

AUDITED FINANCIAL STATEMENTS
& Reports Required by Government Auditing
Standards and OMB Circular A-133

SUNNYVALE COMMUNITY SERVICES

JUNE 30, 2013

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report on the Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	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

COMPLIANCE and INTERNAL CONTROL

Schedule of Expenditures of Federal Awards	12
Note to the Schedule of Expenditures of Federal Awards	13
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 <i>Government Auditing Standards</i>	14
Independent Auditor's Report on Compliance for Each Major Program; and Report on Internal Control over Compliance in Accordance with OMB Circular A-133	15
Schedule of Findings and Questioned Costs	17

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Sunnyvale Community Services:

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, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to 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.

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.

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, 2013, 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.

We have previously audited Sunnyvale Community Services June 30, 2012 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated September 5, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been obtained.

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The *schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* 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. Such 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013 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 8, 2013

Sunnyvale Community Services
Statement of Financial Position
June 30, 2013

	Unrestricted	Temporarily Restricted	Total 2013	Summarized 2012
ASSETS				
Cash	\$1,265,542	\$117,436	\$1,382,978	\$763,697
Awards and grants receivable	99,083	248,250	347,333	219,685
Inventory	35,565		35,565	
Prepaid expenses	22,265		22,265	22,172
TOTAL CURRENT ASSETS	1,422,455	365,686	1,788,141	1,005,554
Investments	569,083		569,083	553,258
Deposits	1,004		1,004	1,004
Property and equipment, net	2,215,200		2,215,200	2,278,014
TOTAL ASSETS	\$4,207,742	\$365,686	\$4,573,428	\$3,837,830
LIABILITIES				
Accounts payable	\$44,660		\$44,660	\$5,279
Agency transactions refundable	218,202		218,202	153,597
Accrued compensation	45,771		45,771	35,704
TOTAL CURRENT LIABILITIES	308,633		308,633	194,580
Accrued interest	120,000		120,000	108,000
Notes payable	400,000		400,000	400,000
TOTAL LIABILITIES	828,633		828,633	702,580
NET ASSETS				
Unrestricted	2,670,579		2,670,579	2,607,888
Board designated reserves	708,530		708,530	288,819
Temporarily restricted		\$365,686	365,686	238,543
TOTAL NET ASSETS	3,379,109	365,686	3,744,795	3,135,250
TOTAL LIABILITIES & NET ASSETS	\$4,207,742	\$365,686	\$4,573,428	\$3,837,830

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

Sunnyvale Community Services
Statement of Activities
For the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total 2013	Summarized 2012
Revenue and Support				
Foundation & corporate grants	\$163,713	\$832,426	\$996,139	\$947,850
Government contracts	364,789		364,789	191,849
Donations	1,141,029	11,565	1,152,594	747,370
In-kind donations	2,711,571		2,711,571	2,428,583
Fee for services	38,450		38,450	32,754
United Way		65,900	65,900	63,250
Donations from special events	54,927		54,927	57,009
Interest income	24		24	12
Investment income	74,825		74,825	(8,539)
Net assets released from restrictions				
Purpose & time restrictions released	782,748	(782,748)		
Total revenue, support and gains	5,332,076	127,143	5,459,219	4,460,138
Expenses				
Program services				
Client services	4,452,282		4,452,282	3,897,997
Supporting services				
Management and general	205,898		205,898	217,316
Fundraising	191,494		191,494	142,343
Total expenses	4,849,674		4,849,674	4,257,656
(Loss) / gain on sale of assets disposed				(677)
(Loss) / gain related to payroll tax deposits				6,697
Total losses / gains				6,020
Changes in net assets	482,402	127,143	609,545	208,502
Net assets at beginning of year	2,896,707	238,543	3,135,250	2,926,748
Net assets at end of year	\$3,379,109	\$365,686	\$3,744,795	\$3,135,250

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

Sunnyvale Community Services
Statement of Functional Expenses
For the year ended June 30, 2013

	Services	Supporting Services			2013	2012
	Client Services	Management & General	Fund - Raising	Total Support	Total	Summarized
Salaries & wages	\$437,439	\$99,821	\$85,784	\$185,605	\$623,044	\$574,151
Payroll taxes	34,714	7,647	6,298	13,945	48,659	44,841
Fringe benefits	72,329	18,179	14,196	32,375	104,704	95,268
Total salaries	544,482	125,647	106,278	231,925	776,407	714,260
Conferences and meetings	5,798	2,027	1,463	3,490	9,288	8,080
Dues, fees and other charges	1,615	4,506	1,368	5,874	7,489	17,379
Emergency assistance	831,118				831,118	794,730
In-kind emergency assistance	2,678,027				2,678,027	2,428,583
In-kind professional services	15,568	3,428	2,983	6,411	21,979	
Insurance	9,779	3,405	1,923	5,328	15,107	17,363
Interest Expense	8,600	1,826	1,574	3,400	12,000	12,000
Maintenance & repair	10,430	2,391	2,322	4,713	15,143	12,760
Occupancy	30,486	12,373		12,373	42,859	37,139
Postage	2,175	514	9,100	9,614	11,789	11,209
Printing	3,914	408	28,511	28,919	32,833	30,330
Professional services	44,990	10,630	17,923	28,553	73,543	58,550
Subcontractor payments	197,968				197,968	
Supplies	11,090	2,300	4,060	6,360	17,450	18,908
Telephone	10,570	2,417	2,067	4,484	15,054	14,565
Travel	655	139	120	259	914	843
Volunteer Expense		24,328	3,564	27,892	27,892	17,919
Subtotal before depreciation	4,407,265	196,339	183,256	379,595	4,786,860	4,194,617
Depreciation	45,017	9,559	8,238	17,797	62,814	63,039
Total expenses	\$4,452,282	\$205,898	\$191,494	\$397,392	\$4,849,674	\$4,257,656

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

Sunnyvale Community Services
Statement of Cash Flows
For the year ended June 30, 2013

	<u>Total 2013</u>	<u>Summarized 2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$609,545	\$208,502
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	62,814	63,039
Unrealized changes in investments	(58,298)	19,594
Realized changes re-invested	(16,527)	(11,055)
 (Increase) decrease in operating assets		
Awards and grants receivable	(127,648)	(63,175)
Inventory	(35,565)	
Prepaid expenses	(93)	(2,176)
Deposits		572
Increase (decrease) in operating liabilities		
Accounts payable	39,381	(6,427)
Agency transactions refundable	64,605	27,254
Accrued compensation	10,067	(9,856)
Accrued interest expense	12,000	12,000
 NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	 <u>560,281</u>	 <u>238,272</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment additions		(5,178)
Investment sales / (purchases), net	59,000	(35,551)
 NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	 <u>59,000</u>	 <u>(40,729)</u>
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	 619,281	 197,543
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>763,697</u>	 <u>566,154</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u>\$1,382,978</u>	 <u>\$763,697</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, 2013

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 primarily by Second Harvest Food Bank, and local grocery stores, bakeries, churches, 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. 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, 2013

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 when restrictions expire.

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 awarded 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 these funding sources 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, 2012, from which the summarized information was obtained. Certain information in the prior year presentation has been reclassified to conform to the current year presentation.

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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. 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 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 carrying amounts reported in the statement of financial position for the following items approximates fair value because of the short maturity value of these instruments: cash, receivables, inventory, prepaid expenses, accounts payable, agency transactions and accrued compensation. In-kind donations are valued at Level 2 inputs, as they include quoted prices for similar assets in active markets. The Organization's financial assets measured at fair value, at June 30, 2013, are summarized as follows:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>
Investments	\$569,083	\$569,083

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, 2013, the Organization's uninsured cash balance is \$0. In addition, the Organization maintains cash, certificates of deposits, and investments all valued at \$1,572,744, at a financial institution that is a SPIC member. Certificates of deposits have maturities ranging from October 2013 to December 2015, with interest ranging from .35% to .75%. 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, 2013 the amount set aside is \$130,821.

NOTE C – INVENTORY

Inventory consists of food, shoe vouchers and gift cards, all donated to the Organization by various members of the community. At June 30, 2013 the value of inventory is as follows: food is \$5,512 valued at USDA price per pound, shoe vouchers are \$24,000 and gift cards are \$6,053, are valued at their face value. Food and gift cards are recorded as an in-kind donation when received and expensed to direct assistance upon their distribution.

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE D - INVESTMENTS

Investments at June 30, 2013 are carried at fair value in the statement of financial position, and consist of the following:

Money Funds	\$16,848
Equities	\$375,580
Bonds	<u>\$176,655</u>
Total	<u><u>\$569,083</u></u>

Investment income consists of the following:

Realized changes	\$13,225
Unrealized changes	\$58,298
Investment fees	(\$5,380)
Dividends & interest	<u>\$8,682</u>
Total	<u><u>\$74,825</u></u>

NOTE E – GRANTS and CONTRACTS RECEIVABLE

At June 30, 2013 receivables consist of unrestricted \$99,083, and restricted \$245,250, all due within one year. Approximately 40% of the receivable balance is due from El Camino Hospital.

NOTE F - PROPERTY AND EQUIPMENT

At June 30, 2013 property and equipment and related accumulated depreciation is as follows:

Land	\$500,000
Building	\$1,905,064
Building improvements	\$406,333
Equipment	\$46,937
Furniture	\$164,572
Vehicles	<u>\$5,925</u>
Subtotal	\$3,028,831
Accumulated depreciation	<u>(\$813,631)</u>
Net Book Value	<u><u>\$2,215,200</u></u>

Depreciation expense for the year ending June 30, 2013 is \$62,814.

NOTE G - 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.

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 with the San Francisco Chronicle. The Organization is also a beneficiary of part of the funds, which are reported as temporarily restricted grants. At June 30, 2013, the agency transaction refundable is reported at \$218,202.

NOTE I – DEBT

Long-term debt at June 30, 2013 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	3.00%	Apr-38	Kifer Road, Sunnyvale	\$400,000

The loan contains a restriction that the building must be used for the purpose of providing emergency assistance; otherwise (without pre-approval from the City of Sunnyvale) the loan would be in default. Interest accrued on this note at June 30, 2013 is \$120,000. The entire balance of the loan, including interest, is due to the City of Sunnyvale in full at the end of the term, April 2038.

NOTE J – 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, 2014, June 30, 2015, June 30, 2016 and June 30, 2017.

NOTE K - 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 thru direct assistance \$15,320. In addition, the Organization received and recognized in the financial statements, the following in-kind donations:

Gift Cards	\$11,565
Emergency assistance	\$2,678,027
Professional services	<u>\$21,979</u>
Total	<u><u>\$2,711,571</u></u>

NOTE L – TEMPORARY RESTRICTED NET ASSETS

At June 30, 2013 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>
Case Manager		\$65,000		\$65,000
Emergency Assistance	\$127,100	\$485,065	\$437,476	\$174,689
Healthy Fair/Program Support		\$35,000	\$35,000	
Season of Sharing	\$48,193	\$258,926	\$244,372	\$62,747
Time restricted, United Way	\$63,250	\$65,900	\$65,900	\$63,250
Total	<u>\$238,543</u>	<u>\$909,891</u>	<u>\$782,748</u>	<u>\$365,686</u>

SUNNYVALE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE M – BOARD DESIGNATED NET ASSETS

At June 30, 2013, the Board of Directors has designated the Organization's unrestricted net assets for general operating reserves, \$288, 410 and major capital expenses \$419,711.

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, 2013 through October 1, 2013, 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 THE SCHEDULE OF FEDERAL AWARDS
JUNE 30, 2013

NOTE A – BASIS OF PRESENTATION:

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

NOTE B – EXPENDITURES

Expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein either certain types of expenditures are not allowable or reimbursements of allowable costs are limited.

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, with 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, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated October 8, 2013.

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 opinions 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*.

We have reported to the Audit Committee, in a separate letter dated October 8, 2013, recommendations, which we consider to be opportunities to improve internal controls.

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 report is not suitable for any other purpose.



Pleasanton, California
October 8, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE OMB CIRCULAR A-133

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 circular A-133 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, 2013. 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 the requirements of laws, regulations contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sunnyvale Community Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2013.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly this report is not suitable for any other purpose.



Pleasanton, California
October 8, 2013

Sunnyvale Community Services
 Schedule of Findings and Questioned Costs
 June 30, 2013

Section I Summary of Auditor Results Yes No

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#	10.569	
Name of Federal Program	USDA Food Program	
Dollar threshold to distinguish between Type A and Type B programs?	\$300,000	
Auditee qualify as low risk?		X

Section II Financial Statement Findings

No matters were reported

Section III Federal Award Findings and Questioned Costs

No matters were reported

Section IV Summary Schedule of Prior Year Audit Findings

No matters were reported