

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

SUNNYVALE COMMUNITY SERVICES

JUNE 30, 2015

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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, 2015, 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, 2015, 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, 2014 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been obtained.

### Other Matters

#### Required Supplementary Information

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. 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 presented in the *schedule of expenditures of federal awards* 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 7, 2015 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 7, 2015

Sunnyvale Community Services  
Statement of Financial Position  
June 30, 2015 with Comparative Totals at June 30, 2014

	Unrestricted	Temporarily Restricted	Total 2015	Summarized 2014
<b>ASSETS</b>				
Cash	\$692,940	\$182,311	\$875,251	\$583,020
Awards and grants receivable	122,820	210,600	333,420	417,808
Inventory	193,641		193,641	146,526
Prepaid expenses	25,558		25,558	32,743
TOTAL CURRENT ASSETS	<u>1,034,959</u>	<u>392,911</u>	<u>1,427,870</u>	<u>1,180,097</u>
Investments	1,714,137		1,714,137	1,739,180
Deposits	978		978	946
Property and equipment, net	2,264,503		2,264,503	2,232,153
TOTAL ASSETS	<u>\$5,014,577</u>	<u>\$392,911</u>	<u>\$5,407,488</u>	<u>\$5,152,376</u>
<b>LIABILITIES</b>				
Accounts payable	\$14,795		\$14,795	\$27,844
Agency transactions refundable	219,192		219,192	240,705
Accrued compensation	53,192		53,192	56,130
Deferred revenue	16,595		16,595	
TOTAL CURRENT LIABILITIES	<u>303,774</u>		<u>303,774</u>	<u>324,679</u>
Accrued interest				132,000
Notes payable	400,000		400,000	400,000
TOTAL LIABILITIES	<u>703,774</u>		<u>703,774</u>	<u>856,679</u>
<b>NET ASSETS</b>				
Unrestricted	3,602,273		3,602,273	3,096,968
Board designated reserves	708,530		708,530	708,530
Temporarily restricted		\$392,911	392,911	490,199
TOTAL NET ASSETS	<u>4,310,803</u>	<u>392,911</u>	<u>4,703,714</u>	<u>4,295,697</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$5,014,577</u>	<u>\$392,911</u>	<u>\$5,407,488</u>	<u>\$5,152,376</u>

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

Sunnyvale Community Services  
Statement of Activities  
For the year ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total 2015	Summarized 2014
<b>Support and Revenue</b>				
<b>Support</b>				
Foundation & corporate grants	\$338,280	\$631,712	\$969,992	\$1,267,397
Government contracts	494,212		494,212	487,910
Donations	866,441	112,505	978,946	789,698
In-kind donations	3,326,358		3,326,358	3,431,839
United Way allocation		101,252	101,252	60,600
Donations from forgiveness of debt	132,000		132,000	
Donations from special events	81,657		81,657	68,986
Total support	<u>5,238,948</u>	<u>845,469</u>	<u>6,084,417</u>	<u>6,106,430</u>
<b>Revenue</b>				
Fee for services	69,778		69,778	44,071
Interest income	33		33	35
Investment income	50,986		50,986	119,880
Recovery of prior year payroll tax loss	62,162		62,162	
Other income	4,384		4,384	2,026
Total revenue	<u>187,343</u>		<u>187,343</u>	<u>166,012</u>
<b>Net assets released from restrictions</b>				
Purpose & time restrictions released	942,757	(942,757)		
Total revenue and support	<u>6,369,048</u>	<u>(97,288)</u>	<u>6,271,760</u>	<u>6,272,442</u>
<b>Expenses</b>				
<b>Program services</b>				
Emergency Assistance	5,303,355		5,303,355	5,242,238
<b>Supporting services</b>				
Management and general	259,520		259,520	261,440
Fundraising	300,868		300,868	217,862
Total expenses	<u>5,863,743</u>		<u>5,863,743</u>	<u>5,721,540</u>
<b>Changes in net assets</b>				
	<u>505,305</u>	<u>(97,288)</u>	<u>408,017</u>	<u>550,902</u>
<b>Net assets at beginning of year</b>				
	<u>3,805,498</u>	<u>490,199</u>	<u>4,295,697</u>	<u>3,744,795</u>
<b>Net assets at end of year</b>				
	<u>\$4,310,803</u>	<u>\$392,911</u>	<u>\$4,703,714</u>	<u>\$4,295,697</u>

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

Sunnyvale Community Services  
Statement of Functional Expenses  
For the year ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	Services	Supporting Services			2015	2014
	Emergency Assistance	Management & General	Fund - Raising	Total Support	Total	Summarized
Salaries & wages	\$629,272	\$104,810	\$148,677	\$253,487	\$882,759	\$767,465
Payroll taxes	52,487	8,102	11,749	19,851	72,338	61,899
Fringe benefits	84,954	12,137	20,079	32,216	117,170	129,605
Total salaries	766,713	125,049	180,505	305,554	1,072,267	958,969
Conferences and meetings	1,883	12,888	1,048	13,936	15,819	14,109
Dues, fees and other charges	1,161	11,308	1,117	12,425	13,586	10,681
Emergency assistance	776,245				776,245	862,549
In-kind emergency assistance	3,264,892				3,264,892	3,264,727
In-kind interest expense		12,000		12,000	12,000	
In-kind professional services		8,252		8,252	8,252	7,989
Insurance	15,235	2,039	3,519	5,558	20,793	15,155
Interest expense						12,000
Maintenance & repair	31,755	5,423	7,669	13,092	44,847	31,627
Occupancy	29,968	11,626		11,626	41,594	41,755
Outside services	900	54,222	27,965	82,187	83,087	82,743
Postage	3,087	501	7,744	8,245	11,332	9,653
Printing	6,228	932	40,681	41,613	47,841	35,486
Subcontractor payments	267,895				267,895	231,803
Supplies	40,057	4,432	10,736	15,168	55,225	31,137
Telephone	13,027	2,209	2,943	5,152	18,179	16,902
Travel	591	68	112	180	771	843
Volunteer expense	19,202		1,910	1,910	21,112	23,677
Subtotal before depreciation	5,238,839	250,949	285,949	536,898	5,775,737	5,651,805
Depreciation	64,516	8,571	14,919	23,490	88,006	69,735
Total expenses	\$5,303,355	\$259,520	\$300,868	\$560,388	\$5,863,743	\$5,721,540

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

Sunnyvale Community Services  
Statement of Cash Flows  
For the year ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	<u>Total 2015</u>	<u>Summarized 2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$408,017	\$550,902
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	88,006	69,735
Forgiveness of mortgage interest on long term loan	(132,000)	
Net realized and unrealized changes on investments	(50,986)	(119,880)
 (Increase) decrease in operating assets		
Awards and grants receivable	84,388	(70,475)
Inventory	(47,115)	(110,961)
Prepaid expenses	7,185	(10,478)
Deposits	(32)	58
Increase (decrease) in operating liabilities		
Accounts payable	(13,049)	(16,816)
Agency transactions refundable	(21,513)	22,503
Accrued compensation	(2,938)	10,359
Deferred revenue	16,595	
Accrued interest expense		12,000
<b>NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES</b>	<u>336,558</u>	<u>336,947</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(120,356)	(86,688)
(Purchases) / Sales of investments, net	76,029	(7,455)
<b>NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES</b>	<u>(44,327)</u>	<u>(94,143)</u>
 <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 292,231	 242,804
 <b>BEGINNING CASH AND CASH EQUIVALENTS</b>	 <u>583,020</u>	 <u>340,216</u>
 <b>ENDING CASH AND CASH EQUIVALENTS</b>	 <u><u>\$875,251</u></u>	 <u><u>\$583,020</u></u>

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

The Organization works closely with a variety of lower income families by providing emergency family needs. The Organization serves as the fiscal administrator for the San Francisco Chronicle's Season of Sharing Fund in Santa Clara County which provides emergency assistance to qualified individuals. The Organization operates a food distribution center, supplied primarily by Second Harvest Food Bank, local grocery stores, bakeries, churches and individuals. The Organization accepts donations of household and emergency items that are passed through to clients residing in the community on an as needed basis. The Organization also works with the Downtown Streets Team providing services to the homeless.

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 current reporting period. Permanently restricted net assets include those subject to non-expiring donor 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.

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, 2015 the amount set aside is \$318,922. At June 30, 2014 the amount set aside is \$345,653.

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.

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE C – SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2015 and June 30, 2014 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 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. The Organization does maintain an allowance on program fees receivable based on specific identification. For the years ending June 30, 2015 and June 30, 2014 an allowance was not considered necessary.

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 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.

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 Boards 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, 2011 through June 30, 2014 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)

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, 2014, from which the summarized information was obtained.

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 which is 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, 2015 are as follows:

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

The Organization's assets measured at fair value at June 30, 2014 are as follows:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>
Investments	\$1,739,180	\$1,739,180

NOTE D – 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, 2015 the Organization's uninsured cash balance is \$140,883 and at June 30, 2014 the Organization's uninsured cash balance is \$0. 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 any significant credit risk related to cash or investments.

NOTE E – AWARDS and GRANTS RECEIVABLE

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. At June 30, 2014 awards and grants receivable consist of unrestricted \$166,604 and restricted \$251,204, all due within one year and approximately 33% of the receivable balance is due from El Camino Hospital and 29% is due from the City of Sunnyvale.

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE F – INVENTORY

Inventory consists of food, gift cards and shoe vouchers. Inventory's value is based on actual costs when purchased or if donated value is as follows; food inventory is valued at the USDA suggested price per pound rate and gift cards / shoe vouchers are valued at their face value. Donated food and gift cards are recorded as in-kind revenue and inventory when received and expensed to direct assistance when released from inventory. The Organization uses the first in, first out method for accounting for its inventory.

At December 31, 2015 inventory is reported as follows:

	<u>Gift Cards</u>	<u>Food</u>	<u>Total</u>
Beginning Balance	\$40,495	\$106,031	\$146,526
Additions	\$101,808	\$3,250,200	\$3,352,008
Distributions	<u>(\$82,093)</u>	<u>(\$3,222,800)</u>	<u>(\$3,304,893)</u>
Ending Balance	<u>\$60,210</u>	<u>\$133,431</u>	<u>\$193,641</u>

At December 31, 2014 inventory is reported as follows:

	<u>Gift Cards</u>	<u>Food</u>	<u>Total</u>
Beginning Balance	\$30,053	\$5,512	\$35,565
Additions / Purchases	\$13,994	\$3,194,842	\$3,208,836
Distributions	<u>(\$3,552)</u>	<u>(\$3,094,323)</u>	<u>(\$3,097,875)</u>
Ending Balance	<u>\$40,495</u>	<u>\$106,031</u>	<u>\$146,526</u>

NOTE G – INVESTMENTS

Investments consist of the following:

	June 30, 2015	June 30, 2014
Money Funds	\$152,886	\$41,183
Equities	\$979,943	\$945,322
Bonds	\$186,075	\$180,654
CD's	<u>\$395,233</u>	<u>\$572,021</u>
Total	<u>\$1,714,137</u>	<u>\$1,739,180</u>

At June 30, 2015 certificates of deposits have maturities ranging from six to eleven months, with interest rates ranging from .22% to .55%. At June 30, 2014 certificates of deposits have maturities ranging from four to twenty-one months, with interest ranging from .37% to .55%.

Investment income is as follows:

	June 30, 2015	June 30, 2014
Realized changes	\$63,411	\$30,066
Unrealized changes	(\$21,814)	\$85,823
Investment fees	(\$10,432)	(\$8,968)
Dividends & interest	<u>\$19,821</u>	<u>\$12,959</u>
Total	<u>\$50,986</u>	<u>\$119,880</u>

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation is as follows:

	June 30, 2015	June 30, 2014
Land	\$500,000	\$500,000
Building	\$1,905,064	\$1,905,064
Building improvements	\$512,864	\$440,390
Equipment	\$123,140	\$84,564
Furniture	\$172,201	\$165,721
Vehicles	\$18,220	\$18,220
Improvements in progress	\$2,825	
Subtotal	\$3,234,314	\$3,113,959
Accumulated depreciation	(\$969,811)	(\$881,806)
Net Book Value	\$2,264,503	\$2,232,153

Depreciation expense for the year ending June 30, 2015 is \$88,006 and for the year ending June 30, 2014 is \$69,735.

NOTE I – OPERATING LEASES

The Organization leases a photocopier under an operating lease agreement that expires in 2020. Future minimum payments due under this lease agreement are \$1,508 for the years ending June 30, 2016, June 30, 2017, June 30, 2018, June 30, 2019 and \$879 for the year ending June 30, 2020.

NOTE J – 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, 2015 the agency refundable is \$219,192 and at June 30, 2014 the agency refundable is \$240,705.

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 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 L – DEBT

Long-term debt at June 30, 2015 and June 30, 2014 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

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE L – DEBT (continued)

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, since its inception, at June 30, 2014 is \$132,000. During the year ended June 30, 2015 the City of Sunnyvale’s Council voted to terminate the accrued interest and forgave the balance previously accrued. As a result, the Organization has recognized a donation, forgiveness of debt, of \$132,000 for the year ended June 30, 2015. In addition, the Organization will recognize annually the forgiven interest of \$12,000 as an in-kind donation. The principle balance of the loan is due to the City of Sunnyvale in full at the end of the term, April 2038.

NOTE M – CONTRIBUTIONS IN-KIND

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

	June 30, 2015	June 30, 2014
Capital Equipment	\$2,499	\$48,162
Interest on Long Term Loan	\$12,000	
Gift Cards & Shoe Vouchers	\$22,308	\$13,994
Direct Assistance, Food	\$3,120,679	\$3,194,842
Direct Assistance, Other	\$160,620	\$166,853
Professional Services	\$8,252	\$7,988
Total	<u>\$3,326,358</u>	<u>\$3,431,839</u>

NOTE N – RELATED PARTY TRANSACTIONS

During the year ending June 30, 2015 the Organization purchased approximately \$29,091 of printing services from Alpha Graphics, which is owned by an at large board member of the Organization. During the year ending June 30, 2014 the Organization purchased approximately \$21,330 of printing services from Alpha Graphics, which is owned by an at large board member of the Organization.

NOTE O – TEMPORARY RESTRICTED NET ASSETS

For the year ended June 30, 2015 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>
Adopt-a-day	\$1,000	\$6,000	(\$7,000)	
Back Packs Day	\$20,000	\$3,130	(\$23,130)	
Case Manager	\$65,974	\$65,000	(\$54,184)	\$76,790
Emergency Services	\$342,624	\$563,062	(\$650,166)	\$255,520
Health Fair		\$35,000	(\$35,000)	
Payday Predators Coalition		\$37,500	(\$37,500)	
Remodel Kitchen		\$30,000	(\$30,000)	
School Supplies		\$1,025	(\$1,025)	
Shoe Vouchers		\$3,500	(\$3,500)	
Season of sharing	\$104,948	\$184,866	(\$190,104)	\$99,729
Time restricted, United Way	\$60,600	\$101,252	(\$101,252)	\$60,600
Total	<u>\$490,198</u>	<u>\$845,469</u>	<u>(\$942,757)</u>	<u>\$392,910</u>

SUNNYVALE COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE P – BOARD DESIGNATED NET ASSETS

At June 30, 2015 and at June 30, 2014, 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.

NOTE Q – RECOVERY OF PRIOR YEAR PAYROLL TAX LOSS

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 the authority to make such deposits with the respective Agencies. Upon receiving notice of nonpayment of employment taxes, management determined the payroll service provider had filed for bankruptcy under the provisions of chapter 13 of the bankruptcy code. The bankruptcy court classified the Organization as an unsecured general creditor. For the year ended June 30, 2011 management recorded a loss of \$49,165, for unpaid payroll tax deposits and \$5,414 for related penalty assessments. During the year ended June 30, 2015 the Organization received restitution of \$62,162 which includes penalties and accrued interest due on the original debt.

NOTE R – SUBSEQUENT EVENTS

The management of the Organization has reviewed the results of operations for the period of time from its year end June 30, 2015 through October 7, 2015, 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  
Schedule of Federal Awards  
For the Year Ended June 30, 2015

<u>CFDA#</u>	<u>Grantor / Pass thru</u>	<u>Name of Program</u>	<u>Contract \$</u>	<u>Revenue \$</u>
10.569	US Department of Agriculture Department of Social Services Second Harvest Food Bank	Food Program	279,089.00	<u>279,089.00</u>
14.218	US Department of Housing & Urban Development Community Development Block Grant Funds City of Sunnyvale	Downtown Streets Team Nova Food Assistance	322,000.00 21,516.00 74,611.00	322,000.00 21,516.00 74,611.00
		Sub-total, CDBG Funds	*	<u>418,127.00</u>
64.033	U.S. Department of Veterans Affairs	Supportive Services Veterans and Families	828,075.00	<u>15,652.00</u>
97.114	Federal Emergency Management Agency The Emergency Food and Shelter National Board The Local Board	Emergency Food & Shelter	78,452.00	<u>39,226.00</u>
		Total Federal Funding		<u><u>752,094.00</u></u>

\* Denotes major program



SUNNYVALE COMMUNITY SERVICES  
NOTES TO THE SCHEDULE 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 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*. 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.

NOTE B – EXPENDITURES

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost principles for nonprofit organizations, wherein either certain types of expenditures are not allowable or are limited to as in reimbursement. Pass through entity identifying numbers are presented where available.

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, 2015, 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 7, 2015.

#### 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 report is not suitable for any other purpose.



Pleasanton, CA  
October 7, 2015

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, 2015. 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, 2015.

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 7, 2015

Sunnyvale Community Services  
 Schedule of Findings and Questioned Costs  
 June 30, 2015

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#	14.218	
Name of Federal Program	Community Development Block Grant	
Dollar threshold to distinguish between Type A and Type B programs?	\$300,000	
Auditee qualify as low risk?		X

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