisfied.

Contributions In-Kind

Donated equipment and other donated goods are recorded at their estimated fair market value on the day of donation. Donated services are recognized as contributions if the services create or enhance a financial asset or require specialized skills which the donor has and would otherwise be purchased by the Organization. During the years ending June 30, 2016 and June 30, 2015 the Organization received a significant amount of donated services from unpaid volunteers who assist in fundraising and program services that do not satisfy the criteria for recognition under generally accepted accounting principles.

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 awarded in writing. The Organization's primary revenue sources are grants, awards and donations.

Allowance / Discounts on Receivables

The Organization does not maintain an allowance on current awards and grants receivable, as reimbursements from these funding sources are likely to be received. Balances still outstanding after management has used reasonable collection efforts are written off to bad debts expense. For the years ended June 30, 2016 and June 30, 2015 a valuation allowance was not considered necessary. The Organization does discount long term grants awards and grants receivable equal to the average US Treasury market rate, of two percent and adding one percent for credit risk and valuation risk.

Income Taxes

The Organization is not classified as a private foundation and 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. The Organization is considered a publicly supported organization. The Financial Accounting Standards Board 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. The Organization's federal and state informational returns for the years ending June 30, 2012 through June 30, 2015 are subject to examination by regulatory agencies; generally for three years after they have been filed.

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE C – SIGNIFICANT ACCOUNTING POLICIES (continued)

Indirect Expense Allocations

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

Property, Equipment and Depreciation

Property and equipment is recorded at cost when purchased or, if contributed, at estimated fair market value. It is the Organization's policy to capitalize items costing more than \$1,000. Depreciation is computed using the double declining balance 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, 2015, from which the summarized information was obtained. In addition, certain line items have been combined to conform to the current year presentation.

Fair Value Measurements

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, categorized into three levels as follows:

Level 1 – Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these balances does not entail a significant degree of judgment. Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets from those willing to trade that are not active or for which other inputs can be corroborated by market data. Level 3 – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement and represent the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization's assets measured at fair value at June 30, 2016 are as follows:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>
Investments	\$1,188,141	\$1,188,141

The Organization's assets measured at fair value at June 30, 2015 are as follows:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>
Investments	\$1,714,137	\$1,714,137

NOTE D – AWARDS and GRANTS RECEIVABLE

At June 30, 2016 awards and grants receivable consist of unrestricted \$522,660 and restricted \$370,000, all due within one year and long term grants and awards receivable consist of restricted \$147,000. Approximately 29% of the total grants and awards receivable balance is due from the Sunlight Foundation.

At June 30, 2015 awards and grants receivable consist of unrestricted \$122,820 and restricted \$210,600, all due within one year and approximately 42% of the receivable balance is due from El Camino Hospital.

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE E – 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, 2016 the Organization's uninsured cash balance is \$313,003 and at June 30, 2015 the Organization's uninsured cash balance is \$140,883. In addition, the Organization maintains certificates of deposits, government securities and equities at a financial institution that is an SIPC member. Management believes the organization is not exposed to significant credit risk related to cash or investments.

NOTE F – INVENTORY

Inventory consists of food, household items, school supplies, gift cards and shoe vouchers. Inventory is valued based on actual costs when purchased or if donated value is based on the following; food inventory is measured using the USDA suggested price per pound, household items and school supplies are based on donor determination and gift cards / shoe vouchers based on face value. The first in - first out method is used for tracking inventory. Inventory is as follows:

	Vouchers & Gift Cards	Household Items	School Supplies	Food	Total
Beginning Balance	\$60,210			\$133,431	\$193,641
Donations & Purchases	\$109,090	\$235,193	\$70,658	\$3,535,622	\$3,950,563
Distributions	<u>(\$103,640)</u>	<u>(\$64,427)</u>	<u>(\$24,288)</u>	<u>(\$3,604,840)</u>	<u>(\$3,797,195)</u>
Ending Balance	<u>\$65,660</u>	<u>\$170,766</u>	<u>\$46,370</u>	<u>\$64,213</u>	<u>\$347,009</u>

NOTE G – INVESTMENTS

Investments consist of the following:

	June 30, 2016	June 30, 2015
Money Funds		\$734,194
Equities	<u>\$1,188,141</u>	<u>\$979,943</u>
Total	<u>\$1,188,141</u>	<u>\$1,714,137</u>

Investment income is as follows:

	June 30, 2016	June 30, 2015
Realized changes	\$47,125	\$63,411
Unrealized changes	(\$86,727)	(\$21,814)
Investment fees	(\$12,309)	(\$10,432)
Dividends & interest	<u>\$25,063</u>	<u>\$19,821</u>
Total	<u>(\$26,848)</u>	<u>\$50,986</u>

NOTE H – 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. These funds are partly for the Organization's emergency services, which are recorded as temporarily restricted until distributed, and partly for another organization's emergency assistance, which are recorded as agency refundable until distributed. At June 30, 2016 the agency refundable is \$264,845 and at June 30, 2015 the agency refundable is \$219,192.

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE I – PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation is as follows:

	June 30, 2016	June 30, 2015
Land	\$500,000	\$500,000
Building	\$1,905,064	\$1,905,064
Building improvements	\$677,948	\$515,689
Equipment / Furniture	\$294,712	\$295,341
Vehicles	\$65,131	\$18,220
	<hr/>	<hr/>
Gross Total	\$3,442,855	\$3,234,314
Accumulated depreciation	(\$1,081,235)	(\$969,811)
	<hr/>	<hr/>
Net Book Value	\$2,361,620	\$2,264,503

Depreciation expense for the year ending June 30, 2016 is \$136,213 and for the year ending June 30, 2015 is \$88,006.

NOTE J – OPERATING LEASES

The Organization leases three photocopiers, two vehicles and one postage meter all under non-cancelable operating lease agreements with varying expiration dates. Future minimum principal lease payments due under these lease agreements are as follows: \$10,086 for the year ending June 30, 2017, \$6,634 for the year ending June 30, 2018, \$4,384 for the year ending June 30, 2019, \$2,819 for the year ending June 30, 2020 and \$1,318 for the year ending June 30, 2021.

NOTE K – 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 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 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 L – DEBT

Long-term debt at June 30, 2016 and June 30, 2015 is reported 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	N/A	Apr-38	Kifer Road, Sunnyvale	\$400,000

The loan contains a restriction requiring the building to be used for the purpose of providing emergency assistance; otherwise (without pre-approval from the City of Sunnyvale) the loan will default. During the year ended June 30, 2015 the City of Sunnyvale Council voted to terminate the accrued interest payable, as such the Organization recognizes, annually, an in-kind interest donation of \$12,000.

NOTE M – SUBSEQUENT EVENTS

The management of the Organization has reviewed the results of operations for the period of time from its year end June 30, 2016 through October 11, 2016, 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.

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE N – CONTRIBUTIONS IN-KIND

The Organization received and recognized the following in-kind donations:

	June 30, 2016	June 30, 2015
Capital equipment	\$82,744	\$2,499
Interest on long term loan	\$12,000	\$12,000
Gift Cards (and shoe vouchers)	\$31,260	\$22,308
Direct Assistance, Food	\$3,468,443	\$3,120,679
Facility Rental	\$6,000	
Direct Assistance, Other	\$135,011	\$160,620
Professional services	<u>\$12,457</u>	<u>\$8,252</u>
Total	<u><u>\$3,747,915</u></u>	<u><u>\$3,326,358</u></u>

NOTE O – SPECIAL EVENTS

The Organization participated in the following special event, Dinner at the Dump:

	June 30, 2016	June 30, 2015
Auction Sales	\$33,838	\$50,397
Raffle Ticket Sales	\$6,120	\$9,055
Contributions	<u>\$41,988</u>	<u>\$22,205</u>
Total	<u><u>\$81,946</u></u>	<u><u>\$81,657</u></u>

NOTE P – TEMPORARY RESTRICTED NET ASSETS

The Organization's temporarily restricted net asset activity is as follows:

<u>Purpose</u>	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Backpack Day	\$10,000	\$115,405	\$115,405	\$10,000
Case Manager	\$76,790	\$75,000	\$76,790	\$75,000
Emergency Assistance	\$220,521	\$550,077	\$272,310	\$498,288
Holiday Mailing Campaign		\$15,000	\$15,000	
Homeless Programs		\$37,000	\$37,000	
Leadership Forum		\$2,000	\$2,000	
Leadership / Capital needs		\$46,000	\$13,590	\$32,410
Nutrition Access / Diabetes		\$80,000	\$40,000	\$40,000
Payday Predators-Program		\$24,500	\$24,500	
Program Support		\$15,000	\$15,000	
Time Restricted	\$60,600	\$297,000	\$60,600	\$297,000
Toyota Prius		\$5,000	\$5,000	
Twin Pines Fire Victims		\$100,251	\$78,938	\$21,313
Youth Summer Program	<u>\$25,000</u>	<u>\$25,000</u>	<u>\$50,000</u>	
Total	<u><u>\$392,911</u></u>	<u><u>\$1,387,233</u></u>	<u><u>\$806,133</u></u>	<u><u>\$974,011</u></u>

NOTE Q – BOARD DESIGNATED NET ASSETS

At June 30, 2016 and at June 30, 2015, the Board of Directors has designated the Organization's unrestricted net assets for general operating reserves \$288,410 and for major capital expenses \$420,120.



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, in accordance with the 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, the financial statements of Sunnyvale Community Services, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2016.

#### Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Sunnyvale Community Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sunnyvale Community Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Sunnyvale Community Services' internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunnyvale Community Services' financial statements are free from 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*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sunnyvale Community Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasanton, CA  
October 11, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of Sunnyvale Community Services:

Report on Compliance for Each Major Federal Program

We have audited Sunnyvale Community Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2016. Sunnyvale Community Services' major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sunnyvale Community Services' major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Sunnyvale Community Services' compliance.

Opinion on Each Major Federal Program

In our opinion, Sunnyvale Community Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Sunnyvale Community Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sunnyvale Community Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly this report is not suitable for any other purpose.



Pleasanton, California  
October 11, 2016

Sunnyvale Community Services  
Schedule of Federal Awards  
For the Year Ended June 30, 2016

Federal Grantor / Pass Through Grantor / Program or Cluster Title	CFDA#	Pass Through Entity Identification #	Pass Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Second Harvest Food Bank	10.569			\$428,741
Total Department of Agriculture				<u>\$428,741</u>
U.S. Department of Housing & Urban Development				
Community Development Block Grant Funds	14.218	B-15-MC060023	\$277,000	\$393,832
Community Development Block Grant Funds	14.218	B-15-MC060023		<u>\$75,000</u>
Total Department of Housing & Urban Development				<u>\$468,832</u>
U.S. Department of Veterans Affairs				
Supportive Services for Veteran Families	64.033	C15-CA-5008	*	<u>\$279,310</u>
Total Department of Veterans Affairs				<u>\$279,310</u>
Federal Emergency Management Agency				
Emergency Food and Shelter National Board	97.114	LRO 088000-015		<u>\$55,821</u>
Total FEMA				<u>\$55,821</u>
* Denotes major program				
Total Expenditures of Federal Awards			<u>\$277,000</u>	<u>\$1,232,704</u>

SUNNYVALE COMMUNITY SERVICES  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sunnyvale Community Services under programs of the federal government for the year ending June 30, 2016 in accordance with the requirements of the Title 2, Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the schedule presents only a selected portion of the operations of Sunnyvale Community Services, it is not intended to and does not present the financial position, changes in net assets or cash flows of Sunnyvale Community Services. Pass through entity identifying numbers are presented where available.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for nonprofit organizations, wherein certain types of expenditures are not allowable or are limited as in reimbursement. Sunnyvale Community Services has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Sunnyvale Community Services  
 Schedule of Findings and Questioned Costs  
 June 30, 2016

<u>Section I Summary of Auditor Results</u>	<u>Yes</u>	<u>No</u>
Financial Statements		
Type of Auditor's Report?	Unmodified	
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?	Unmodified	
Any Audit Findings Disclosed that are required to be reported in accordance with 510A of Circular A-133?		X
Identification of Major Program		
CFDA#	64.033	
Name of Federal Program	Supportive Services for Veteran Families	
Dollar threshold to distinguish between Type A and Type B programs?	\$750,000	
Auditee qualify as low risk?		X
<u>Section II Financial Statement Findings</u>		
No matters are reported		
<u>Section III Federal Award Findings and Questioned Costs</u>		
No matters are reported		

Sunnyvale Community Services  
Schedule of Prior Year Findings and Questioned Costs  
June 30, 2016

Section IV Prior Year Findings and Questioned Costs

No matters are reported