

Sunnyvale Community Services
(A California Nonprofit Public Benefit Corporation)

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

Years Ended June 30, 2020 and June 30, 2019

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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, 2020 and 2019 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.

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 December 17, 2020, 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

Boman Accounting Group, Inc.
Campbell, California
December 17, 2020

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

June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and equivalents	\$ 5,674,637	\$ 925,594
Cash, restricted for Season for Sharing (NOTE F)	312,767	498,659
Awards and grants receivable	882,787	683,693
Pledge receivable	1,091,432	-
Investments (NOTE D)	689,411	1,889,246
Inventory (NOTE C)	377,693	254,332
Prepaid expenses	70,434	158,653
Total current assets	9,099,161	4,410,177
Fixed assets		
Property and equipment - net (NOTE E)	14,556,360	2,127,874
Other assets		
Awards and grants receivable, long term (net of discount)	-	72,816
Deposits	23,485	3,912
Intangible assets - Financing costs - net	19,011	-
Total other assets	42,496	76,728
Total Assets	\$ 23,698,017	\$ 6,614,779
 LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities	\$ 14,713	\$ -
Accounts payable	90,836	119,872
Accrued interest payable	1,017	-
Accrued compensation	265,704	174,015
Agency transactions refundable (NOTE F)	312,461	429,577
Total current liabilities	684,731	723,464
Other liabilities		
Forgivable loans (NOTE G)	1,395,000	400,000
Note payable (NOTE H)	6,068,092	-
Total other liabilities	7,463,092	400,000
Total liabilities	8,147,823	1,123,464
Net assets		
Net assets without donor restrictions		
Undesignated	11,834,305	3,657,396
Board designated reserves (NOTE I)	1,028,530	1,028,530
Total net assets without donor restrictions	12,862,835	4,685,926
Net assets with donor restrictions (NOTE J)		
Purpose restrictions	2,612,359	655,389
Time-restricted for future periods	75,000	150,000
Total net assets with donor restrictions	2,687,359	805,389
Total net assets	15,550,194	5,491,315
Total Liabilities and Net Assets	\$ 23,698,017	\$ 6,614,779

The accompanying notes are an integral part of these financial statements

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

Years Ended June 30, 2020 and 2019

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Contributions and net revenue						
Foundation and corporate grants	\$ 796,082	\$ 2,815,308	\$ 3,611,390	\$ 493,122	\$ 1,010,792	\$ 1,503,914
Government contracts	2,945,820	-	2,945,820	1,511,693	-	1,511,693
Donations	2,074,003	5,403,035	7,477,038	1,433,250	81,196	1,514,446
In-kind donations (NOTE L)	3,242,287	-	3,242,287	3,657,265	-	3,657,265
United Way allocation	-	263,000	263,000	-	52,200	52,200
Special events (NOTE M)	67,459	50,000	117,459	128,523	20,000	148,523
Fee for service	61,442	-	61,442	54,320	-	54,320
Interest income	2,125	-	2,125	429	-	429
Investment income	55,192	-	55,192	81,843	-	81,843
	<u>9,244,411</u>	<u>8,531,342</u>	<u>17,775,753</u>	<u>7,360,445</u>	<u>1,164,188</u>	<u>8,524,633</u>
Net assets released from restriction	<u>6,649,373</u>	<u>(6,649,373)</u>	<u>-</u>	<u>940,361</u>	<u>(940,361)</u>	<u>-</u>
Total revenues, gains and other support	15,893,783	1,881,970	17,775,753	8,300,806	223,827	8,524,633
Expenses						
Program Services	8,965,299	-	8,965,299	7,474,353	-	7,474,353
Supporting Services:						
Management and general	484,084	-	484,084	343,070	-	343,070
Fundraising	579,540	-	579,540	803,408	-	803,408
	<u>274,605</u>	<u>-</u>	<u>274,605</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>10,303,528</u>	<u>-</u>	<u>10,303,528</u>	<u>8,620,831</u>	<u>-</u>	<u>8,620,831</u>
Change in operating net assets	5,590,255	1,881,970	7,472,225	(320,025)	223,827	(96,198)
Non-operating income						
Gain from sale of real property	<u>2,586,654</u>	<u>-</u>	<u>2,586,654</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	8,176,909	1,881,970	10,058,879	(320,025)	223,827	(96,198)
Net assets at beginning of year	<u>4,685,926</u>	<u>805,389</u>	<u>5,491,315</u>	<u>5,005,951</u>	<u>581,562</u>	<u>5,587,513</u>
Net assets at end of year	<u>\$ 12,862,835</u>	<u>\$ 2,687,359</u>	<u>\$ 15,550,194</u>	<u>\$ 4,685,926</u>	<u>\$ 805,389</u>	<u>\$ 5,491,315</u>

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, 2020

	Program Services		Supporting Services			2020 Total Expenses
	Emergency Assistance	Management and General	Fundraising	Capital Campaign	Total	
Expenses:						
Salaries and wages	\$ 1,845,827	\$ 332,065	\$ 226,739	\$ 135,075	693,879	\$ 2,539,706
Payroll taxes	147,324	27,140	24,072	10,760	61,972	209,296
Fringe benefits	258,461	46,210	31,272	19,525	97,007	355,468
Total salaries and related expenses	2,251,612	405,415	282,083	165,360	852,858	3,104,470
Conference and meetings	16,112	2,645	8,964	434	12,043	28,155
Dues, fees and other charges	93,579	10,717	40,644	-	51,361	144,940
Emergency assistance	2,704,013	-	-	-	-	2,704,013
In-kind emergency assistance	3,102,894	-	-	-	-	3,102,894
in-kind facility rent	11,723	2,063	2,258	-	4,321	16,044
In-kind professional services	6,056	1,226	1,212	-	2,438	8,494
In-kind supplies	20,591	3,029	3,989	-	7,018	27,609
Insurance	23,000	4,794	4,713	-	9,507	32,507
Interest expense	1,017	-	-	-	-	1,017
Maintenance and repair	37,539	9,527	5,562	2,256	17,345	54,884
Occupancy	72,082	1,884	2,159	-	4,043	76,125
Outside services	125,889	18,081	109,447	93,963	221,491	347,380
Postage	2,177	348	17,281	275	17,904	20,081
Printing	10,542	1,666	69,098	1,756	72,520	83,062
Subcontractor payments	319,300	-	-	-	-	319,300
Supplies	79,037	10,394	17,647	1,035	29,076	108,113
Telephone	22,360	3,623	3,494	-	7,117	29,477
Travel	4,840	86	189	-	275	5,115
Volunteer expense	6,090	-	50	84	134	6,224
Advertising	-	-	-	9,442	9,442	9,442
Total expenses before depreciation	8,910,453	475,498	568,790	274,605	1,318,893	10,229,346
Depreciation and amortization	54,846	8,586	10,750	-	19,336	74,182
Total expenses	\$ 8,965,299	\$ 484,084	\$ 579,540	\$ 274,605	1,338,229	\$ 10,303,528
Percentage of total	87.01%	4.70%	5.62%	2.67%	12.99%	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, 2019

	Program Services		Supporting Services		2019 Total Expenses
	Emergency Assistance	Management and General	Fundraising	Total	
Expenses:					
Salaries and wages	\$ 1,545,052	\$ 171,633	\$ 319,177	\$ 490,810	\$ 2,035,862
Payroll taxes	113,214	25,804	30,620	56,424	169,638
Fringe benefits	196,152	46,618	48,138	94,756	290,908
Total salaries and related expenses	1,854,418	244,055	397,935	641,990	2,496,408
Conference and meetings	17,535	2,611	5,623	8,234	25,769
Dues, fees and other charges	18,773	7,150	21,119	28,269	47,042
Emergency assistance	1,119,261	-	-	-	1,119,261
In-kind emergency assistance	3,608,834	-	-	-	3,608,834
In-kind interest expense	8,114	2,010	1,876	3,886	12,000
in-kind facility rent	15,728	1,140	1,064	2,204	17,932
In-kind professional services	19,589	3,244	3,687	6,931	26,520
Insurance	17,629	3,932	4,882	8,814	26,443
Maintenance and repair	36,947	7,364	7,825	15,189	52,136
Occupancy	55,684	1,527	1,994	3,521	59,205
Outside services	204,379	22,881	222,693	245,574	449,953
Postage	2,438	598	14,259	14,857	17,295
Printing	12,913	2,259	68,525	70,784	83,697
Subcontractor payments	277,237	-	-	-	277,237
Supplies	60,448	14,274	18,369	32,643	93,091
Telephone	16,856	5,137	4,144	9,281	26,137
Travel	5,870	-	-	-	5,870
Volunteer expense	21,227	-	-	-	21,227
Advertising	-	-	6,181	6,181	6,181
Total expenses before depreciation	7,373,880	318,182	780,176	1,098,358	8,472,238
Depreciation and amortization	100,473	24,888	23,232	48,120	148,593
Total expenses	<u>\$ 7,474,353</u>	<u>\$ 343,070</u>	<u>\$ 803,408</u>	<u>\$ 1,146,478</u>	<u>\$ 8,620,831</u>
Percentage of total	<u>86.70%</u>	<u>3.98%</u>	<u>9.32%</u>	<u>13.30%</u>	<u>100.00%</u>

The accompanying notes are an integral part of these financial statements

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

Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 10,058,879	\$ (96,198)
Noncash items included in revenues and expenses:		
Depreciation and amortization	74,182	148,593
Net realized and unrealized gains on investments	38,375	(53,149)
Gain on sale of building	(2,586,654)	-
Accrued interest payable	1,017	-
Non-cash debt forgiveness	(400,000)	-
Increase (decrease) in cash resulting from changes in:		
Awards and grants receivable	(126,278)	(106,544)
Pledge receivable	(1,091,432)	-
Inventory	(123,361)	95,147
Prepaid expenses	88,219	(113,667)
Deposits	(19,573)	(1,795)
Accounts payable	(29,036)	(7,810)
Agency transactions refundable	(117,116)	24,037
Accrued compensation	91,690	3,888
Net cash provided by/(used in) operating activities	5,858,912	(107,498)
Cash flows from investing activities:		
Change in cash restricted for Season of Sharing	185,892	(23,071)
(Purchase) of Kern building	(14,013,712)	-
(Purchase) of property and equipment	(322,291)	(43,719)
Proceeds from sale of Kifer building	4,562,939	-
Disposition of property and equipment	-	3,650
(Purchase) of investments	(890,425)	-
Sales of investments	2,051,885	171,519
Net cash provided by (used in) investing activities	(8,425,712)	108,379
Cash flows from financing activities:		
Proceeds from building loan	6,940,000	-
Payment of financing costs	(19,723)	-
Payment of capitalized interest	(142,239)	-
Proceeds from capital lease	44,140	-
Payments on capital lease	(1,335)	-
Proceeds from PPP loan	495,000	-
Net cash provided by (used in) financing activities	7,315,843	-
Net change in cash and cash equivalents	4,749,043	881
Beginning cash and cash equivalents	925,594	924,713
Ending cash and cash equivalents	\$ 5,674,637	\$ 925,594

The accompanying notes are an integral part of these statements

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Agency Overview

Founded in 1970, Sunnyvale Community Services (SCS) is an independent nonprofit agency providing food, financial aid, and other emergency services to low-income families and individuals. The mission of SCS is to prevent homelessness and hunger in our local community. Our vision is a community where everyone has a home with food on their table. We assist over **10,000** unduplicated residents each year with one or more services.

SCS is one of seven Emergency Assistance Network (EAN) agencies in Santa Clara County. We are the designated safety-net agency for all ZIP codes in the city of Sunnyvale, along with the Alviso neighborhood of San Jose (ZIP code 95002). SCS is also part of Santa Clara County's Homelessness Prevention Services (HPS) Program, assisting people county-wide with rental assistance and case management. Our homeless services assist unhoused individuals with case management, rental deposits, food, job training, and job placement. We are one of the largest "Transformer" partners of Second Harvest of Silicon Valley, distributing more than **2 million pounds** of food annually, equal to **1,350,000 meals each year**.

Our Theory of Change

SCS believes that early intervention is the most effective way to prevent homelessness and hunger. We do this by:

- Stabilizing families
- Connecting people to benefits and services
- Building skills to increase resiliency
- Advocating for policies to improve lives

Fiscal Health

SCS is a financially robust and stable organization. We have had unmodified audits as far back as our records go. We have six months' worth of operational cash reserves, plus separate reserves for capital and building maintenance expenses. We have a broad funding base of foundation, corporate, government, individual, and in-kind donors. Our funding sources are balanced and not overly reliant on a single source, such as government grants.

We are the fiscal agent in Santa Clara County for the San Francisco Chronicle's annual Season of Sharing fundraising drive. Charity Navigator has given us its highest rating of 4 Stars for eight years in a row, and we earned a GuideStar Platinum seal by demonstrating the highest level of transparency about our organization. The City of Sunnyvale named SCS as 2020 Business of the Year for our work during the COVID-19 pandemic.

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Facilities and Building

In 2018, the Board and staff of SCS determined that larger facilities were needed. In December 2019, SCS purchased a 36,000 SF property at 1160 Kern Avenue. The new building has three times more space, enabling us to meet the growing need for safety net services in our local community for decades to come.

The City of Sunnyvale purchased our current building at 725 Kifer Road, leasing it to SCS for \$1.00/month until our new building renovations are done. In March 2020, we put our capital campaign on hold during the pandemic and focused on helping thousands of residents with emergency rental assistance, food, and case management services. Even with these hurdles, by June 2020, we had raised \$8.4M towards our campaign goal of \$15M, which will cover the purchase price, tenant improvements, and initial operating costs. Our campaign fundraising continues with strong community support. We have a \$6M mortgage, with the goal to pay off the loan in five years.

When renovations on the new building are completed in mid 2021, we will have twice as much warehouse space for food storage and distribution, double the room for client services, spacious volunteer work areas, training and meeting rooms, space for partner agencies to offer services, and ample, safe, and accessible parking. Meanwhile, SCS continues to operate out of our current site thanks to the City of Sunnyvale's generous lease agreement.

Services Provided

Sunnyvale Community Services provides financial assistance, food aid, case management, referrals, and other services 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.

In FY2019–20, we provided one or more safety net services to **10,318** (unduplicated) individuals, a **50% increase in five years**.

- **Financial Assistance:** SCS provides emergency financial aid for rent, utilities, car repairs, medications, and other urgent needs. Last year, we assisted 6,123 individuals with financial assistance totaling \$2,704,013.
- **Food and In-Kind Assistance:** SCS operates multiple programs to help local low-income children, adults, and seniors stay properly fed.

Produce Days. SCS provides an average of 1,000 households (**2,500 people**) with fresh fruits and vegetables from Second Harvest of Silicon Valley each week (every other week during the pandemic).

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Home Food Delivery. Last year, SCS volunteers delivered healthy groceries twice a month to **159** elderly and disabled individuals.

Pop-Top Food Program. For **540** clients with no kitchen, SCS distributed healthy ready-to-eat and microwave-ready foods.

School Weekend Food Program. During the school year, SCS distributed food to low-income families with school-age children twice a month at four Title I Sunnyvale schools, serving **400** school families each month. (This program was suspended when the pandemic closed schools in March 2020, and has since been taken over by our partners at Second Harvest of Silicon Valley.)

Kids' Head-to-Toe Program: In addition to providing **1,609** students with brand-new backpacks filled with school supplies and gift cards for new shoes, this program gave kids and their families extra healthy foods during summer months when schools were closed.

Pantry Plus/Monthly Food. At the beginning of 2019, SCS piloted a new model for our main food program called Pantry Plus, in which clients were eligible to come twice a month and “shop” for the foods of their choice. After careful program review, Pantry Plus was discontinued in November 2019, when we returned to a monthly drive-through model. In the entire fiscal year, 2,532 unduplicated households (**6,420** individuals) came to the Pantry Plus and/or Monthly Food program.

Holiday Center: Last December, SCS gave more than **1,700** households (**4,500+** individuals) a two-week supply of food, plus gifts for children and a household gift.

- **Intensive Case Management:** SCS provides case management for individuals who need more than one-time assistance, including people with health-related issues or who are chronically homeless.
- **Financial Literacy:** SCS’s Financial Literacy Coach helped nearly 40 families improve their credit scores, build their assets, and become financially stable.
- **Benefits Assistance:** SCS staff conduct outreach and initial screening to connect clients with public benefits programs and services.
- **Homeless Services:** Last year, we provided housing assistance, supportive services for 802 individuals (adults and children) who are unhoused or in shelters. The WorkFirst Sunnyvale program, our partnership with Downtown Streets Team, helped 72 homeless individuals with job training and housing opportunities.

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Community Navigator Program:** Since 2018, SCS has trained 38 residents to be local leaders in outreach, community service, and local advocates on housing, voter rights, and immigrant rights.
- **Disaster Assistance:** SCS also responds quickly to unexpected needs. For example, when a fire made an apartment complex in north Sunnyvale uninhabitable in November 2019, we worked with the City of Sunnyvale over a holiday weekend to immediately find places for the 56 extremely-low-income residents—including 22 children—to stay. SCS staff then assisted all of the families with finding new and safer housing.
- **Other Assistance:** SCS provided gas vouchers, discounted VTA bus passes, diapers, refurbished bicycles, and household items.

COVID-19 Response

As the local safety net provider, when COVID-19 hit, SCS quickly pivoted to adjust all our services. Demand for all our services surged starting in March. SCS had to cease in-person client meetings, but we continued to “meet” with clients using an intercom system. Our caseworkers engage with clients via telephone, fax, text, and the Internet to exchange necessary documents. Our ten years of experience with drive-through food distributions helped us adapt during the pandemic. Most of our individual and corporate volunteers were not able to come during the shelter-in-place order. An outstanding effort by our remaining volunteers, our staff members, and employees of the City of Sunnyvale ensured that we did not miss a single monthly food distribution—not even the one scheduled for the day after the shelter-in-place order took effect. Volunteers did projects at home, conducted gift card drives, and sent us their stimulus checks.

By June, SCS had received more than 850 applications for financial assistance due to COVID-19, primarily for rent. We also registered over 300 new families for our food programs and expanded our homebound food delivery program. As eviction protections expire, and the economic downturn continues, we are bracing for more of our neighbors to come for assistance, and for ongoing need for financial and food aid for the thousands we have already helped since March 2020.

2. Basis of Accounting

The accompanying financial statements for the Organization have been prepared on the accrual basis of accounting and accounting principles generally accepted in the United States of America.

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Financial Statement 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.

Net Assets With Donor Restrictions – include contributions received from donors that are restricted for specific purposes or for subsequent periods. When a donor restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Net assets held in perpetuity include those assets which are subject to a non-expiring donor restriction, such as endowments.

4. Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board Issued Accounting Standard Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 with a date of the initial application of July 1, 2019, using the modified prospective method.

The adoption of ASU 2018-08 did not have a significant impact on the Organization’s financial position, result of operations, or cash flows. The Organization has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

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 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.

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Restricted Cash

The Organization is required to hold the San Francisco Chronicle's "Season of Sharing Fund" in a separate bank account. At June 30, 2020 and 2019, the amount set aside was \$312,767 and \$498,659 respectively.

7. Awards and Grants Receivable

The Organization considers all receivables 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.

8. Pledges Receivable

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support in the period received, and as assets, decrease of liabilities or expenses depending on the form of the benefits received. All unconditional promises to give are receivable in less than one year. The Organization considers all unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

9. 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: Observable, quotes prices for identical assets or liabilities in active market.

Level 2: Quoted prices for similar assets or liabilities in active market; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices (such as interest rates and yield curves).

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Fair Value Measurements (Continued)

Level 3: Unobservable inputs for the asset or liability. These should be based on the best information available. The Organization should utilize all reasonably available information but need not incur excessive cost or effort to do so. However, it should not ignore information that can be obtained without undue cost and effort. As such, the reporting entity's own data should be adjusted if information is reasonably available without undue cost and effort.

10. 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.

11. Property and Equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$5,000 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.

12. Impairment of long-lived assets

The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the year ended June 30, 2020 there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Accrued Vacation

Accrued vacation represents vacation earned, but not taken as of June 30, and is included in "accrued compensation" in the statement of financial position. The accrued vacation balances as of June 30, 2020 and 2019 were \$126,085 and \$82,811, respectively.

14. 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.

15. Contributions

Contributions are recognized when the donor makes a promise to the Organization, that is, in substance, unconditional. Contributions are recorded with or without donor restrictions depending on the existence and nature of donor restrictions depending on the existence and nature of donor restrictions. When the restriction is met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Conditional promises to give are not recognized until they become unconditional, which is when donor stipulated barriers are overcome and the Organization is entitled to the assets transferred or promised.

The Organization reports gifts or 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

16. In-Kind Donations

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.

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. In-Kind Donations (Continued)

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.

17. 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.

18. Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. There were no advertising expenses for the years ended June 30, 2020 and 2019.

19. 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.

20. Uncertainty in income taxes

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 files information returns in the U.S. federal jurisdiction and state of California. The Organization's federal returns for the years ended June 30, 2017 and beyond remain subject to possible examination by the Internal Revenue Service. The Organization's California returns of the years ended June 30, 2016 and beyond remain subject to possible examination by the Franchise Tax Board.

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

21. 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.

22. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense categories. 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, 2019 from which the summarized information was derived.

10. Subsequent Events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2020 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2020. Subsequent events have been evaluated through January 25, 2021, the date the financial statement became available to be issued.

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE B — LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and equivalents	\$	5,674,637
Cash, restricted for Season for Sharing		312,767
Awards and grants receivable		882,787
Pledge receivable		1,091,432
Investments (marketable securities)		689,411
Deposits		23,485
<hr/>		
Total financial assets	\$	8,674,519
Less financial assets held to meet donor-imposed restrictions:		
Cash, restricted for Season for Sharing		(312,767)
Purpose-restricted net assets		(2,612,359)
Time-restricted net assets		(75,000)
Less financial assets not available within one year:		
Deposits		(23,485)
<hr/>		
Amount available for general expenditures within one year	\$	<u>5,650,908</u>

The Organization's Awards and grants receivable consists of donor-restricted net assets for specific purposes and time-restricted net assets, with the exception of the amounts available for general use.

The Organization's Deposits consists of deposits for workers compensation and security deposits for the rented building. The deposit for workers compensation is refunded when the policy is not renewed and the final workers compensation audit is completed, which is not available within one year. The security deposit for rented building is refunded when the Organization terminates the lease and moves into the Organization's new building.

NOTE C — INVENTORY

Inventory at June 30, 2020 and 2019 consisted of the following:

	2020	2019
Vouchers and Gift Cards	\$ 28,552	\$ 11,800
Household items	94,354	93,545
School supplies	-	20,139
Food	254,787	128,848
<hr/>		
Total Inventory	<u>\$ 377,693</u>	<u>\$ 254,332</u>

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE D — FAIR VALUE MEASUREMENTS

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.

The table below presents the assets measured at fair value at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Investments (Level 1):		
Money Funds	\$ 22,193	\$ 88,576
Equities	667,218	1,550,636
Investments (Level 2):		
Certificates of Deposit	-	250,033
Total Investments	<u>\$ 689,411</u>	<u>\$ 1,889,246</u>

NOTE E — PROPERTY AND EQUIPMENT, NET

The cost and related accumulated depreciation of the property and equipment consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 7,006,856	\$ 500,000
Building	7,048,562	1,905,064
Building Improvements	-	771,137
Construction in progress	165,927	-
Capitalized interest	142,239	-
Equipment/Furniture	291,320	247,181
Vehicles	171,550	101,032
	<u>14,826,454</u>	<u>3,524,413</u>
Less Accumulated Depreciation	<u>(270,094)</u>	<u>(1,396,540)</u>
Net Property and Equipment	<u>\$ 14,556,360</u>	<u>\$ 2,127,874</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$73,470 and \$148,594, respectively.

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE F — AGENCY TRANSACTIONS REFUNDABLE

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, 2020 and 2019, the agency refundable amount was \$312,461 and \$429,577, respectively.

NOTE G — FORGIVABLE LOANS

Forgivable loans at June 30, 2020 and 2019 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, 2020 and 2019 was \$0 and \$400,000, respectively. The loan was secured by the real property located at 725 Kifer Road, Sunnyvale, CA 94086. The loan was forgiven on September 10, 2019.

City of Sunnyvale

City of Sunnyvale funds of \$900,000 with a term of five years (local requirement) or sale or other transfer of the property, whichever occurs first. The funds were provided on December 16, 2019, bearing 0% interest. The principal outstanding balance as of June 30, 2020 and 2019 was \$900,000 and \$0, respectively. The loan is secured by the real property located at 1160 Kern Avenue, Sunnyvale, CA 94085.

The loan contains a restriction requiring the building to be used for the purposes of providing comprehensive emergency assistance for the initial five years (local requirement), unless otherwise approved by the City of Sunnyvale. In addition, the CDBG requirements in 24 CFR 570.503, the reversion of assets clause requires the property to be used for CDBG-eligible activities for an additional five-year period (federal requirement) following the end of the Note Term.

Payments shall be fully deferred for the first five years. If, after the first five years of the term has passed, any remaining balance shall be forgiven.

Paycheck Protection Program

On April 16th, 2020 the Organization obtained a Small Business Administration (SBA) Paycheck Protection Program Loan (PPP) through Boston Private Bank & Trust Company in the amount of \$495,000 with interest rate of 1%. Payments of principal and interest were deferred for the first six months of the loan. The principal amount of the PPP loan is subject to forgiveness to the extent that proceeds are used to pay eligible program expenses including payroll costs, rent obligations, and utility payments. The Organization is in the process to apply for loan forgiveness.

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE H — NOTE PAYABLE (Continued)

Notes payable at June 30, 2020 and 2019 is reported as follows:

	<u>2020</u>	<u>2019</u>
<u>Boston Private Bank</u>	\$ 6,040,000	\$ -
<p>The Organization borrowed 6,040,000 for the purchase of the new building located at 1160 Kern Avenue, Sunnyvale, CA 94085, with an interest rate of 4.42%. Interest is charged for the initial 60 months ("Interest Only Period). At the expiration of the Interest Only Period, the outstanding principal would then be amortized over 25 year.</p>		
<u>Cisco Systems Capital Corporation</u>	42,805	-
<p>The Organization entered a capital lease with Cisco Systems Capital Corporation in May 2020. At the end of the lease, the Organization will purchase the leased items at 10% of the hardware original purchase price. The capital lease liability was recorded as the present value of all lease payments and reduced by each lease payment.</p>		
	<u>6,082,805</u>	<u>-</u>
Current maturities	14,713	-
	<u>\$ 6,068,092</u>	<u>\$ -</u>

Principal payments on note payables are due as follows:

Year ended June 30,

2021	\$		14,713
2022			14,713
2023			13,379
2024			-
2025			-
		\$	<u>42,805</u>

NOTE I — BOARD DESIGNATED NET ASSETS

At June 30, 2020, the Board of Directors has designated the Organization's net assets without donor restriction for general operating reserves of \$1,028,530.

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE J — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
Program:		
Backpack Day	\$ 158,988	\$ 109,550
Case Manager	83,983	154,989
Emergency Assistance	140,306	209,082
COVID-19	1,010,608	-
Nutrition Access/Diabetes	-	45,000
Food	15,000	-
Fire Relief Fund	22,513	210
Toys	13,365	11,932
Coordinated Services for Homebound	70,017	67,944
Veteran Program	29,868	25,000
Capital Campaign	1,054,980	12,000
Murphy Pet Fund	3,816	1,372
Sunnyvale Crash Victim	8,915	18,310
Time Restriction	75,000	150,000
Total Net Assets With Donor Restrictions	\$ 2,687,359	\$ 805,389

Net assets with donor restrictions released from restriction during the year were as follows:

	2020	2019
Program:		
Backpack Day	\$ 143,713	\$ 137,900
Case Manager	154,989	194,018
Emergency Assistance	512,170	293,966
COVID-19	675,427	-
Nutrition Access/Diabetes	45,000	40,000
Food	12,753	-
Fire Relief Fund	32,085	-
Toys	2,135	7,660
Coordinated Services for Homebound	67,944	-
Veterans Program	42,832	29,750
Capital Campaign	4,765,344	-
Murphy Pet Fund	948	933
Sunnyvale Crush Victim	9,545	-
Time Restriction	75,000	140,200
Sponsors/Challenge Holiday	50,000	55,000
Adopt-A-Day	4,000	7,875
Listen for Good Project	-	33,059
CDP Program	5,488	-
Refrigerated Van	50,000	-
Total Released from Restriction	\$ 6,649,373	\$ 940,361

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE K — CONTINGENT LIABILITIES

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

NOTE L — 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, 2020, these volunteers donated approximately 25,772 hours with an estimated value of \$700,998. This value was computed using an hourly rate of \$27.20. 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 for the year ended June 30, 2020:

Food	\$	2,988,523
Toys/Teens		146,394
Household		10,803
Gift Cards		9,660
School supplies/backpacks		11,264
Other assets/materials		67,149
Donated labor (professional)		8,494
Total	\$	3,242,287

NOTE M — SPECIAL EVENTS

The Organization participated in the various special events, and reported the following proceeds for June 30, 2020 and 2019:

		2020		2019
Auction Sales	\$	28,391	\$	48,089
Contributions/Sponsorships		89,068		100,434
Total Special Event Income	\$	117,459	\$	148,523

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE N — OPERATING LEASES

The Organization leases three photocopiers and two postage meters 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:

2021	\$	12,375
2022		9,680
2023		8,246
2024		7,385
2025		1,732
	\$	<u>39,417</u>

On November 26, 2019, the Organization sold the building at 725 Kifer Road, Sunnyvale, California to the City of Sunnyvale. The City of Sunnyvale agreed to rent back the location to the Organization at a rate of \$1 per month while renovations are being made to the new building located at 1160 Kern Avenue, Sunnyvale, California.

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

Year Ended June 30, 2020

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		\$ -	\$ 659,516
Total Department of Agriculture			-	659,516
U.S. Department of Housing and Urban Development Community Development Block Grant Funds	14.218			900,000
Community Development Block Grant Funds	14.218	B-18-MC060023	347,668	449,273
Community Development Block Grant Funds	14.218	B-18-MC060023	-	80,000
Total Department of Housing and Urban Development			347,668	1,429,273 *
Federal Emergency Management Agency Emergency Food and Shelter National Board	97.024		-	30,000
Total Federal Emergency Management Agency			-	30,000
 Total Expenditures of Federal Awards			<u>\$ 347,668</u>	<u>\$ 2,118,789</u>

* 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, 2020. 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, 2020, 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 December 17, 2020.

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 December 17, 2020.

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

Boman Accounting Group, Inc.
Campbell, California
December 17, 2020



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, 2020. 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, 2020.

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

Boman Accounting Group, Inc.
Campbell, California
December 17, 2020

SUNNYVALE COMMUNITY SERVICES
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2020

Section I
Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
- Material weaknesses identified?	No
- Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
- Material weaknesses identified?	No
- Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	No
Identification of major programs:	
USDA – Second Harvest Food Bank	CFDA 10.569
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

No matters were reported

Section III
Financial Award Findings and Questioned Costs

No matters were reported