

SUNNYVALE COMMUNITY SERVICES
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2012

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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, 2012, 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 2011 financial statements and, in our report dated October 1, 2011 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, 2012, 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 5, 2012, 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
September 5, 2012

Sunnyvale Community Services
Statement of Financial Position
June 30, 2012

	Unrestricted	Temporarily Restricted	Total 2012	Summarized 2011
ASSETS				
Cash	\$713,786	\$49,911	\$763,697	\$566,154
Awards and grants receivable	31,053	188,632	219,685	156,510
Prepaid expenses	22,172		22,172	19,996
TOTAL CURRENT ASSETS	<u>767,011</u>	<u>238,543</u>	<u>1,005,554</u>	<u>742,660</u>
Investments	553,258		553,258	526,246
Deposits	1,004		1,004	1,576
Property and equipment, net	2,278,014		2,278,014	2,335,875
TOTAL ASSETS	<u>\$3,599,287</u>	<u>\$238,543</u>	<u>\$3,837,830</u>	<u>\$3,606,357</u>
LIABILITIES				
Accounts payable	\$5,279		\$5,279	\$11,706
Agency transactions refundable	153,597		153,597	126,343
Accrued compensation	35,704		35,704	45,560
TOTAL CURRENT LIABILITIES	<u>194,580</u>		<u>194,580</u>	<u>183,609</u>
Accrued interest	108,000		108,000	96,000
Notes payable	400,000		400,000	400,000
TOTAL LIABILITIES	<u>702,580</u>		<u>702,580</u>	<u>679,609</u>
NET ASSETS				
Unrestricted	2,607,888		2,607,888	2,510,954
Board designated reserves	288,819		288,819	288,819
Temporarily restricted		\$238,543	238,543	126,975
TOTAL NET ASSETS	<u>2,896,707</u>	<u>238,543</u>	<u>3,135,250</u>	<u>2,926,748</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$3,599,287</u>	<u>\$238,543</u>	<u>\$3,837,830</u>	<u>\$3,606,357</u>

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

Sunnyvale Community Services
Statement of Activities
For the year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total 2012	Summarized 2011
Revenue and Support				
Foundation & corporate grants	\$246,017	\$701,833	\$947,850	\$600,303
Government contracts	191,849		191,849	308,550
Donations	710,864	36,506	747,370	592,845
In-kind donations	2,428,583		2,428,583	1,799,089
Fee for services	32,754		32,754	30,668
United Way		63,250	63,250	74,575
Donations from special events	57,009		57,009	53,478
Interest income	12		12	90
Investment income	(8,539)		(8,539)	94,194
Net assets released from restrictions				
Purpose & time restrictions released	690,021	(690,021)		
Total revenue, support and gains	4,348,570	111,568	4,460,138	3,553,792
Expenses				
Program services				
Client services	3,897,997		3,897,997	3,304,479
Supporting services				
Management and general	217,316		217,316	168,641
Fundraising	142,343		142,343	181,498
Total expenses	4,257,656		4,257,656	3,654,618
(Loss) / gain on sale of assets disposed	(677)		(677)	(97)
(Loss) / gain related to payroll tax deposits	6,697		6,697	(49,165)
Total losses / gains	6,020		6,020	(49,262)
Changes in net assets	96,934	111,568	208,502	(150,088)
Net assets at beginning of year	2,799,773	126,975	2,926,748	3,076,837
Net assets at end of year	<u>\$2,896,707</u>	<u>\$238,543</u>	<u>\$3,135,250</u>	<u>\$2,926,748</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, 2012

	Services	Supporting Services			2012	2011
	Client Services	Management & General	Fund - Raising	Total Support	Total	Summarized
Salaries & wages	\$390,422	\$109,089	\$74,640	\$183,729	\$574,151	\$580,402
Payroll taxes	30,492	8,520	5,829	14,349	44,841	47,897
Fringe benefits	65,085	17,921	12,262	30,183	95,268	93,724
Total salaries	485,999	135,530	92,731	228,261	714,260	722,023
Conferences and meetings		8,080		8,080	8,080	7,329
Dues, fees and other charges	5,925	10,092	1,362	11,454	17,379	15,076
Emergency assistance	794,730				794,730	825,310
In-kind expenses	2,419,271	5,900	3,412	9,312	2,428,583	1,795,889
Insurance	13,872	1,681	1,810	3,491	17,363	22,068
Interest Expense	11,400	480	120	600	12,000	12,000
Maintenance & repair	10,039	1,310	1,411	2,721	12,760	7,918
Occupancy	35,282	1,486	371	1,857	37,139	35,901
Postage	3,196	743	7,270	8,013	11,209	15,076
Printing	1,872	342	28,116	28,458	30,330	26,993
Professional services	8,270	47,081	3,199	50,280	58,550	55,767
Supplies	17,962	756	189	945	18,908	22,526
Telephone	11,854	1,305	1,405	2,710	14,565	11,096
Travel	823	10	10	20	843	55
Volunteer Expense	17,614		305	305	17,919	15,852
Subtotal before depreciation	3,838,110	214,795	141,713	356,507	4,194,617	3,590,879
Depreciation	59,887	2,522	630	3,152	63,039	63,739
Total expenses	\$3,897,997	\$217,316	\$142,343	\$359,659	\$4,257,656	\$3,654,618

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

Sunnyvale Community Services
Statement of Cash Flows
For the year ended June 30, 2012

	<u>Total 2012</u>	<u>Summarized 2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$208,502	(\$150,088)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	63,039	63,739
Unrealized changes in investments	19,594	(80,367)
Realized changes re-invested	(11,055)	(13,827)
 (Increase) decrease in operating assets		
Awards and grants receivable	(63,175)	(75,200)
Prepaid expenses	(2,176)	2,667
Deposits	572	
Increase (decrease) in operating liabilities		
Accounts payable	(6,427)	5,898
Deferred revenue		(55,536)
Agency transactions refundable	27,254	26,229
Accrued compensation	(9,856)	(3,422)
Accrued interest expense	12,000	12,000
 NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	 <u>238,272</u>	 <u>(267,907)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment additions	(5,178)	(3,103)
Investment sales / (purchases), net	(35,551)	3,198
 NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	 <u>(40,729)</u>	 <u>94</u>
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	 197,543	 (267,813)
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>566,154</u>	 <u>833,967</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u><u>\$763,697</u></u>	 <u><u>\$566,154</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, 2012

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, in the State of California, 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, 2012

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 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, 2011, 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: In-kind expenses have been summarized in one line.

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, 2012

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, 2012, are summarized as follows:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>
Investments	\$553,258	\$553,258

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, 2012, the Organization's uninsured cash balance is \$0. In addition, the Organization maintains cash, certificates of deposits, and investments all valued at \$1,091,365, at a financial institution that is a SPIC member. Certificates of deposits have maturities ranging from September 2012 to October 2012, with interest ranging from .2% to .8%. Management believes the organization is not exposed to any significant credit risk related to cash or investments. 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, 2012 the amount set aside is \$201,790.

NOTE C - INVESTMENTS

Investments at June 30, 2012 are carried at fair value in the statement of financial position, and consist of the following:

Money Funds	\$67,940
Equities	\$310,529
Bonds	\$174,789
Total	\$553,258

Investment income consists of the following:

Realized changes	\$6,854
Unrealized changes	(\$19,594)
Investment fees	(\$4,354)
Dividends & interest	\$8,555
Total	(\$8,539)

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE D – GRANTS and CONTRACTS RECEIVABLE

At June 30, 2012 receivables consist of unrestricted \$31,053, and restricted \$188,632, all due within one year. Approximately 34% of the account balance is receivable from El Camino Hospital. Management has estimated, and accrued, a receivable of \$23,229 for services rendered to clients that are expected to be reimbursed by Emergency Food and Shelter Program. This estimate is based on management’s history with the grantor and conversations management has had with the County Emergency Food and Shelter Program representative.

NOTE E - PROPERTY AND EQUIPMENT

At June 30, 2012 property and equipment and related accumulated depreciation is as follows:

Land	\$500,000
Building	\$1,905,064
Building improvements	\$406,333
Equipment	\$47,555
Furniture	\$164,572
Vehicles	\$5,925
Subtotal	\$3,029,449
Accumulated depreciation	(\$751,435)
Net Book Value	\$2,278,014

Depreciation expense for the year ending June 30, 2012 is \$63,039.

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, 2012, the agency transaction refundable is \$153,597.

NOTE H – DEBT

Long-term debt at June 30, 2012 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, 2012 is \$108,000.

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE I – OPERATING LEASES

The Organization leases a photocopier under an operating lease agreement that expires in 2017. Future minimum payments due under this lease agreement are \$2,532 for the year ended June 30, 2013, June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017.

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 \$16,144.

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

Emergency assistance	\$2,419,271
Professional services	<u>\$9,312</u>
Total	<u><u>\$2,428,583</u></u>

NOTE K – TEMPORARY RESTRICTED NET ASSETS

At June 30, 2012 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	\$10,580	\$536,006	(\$419,486)	\$127,100
Time Restricted	\$63,250	\$63,250	(\$63,250)	\$63,250
Season of Sharing	\$53,145	\$202,333	(\$207,285)	\$48,193
Total	<u>\$126,975</u>	<u>\$801,589</u>	<u>(\$690,021)</u>	<u>\$238,543</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, 2012 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. 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. For the year ended June 30, 2011 management recorded a loss of \$49,165. For the year ending June 30, 2012 management received a payment of \$6,697 against its total loss.

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, 2012 through September 5, 2012, 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.

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) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 5, 2012. 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 purpose 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 the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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 management the 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 5, 2012