

Sunnyvale Community Services
(A California Nonprofit Public Benefit Corporation)

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

Year Ended June 30, 2017

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

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Boman Accounting Group, Inc.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sunnyvale Community Services
(A California Nonprofit Public Benefit Corporation)
Sunnyvale, California

Report on the Financial Statements

We have audited the accompanying financial statements of Sunnyvale Community Services (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2017, 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'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 from 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 entity'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 entity'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, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Sunnyvale Community Services as of June 30, 2106 were audited by other auditors whose report dated October 11, 2016, expressed an unqualified opinion on those statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 12, 2017, on our consideration of Sunnyvale Community Service's 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 Service's internal control over financial reporting and compliance.

Boman Accounting Group, Inc.
Campbell, California
October 12, 2017

SUNNYVALE COMMUNITY SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION

June 30, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current assets		
Cash and equivalents	\$ 1,474,302	\$ 1,086,839
Cash, restricted for Season of Sharing	354,680	431,610
Awards and grants receivable, current	504,993	892,660
Inventory	318,558	347,009
Prepaid expenses	39,600	54,521
Total current assets	2,692,133	2,812,639
Fixed assets		
Property and equipment - net	2,249,277	2,361,620
Other assets		
Awards and grants receivable, long term	-	147,000
Investments	1,397,190	1,188,141
Deposits	1,698	1,620
Total other assets	1,398,888	1,336,761
Total Assets	\$ 6,340,298	\$ 6,511,020
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 19,576	\$ 44,776
Agency transactions refundable	219,829	264,845
Accrued compensation	133,970	59,963
Total current liabilities	373,375	369,584
Other liabilities		
Note payable	400,000	400,000
Total liabilities	773,375	769,584
Net assets		
Unrestricted		
Operating fund	4,220,564	4,058,895
Board designated reserves	708,530	708,530
Total unrestricted	4,929,094	4,767,425
Temporarily restricted net assets	637,829	974,011
Total net assets	5,566,923	5,741,436
Total Liabilities and Net Assets	\$ 6,340,298	\$ 6,511,020

The accompanying notes are an integral part of these financial statements

SUNNYVALE COMMUNITY SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2017 and 2016

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support						
Contributions and net revenue						
Foundation & corporate grants	\$ 162,634	\$ 631,048	\$ 793,682	\$ 399,029	\$ 1,236,558	\$ 1,635,587
Government contracts	1,260,562		1,260,562	1,276,336		1,276,336
Donations	1,250,177	34,415	1,284,592	1,098,752	130,675	1,229,427
In-kind donations	3,417,987		3,417,987	3,747,915		3,747,915
United Way allocation		82,000	82,000		20,000	20,000
Special events	149,630		149,630	81,946		81,946
Fee for service	64,258		64,258	49,372		49,372
Interest income	204		204	39		39
Investment income	209,248		209,248	(26,848)		(26,848)
Other Income	-		-	-		-
	6,514,700	747,463	7,262,163	6,626,541	1,387,233	8,013,774
Net assets released from restriction	1,083,645	(1,083,645)	-	806,133	(806,133)	-
Total revenues, gains and other support	7,598,345	(336,182)	7,262,163	7,432,674	581,100	8,013,774
Expenses						
Program Services	6,629,698		6,629,698	6,241,767		6,241,767
Supporting Services:						
Management and general	348,664		348,664	428,885		428,885
Fundraising	458,314		458,314	305,400		305,400
Total expenses	7,436,676	-	7,436,676	6,976,052	-	6,976,052
Change in net assets	161,669	(336,182)	(174,513)	456,622	581,100	1,037,722
Net assets at beginning of year	4,767,425	974,011	5,741,436	4,310,803	392,911	4,703,714
Net assets at end of year	\$ 4,929,094	\$ 637,829	\$ 5,566,923	\$ 4,767,425	\$ 974,011	\$ 5,741,436

The accompanying notes are an integral part of these financial statements

SUNNYVALE COMMUNITY SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	Program Services		Supporting Services			2017 Total Expenses
	Emergency Assistance	Management and General	Fundraising	Total		
Expenses:						
Salaries and wages	\$ 1,106,867	214,016	216,949	\$ 430,965	\$ 1,537,832	
Payroll taxes	97,843	17,389	18,446	35,835	133,678	
Fringe benefits	132,071	25,625	26,179	51,804	183,875	
Total salaries and related expenses	1,336,781	257,030	261,574	518,604	1,855,385	
Conferences and meetings	26,630	4,488	8,310	12,798	39,428	
Dues, fees and other charges	22,062	6,479	9,130	15,609	37,671	
Emergency assistance	1,096,471	-	-	-	1,096,471	
Equipment lease/purchase	3,577	-	-	-	3,577	
In-kind emergency assistance	3,411,273	-	-	-	3,411,273	
In-kind interest expense	8,610	1,681	1,709	3,390	12,000	
In-kind facility rent	6,000	-	-	-	6,000	
In-kind professional services	12,668	2,540	2,733	5,273	17,941	
Insurance	16,711	4,045	2,919	6,964	23,675	
Interest expense	-	-	-	-	-	
Maintenance and repair	30,675	6,317	5,888	12,205	42,880	
Occupancy	45,222	1,922	961	2,883	48,105	
Outside services	112,121	19,816	70,541	90,357	202,478	
Postage	3,199	651	8,149	8,800	11,999	
Printing	13,163	2,638	51,154	53,792	66,955	
Subcontractor payments	278,625	-	-	-	278,625	
Supplies	40,829	7,983	11,084	19,067	59,896	
Telephone	13,390	3,394	2,159	5,553	18,943	
Travel	4,799	891	856	1,747	6,546	
Volunteer expense	25,966	-	-	-	25,966	
Total expenses before depreciation	6,508,772	319,875	437,167	757,042	7,265,814	
Depreciation & amortization	120,926	28,789	21,147	49,936	170,862	
Total expenses	\$ 6,629,698	\$ 348,664	\$ 458,314	\$ 806,978	\$ 7,436,676	
Percentage of total	89.15%	4.69%	6.16%	10.85%	100.00%	

The accompanying notes are an integral part of these financial statements

SUNNYVALE COMMUNITY SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	Program Services		Supporting Services		2016 Total Expenses
	Emergency Assistance	Management and General	Fundraising	Total	
Expenses:					
Salaries and wages	\$ 931,392	219,912	142,296	\$ 362,208	\$ 1,293,600
Payroll taxes	83,180	19,640	12,708	32,348	115,528
Fringe benefits	111,385	26,299	17,018	43,317	154,702
Total salaries and related expenses	1,125,957	265,851	172,022	437,873	1,563,830
Conference and meetings	14,128	15,665	2,813	18,478	32,606
Dues, fees and other charges	1,533	21,530	2,714	24,244	25,777
Emergency assistance	974,964	-	-	-	974,964
Equipment lease/purchase	8,192	1,934	1,252	3,186	11,378
In-kind emergency assistance	3,522,861	-	-	-	3,522,861
In-kind interest expense	-	12,000	-	12,000	12,000
In-kind facility rent	6,000	-	-	-	6,000
In-kind professional services	3,865	6,734	1,857	8,591	12,456
Insurance	17,902	4,227	2,735	6,962	24,864
Interest expense	-	754	-	754	754
Maintenance & repair	36,375	8,588	5,557	14,145	50,520
Occupancy	32,682	7,717	4,993	12,710	45,392
Outside services	49,265	26,084	31,126	57,210	106,475
Postage	1,889	2,120	6,902	9,022	10,911
Printing	6,695	3,159	45,518	48,677	55,372
Subcontractor payments	277,000	-	-	-	277,000
Supplies	33,382	20,708	8,210	28,918	62,300
Telephone	11,907	2,811	1,819	4,630	16,537
Travel	2,366	1,897	343	2,240	4,606
Volunteer expense	16,730	3,950	2,556	6,506	23,236
Total expenses before depreciation	6,143,693	405,729	290,417	696,146	6,839,839
Depreciation & amortization	98,074	23,156	14,983	38,139	136,213
Total expenses	\$ 6,241,767	\$ 428,885	\$ 305,400	\$ 734,285	\$ 6,976,052
Percentage of total	89.47%	6.15%	4.38%	10.53%	100.00%

The accompanying notes are an integral part of these financial statements

SUNNYVALE COMMUNITY SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF CASH FLOWS

Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (174,513)	\$ 1,037,722
Noncash items included in revenues and expenses:		
Depreciation	170,862	136,213
Net realized and unrealized (gains) losses on investments	(201,917)	26,848
Increase (decrease) in cash resulting from changes in:		
Awards and grants receivable	387,667	(559,240)
Inventory	28,451	(153,368)
Prepaid expenses	14,921	(28,963)
Deposits	(78)	(642)
Accounts payable	(25,200)	29,981
Agency transactions refundable	(45,016)	45,653
Accrued compensation	74,007	6,771
Deferred revenue		(16,595)
Restricted contributions for long-term use	147,000	(147,000)
	376,184	377,380
Net cash provided by (used in) operating activities	376,184	377,380
Cash flows from investing activities:		
Change in cash restricted for Season of Sharing	76,930	(112,688)
Purchase of property and equipment	(58,519)	(233,330)
(Purchases)/Sales of investments, net	(7,132)	499,148
	11,279	153,130
Net cash provided by (used in) investing activities	11,279	153,130
Cash flows from financing activities:		
Net cash provided by (used in) financing activities	-	-
Net change in cash and cash equivalents	387,463	530,510
Beginning cash and cash equivalents	1,086,839	556,329
Ending cash and cash equivalents	\$ 1,474,302	\$ 1,086,839
Supplemental disclosures:		
Cash paid for interest expense	\$	\$ 754

The accompanying notes are an integral part of these statements

SUNNYVALE COMMUNITY SERVICES
(A California Non-profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sunnyvale Community Services (Organization) is a 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.

1. Nature of Activities

Founded in 1970, Sunnyvale Community Services (SCS) is an independent nonprofit agency. SCS is designated by United Way of the Bay Area as the Emergency Assistance Network (EAN) agency for the City of Sunnyvale, covering zip codes 94085, 94086, 94087, 94088, and 94089, along with the Alviso neighborhood of San Jose, zip code 95002.

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

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

SCS assisted 8,300 unduplicated individuals in fiscal year 2016-17, which was an increase of 20% over the prior two years. The increase was attributed to expanded outreach, as well as a growing need caused by the soaring costs of living and growing income divide in Silicon Valley. Based on historical trends in food distributions and financial aid, SCS forecasts that families and seniors will come more frequently for food each month, and the need for more than one-time financial assistance and case management will continue.

The Community's Safety Net. The organization operates a food distribution center at its location in Sunnyvale. Food is supplied primarily by Second Harvest Food Bank, local grocery stores, bakeries, churches and individuals. SCS is one of the largest seven "transformer" partners of Second Harvest Food Bank. Supplemental food, including proteins such as shelf-stable milk and meats, are funded by cash donations. The organization engages over 2,500 volunteers, enabling SCS to have deep connections with the community and to keep costs low. The organization is well known for its

SUNNYVALE COMMUNITY SERVICES
(A California Non-profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

innovation and efficiency, distributing over three million pounds of nutritious food and fresh produce annually. SCS accepts donations of household and emergency items that are passed through to clients residing in the community.

The organization distributed over \$1,000,000 in financial aid in fiscal year 2016-17. The average amount of rental assistance per family has increased to over \$1,900 due to rising rents and inadequate public transportation. Financial assistance included payments for rent, rental deposits, utilities, medical, and other emergency bills.

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

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

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

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

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

The organization solicits funding for ongoing needs. In fiscal year 2016-17, SCS received several grants at the end of the fiscal year for program costs in the following fiscal year. In the prior year, the organization was also awarded a new three-year grant of \$150,000 each year, which was reported as one-time income in fiscal year 2015-16.

SUNNYVALE COMMUNITY SERVICES
(A California Non-profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board of Directors and staff of SCS have reserved these funds for future program costs.

As part of the Emergency Assistance Network (EAN), SCS was awarded new contracts in 2016-17 for prevention of homelessness, including a two-year contract beginning in 2017-18 to pilot a Homelessness Prevention System (HPS) through private and public sector funding sources.

2017 Awards and Recognition:

4-Star Charity Navigator Agency: For the sixth year in a row, Charity Navigator, the nation's largest and most-utilized evaluator of charities, awarded SCS the highest "4-star" ranking in 2017, in recognition of the organization's sound fiscal management and commitment to accountability and transparency.

Gold-level GuideStar Exchange: The organization continues to be a Gold-level GuideStar Exchange participant, demonstrating its commitment to transparency.

Silicon Valley Council of Nonprofits "Everyone Wins" Award: SCS was honored as one of the seven nonprofits in the Emergency Assistance Network (EAN) for Santa Clara County. The EAN network agencies were recognized for building a stronger countywide system to prevent homelessness for low-income families in Santa Clara County.

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

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

Food and In-Kind Assistance, providing up to six distributions of nutritious food and produce per family each month valued at \$462 per month for a family of four, helping them to afford other necessities.

Food distributions include:

- Daily emergency food
- Weekly "Produce Mondays" to over 900 families
- Monthly food distributions for families and seniors

SUNNYVALE COMMUNITY SERVICES
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NOTES TO FINANCIAL STATEMENTS

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- School Weekend Food distributions at four “Title I” low-income schools in Sunnyvale, giving 400 families food for the weekend
- Kids’ Summer Food, giving extra food to 1,600 children when schools are closed, along with filled backpacks and \$30 shoe gift cards for every child
- Pantry Days, giving families a choice of days to “shop” once a month for additional food and household items
- “Challenge Diabetes” program in partnership with El Camino Healthcare District, offering free Diabetes screening and monthly food as part of a 10-month nutrition and education program for 250 low-income individuals
- Community Christmas Center, giving clients the dignity of selecting a two-week supply of food, new gifts for infants through teens, and a household gift for each family
- Other in-kind services including bus passes, gas vouchers, school backpacks and gift cards for shoes, groceries, and basic necessities.

Case Management, for At-Risk Populations, including:

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

2. Basis of Accounting

The accompanying financial statements for the Organization have been prepared on the accrual basis of accounting.

3. Basis of Presentation

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. The Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those assets which are not subject to donor-imposed stipulations and net assets over which the Board of Directors has discretionary control in carrying out the operations.

Temporarily restricted net assets include those assets which are subject to donor-imposed stipulations which may or will be met either by actions of the Organization and/or by the passage of time, and for which the applicable restriction was not met as of the end of the current reporting period.

SUNNYVALE COMMUNITY SERVICES
(A California Non-profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments. There are currently no permanently restricted net assets.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

5. Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization is required to hold the San Francisco Chronicle's "Season of Sharing Fund" in a separate bank account. At June 30, 2017 and 2016, the amount set aside was \$354,680 and \$431,610 respectively. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to significant risk on its cash accounts.

6. Contribution and Grant Receivable

The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. The Organization does discount long term grants awards and grants receivable equal to the average US Treasury market rate of two percent and adding one percent for credit risk and valuation risk.

7. Inventory

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

SUNNYVALE COMMUNITY SERVICES
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NOTES TO FINANCIAL STATEMENTS

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Property and Equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets which range from 5 to 39 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

9. Accrued Vacation

Accrued vacation represents vacation earned but not taken as of June 30, 2017 and 2016 and is included in "accrued compensation" in the statement of financial position. The accrued vacation balances as of June 30, 2017 and 2016 were \$68,700 and \$54,479, respectively.

10. Revenue Recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

11. Contributions

Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

12. Contributions In-Kind

The Organization records donated equipment and other donated goods at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which nonetheless are central to the Organization's operations. In accordance with generally accepted accounting standards the value of these services is not reflected in the financial statements.

SUNNYVALE COMMUNITY SERVICES
(A California Non-profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect functional expenses are allocated to program and supporting services based on an analysis of personnel time and space utilized.

14. Income Taxes

Sunnyvale Community Services is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Organization's federal returns for the years ended June 30, 2014 through June 30, 2016 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Organization's state returns for the years ended June 30, 2013 through June 30, 2016 could be subject to examination by state taxing authorities, generally for four years after they are filed.

15. Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expenses for the year ended June 30, 2017 was \$-0-.

16. Subsequent Events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2017 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition of disclosure in the financial statements for the fiscal year ended June 30, 2017. Subsequent events have been evaluated through October 12, 2017, the date the financial statements became available to be issued.

SUNNYVALE COMMUNITY SERVICES
(A California Non-profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

17. 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.” Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Inputs other than quoted prices for identical assets or liabilities that are observable in the marketplace. For example, Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves, volatilities, loss severities, credit risks, and default rate).

Level 3: Inputs that are not observable in the market and reflect 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.

NOTE B — INVESTMENTS

The Organization maintains an investment account at Morgan Stanley Smith Barney, which consists of equity securities of various companies. The securities are adjusted to fair market value as of the close of the fiscal year and the difference in market value from one year to the next is recorded as unrealized gain or loss in the statement of activities. These assets are considered Level 1 assets.

NOTE C — FAIR VALUE MEASUREMENTS

The table below presents the assets measured at fair value at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investments (Level 1):		
Money Funds	\$ 50,219	\$ -
Equities	<u>1,346,971</u>	<u>1,188,141</u>
Total Investments	<u>\$ 1,397,190</u>	<u>\$ 1,188,141</u>

SUNNYVALE COMMUNITY SERVICES
(A California Non-profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE D — INVENTORY

Inventory at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Vouchers & Gift Cards	\$ 84,548	\$ 65,660
Household items	129,751	170,766
School supplies	36,974	46,370
Food	67,285	64,213
	<u>318,558</u>	<u>347,009</u>
Total Inventory	<u>\$ 318,558</u>	<u>\$ 347,009</u>

NOTE E — PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation of the property and equipment consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 500,000	\$ 500,000
Building	1,905,064	1,905,064
Building Improvements	701,589	677,948
Equipment/Furniture	329,590	294,712
Vehicles	65,131	65,131
	<u>3,501,374</u>	<u>3,442,855</u>
Less Accumulated Depreciation	<u>(1,252,097)</u>	<u>(1,081,235)</u>
Net Property and Equipment	<u>\$ 2,249,277</u>	<u>\$ 2,361,620</u>

Depreciation expense for the year ended June 30, 2017 and 2016 was \$170,862 and \$136,213, respectively.

NOTE F — 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, 2017 and 2016, the agency refundable amount was \$219,829 and \$264,845, respectively.

SUNNYVALE COMMUNITY SERVICES
(A California Non-profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE G — NOTE PAYABLE

Note payable at June 30, 2017 and 2016 is reported as follows:

City of Sunnyvale

City of Sunnyvale funds of \$400,000 with a maturity date of April, 2038 bearing 0% interest. The principal outstanding balance as of June 30, 2017 and 2016 was \$400,000. The loan is secured by the real property located at 725 Kifer Road, Sunnyvale, CA 94086.

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

NOTE H — BOARD DESIGNATED NET ASSETS

At June 30, 2017 and 2016, the Board of Directors has designated the Organization's unrestricted net assets for general operating reserves of \$288,410 and for major capital expenses of \$420,210.

NOTE I — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016 consisted of the following:

	2017	2016
Program:		
Backpack Day	\$ 8,411	\$ 10,000
Case Manager	85,400	75,000
Emergency Assistance	329,549	498,288
Leadership/Capital needs	-	32,410
Nutrition Access/Diabetes	40,000	40,000
Sponsor/SF Gives/SUFA	25,000	-
Toys	2,469	-
Twin Pines Fire Victims	-	21,313
Time Restriction	147,000	297,000
Total Temporarily Restricted Net Assets	\$ 637,829	\$ 974,011

SUNNYVALE COMMUNITY SERVICES
(A California Non-profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE J — TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets released from restriction during the year were as follows:

	2017	2016
Program:		
Backpack Day	\$ 54,647	\$ 115,405
Case Manager	75,000	76,790
Emergency Assistance	566,595	272,310
Holiday Mailing Campaign	-	15,000
Homeless Programs	-	37,000
Leadership Forum	-	2,000
Leadership/Capital needs	32,410	13,590
Nutrition Access/Diabetes	71,649	40,000
Payday Predators-Program	-	24,500
Program Support	-	15,000
Sponsors	47,500	-
Toyota Prius	-	5,000
Toys	2,531	-
Twin Pines Fire Victims	21,313	78,938
Youth Summer Program	-	50,000
Time Restriction	212,000	60,600
Total Released from Restriction	\$ 1,083,645	\$ 806,133

NOTE K — CONTINGENT LIABILITIES

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria under which expenditures may be charged against and are subject to audit under such criteria. Occasionally, such audits may determine certain costs incurred against the grants may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency or be subject to reductions of future funding in the amount of such costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

SUNNYVALE COMMUNITY SERVICES
(A California Non-profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE L — DONATED SERVICES AND MATERIALS

1. The Organization received donated services from a variety of unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills. During the year ended June 30, 2017, these volunteers donated approximately 34,932 hours with an estimated value of \$843,258. This value was computed using an hourly rate of \$24.14. This amount is based upon the average hourly earnings of volunteer time as determined by the Independent Sector.
2. The Organization also received donated services and material which were recorded at market value as follows:

	2017
Food	\$ 3,075,756
Toys/Teens	77,603
Household	19,784
Gift Cards	19,296
School supplies/backpacks	29,242
Equipment	29,550
Other materials	148,815
Donated labor (professional)	17,941
Total	\$ 3,417,987

NOTE M — OPERATING LEASE

The Organization leases three photocopiers, two vehicles and one postage meter all under non-cancelable operating lease agreements with varying expiration dates.

Future annual minimum lease payments under the lease agreements are approximately as follows:

Year ending June 30:

2018	\$	6,634
2019		4,384
2020		2,819
2021		1,318
	\$	15,155

SUNNYVALE COMMUNITY SERVICES
(A California Non-profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE N — SPECIAL EVENTS

The Organization participated in the following special event, Dinner at the Dump and reported the following proceeds for June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Auction Sales	\$ 32,054	\$ 33,838
Raffle Ticket Sales	6,977	6,120
Contributions	<u>110,599</u>	<u>41,988</u>
Total Special Event Income	<u>\$ 149,630</u>	<u>\$ 81,946</u>

SUNNYVALE COMMUNITY SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

Federal Grantor Pass-Through Grantor Program Title/Grant Number	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture Second Harvest Food Bank	10.569		\$ _____	\$ _____ 327,382
Total Department of Agriculture			-	327,382
U.S. Department of Housing & Urban Development Community Development Block Grant Funds	14.218	B-16-MC060023	278,625	404,225
Community Development Block Grant Funds	14.218	B-16-MC060023	_____	75,000
Total Department of Housing and Urban Development			278,625 *	479,225
U.S. Department of Veterans Affairs Supportive Services for Veteran Families	64.033	C15-CA-500B	_____	412,553
Total Department of Veterans Affairs			-	412,553
Federal Emergency Management Agency Emergency Food and Shelter National Board	97.114		_____	-
Total Federal Emergency Management Agency			-	-
 Total Expenditures of Federal Awards			\$ _____ 278,625	\$ _____ 1,219,160

* Denotes major program

See accompanying notes to schedule of expenditures of federal awards

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Sunnyvale Community Services under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.C. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sunnyvale Community Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sunnyvale Community Services. Pass through entity identifying numbers are presented where available.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for nonprofit organizations, wherein certain types of expenditures are not allowable or are limited as in reimbursement.

NOTE C – INDIRECT COST RATE

Sunnyvale Community Services has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



Boman Accounting Group, Inc.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Sunnyvale Community Services
(A California Nonprofit Public Benefit Corporation)
Sunnyvale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sunnyvale Community Services (a California Nonprofit Public Benefit Corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 the Organization's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 noted certain matters that we reported to management of Sunnyvale Community Services in a separate letter dated October 12, 2017.

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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sunnyvale Community Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boman Accounting Group, Inc.
Campbell, California
October 12, 2017



Boman Accounting Group, Inc.

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

To the Board of Directors
Sunnyvale Community Services
(A California Nonprofit Public Benefit Corporation)
Sunnyvale, California

Report on Compliance for Each Major Federal Program

We have audited Sunnyvale Community Services' (A California Nonprofit Public Benefit Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sunnyvale Community Services' major federal programs for the year ended June 30, 2017. Sunnyvale Community Services' major federal programs are identified in the summary of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sunnyvale Community Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sunnyvale Community Services' compliance.

Opinion on Each Major Federal Program

In our opinion, Sunnyvale Community Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Sunnyvale Community Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sunnyvale Community Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sunnyvale Community Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Boman Accounting Group, Inc.
Campbell, California
October 12, 2017

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Section I
Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
- Material weaknesses identified?	None
- Significant deficiencies identified that are not considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	None

Federal Awards

Internal control over major programs:	
- Material weaknesses identified?	None
- Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	None
Identification of major programs:	
Community Development Block Grant	CFDA 14.218
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II
Financial Statement Findings

None.

Section III
Financial Award Findings and Questioned Costs

No matters are reported