

Sunnyvale Community Services

**Financial Statements
And
Independent Auditors' Report**

Years Ended June 30, 2022 and June 30, 2021

Sunnyvale Community Services

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Boman Accounting Group, Inc.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sunnyvale Community Services
Sunnyvale, California

Opinion

We have audited the accompanying financial statements of Sunnyvale Community Services (a California nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sunnyvale Community Services as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sunnyvale Community Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunnyvale Community Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sunnyvale Community Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunnyvale Community Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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* 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 schedule of expenditures of federal awards 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 March 17, 2023, on our consideration of Sunnyvale Community Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sunnyvale Community Services' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sunnyvale Community Services' internal control over financial reporting and compliance.

Boman Accounting Group, Inc

Boman Accounting Group, Inc.
Campbell, California
March 17, 2023

SUNNYVALE COMMUNITY SERVICES
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and equivalents	\$ 2,468,785	\$ 4,498,176
Cash, restricted for Season for Sharing	813,388	462,806
Accounts and grants receivable	1,276,877	1,168,618
Pledge receivable (net of allowance)	157,751	1,031,456
Investments (Note 5)	759,868	947,495
Inventory (Note 6)	457,767	450,020
Prepaid expenses	114,334	118,655
Total current assets	6,048,770	8,677,226
Fixed assets		
Property and equipment, net (Note 7)	22,721,796	20,847,926
Other assets		
Pledge receivable, long-term (net of discount)	-	52,854
Grants receivable, long-term (net of discount)	73,711	-
Deposits	3,485	23,485
Intangible assets - Financing costs - net	16,381	17,696
Total other assets	93,577	94,035
Total Assets	\$ 28,864,143	\$ 29,619,187
 LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities	\$ 12,376	\$ 14,713
Accounts payable	110,036	2,425,431
Accrued interest payable	-	2,280
Accrued compensation	330,732	351,274
Agency transactions refundable (Note 8)	750,676	404,576
Total current liabilities	1,203,820	3,198,274
Other liabilities		
Forgivable loans (Note 9)	2,400,000	1,516,508
Notes payable (Note 10)	6,040,000	6,053,045
Total other liabilities	8,440,000	7,569,553
Total liabilities	9,643,820	10,767,827
Net assets		
Net assets without donor restrictions		
Undesignated	16,392,382	14,622,545
Board designated reserves	1,028,530	1,028,530
Total net assets without donor restrictions	17,420,912	15,651,075
Net assets with donor restrictions (Note 13)		
Purpose restrictions	1,649,411	2,990,285
Time-restricted for future periods	150,000	210,000
Total net assets with donor restrictions	1,799,411	3,200,285
Total net assets	19,220,323	18,851,360
Total Liabilities and Net Assets	\$ 28,864,143	\$ 29,619,187

The accompanying notes are an integral part of these financial statements

SUNNYVALE COMMUNITY SERVICES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2022 and 2021

	Year Ended June 30, 2022			Year Ended June 30, 2021		
	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	\$ 639,832	\$ 1,677,553	\$ 2,317,385	\$ 1,401,290	\$ 2,358,568	\$ 3,759,858
Government contracts	6,586,384	-	6,586,384	4,504,865	-	4,504,865
Donations	2,685,813	688,808	3,374,621	2,692,935	808,958	3,501,893
In-kind donations (Note 14)	2,005,377	-	2,005,377	2,000,832	99,707	2,100,539
United Way allocation	-	76,000	76,000	-	38,000	38,000
Fee for service	69,537	-	69,537	61,365	-	61,365
Interest income	2,072	-	2,072	2,704	-	2,704
Investment income (loss)	(174,502)	-	(174,502)	244,490	-	244,490
Loss on disposal of property and equipment	(6,340)	-	(6,340)	-	-	-
	<u>11,808,173</u>	<u>2,442,361</u>	<u>14,250,534</u>	<u>10,908,481</u>	<u>3,305,233</u>	<u>14,213,714</u>
Net assets released from restriction	<u>3,843,235</u>	<u>(3,843,235)</u>	<u>-</u>	<u>2,792,307</u>	<u>(2,792,307)</u>	<u>-</u>
Total revenues, gains and other support	15,651,408	(1,400,874)	14,250,534	13,700,788	512,926	14,213,714
Expenses						
Program Services	11,906,126	-	11,906,126	9,392,849	-	9,392,849
Supporting Services:						
Management and general	747,922	-	747,922	559,703	-	559,703
Fundraising	776,412	-	776,412	647,717	-	647,717
Capital Campaign	451,111	-	451,111	312,279	-	312,279
Total expenses	<u>13,881,571</u>	<u>-</u>	<u>13,881,571</u>	<u>10,912,548</u>	<u>-</u>	<u>10,912,548</u>
Change in operating net assets	1,769,837	(1,400,874)	368,963	2,788,240	512,926	3,301,166
Net assets at beginning of year	<u>15,651,075</u>	<u>3,200,285</u>	<u>18,851,360</u>	<u>12,862,835</u>	<u>2,687,359</u>	<u>15,550,194</u>
Net assets at end of year	<u>\$ 17,420,912</u>	<u>\$ 1,799,411</u>	<u>\$ 19,220,323</u>	<u>\$ 15,651,075</u>	<u>\$ 3,200,285</u>	<u>\$ 18,851,360</u>

The accompanying notes are an integral part of these financial statements

SUNNYVALE COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services	Supporting Services				2022 Total Expenses
	Emergency Assistance	Management and General	Fundraising	Capital Campaign	Total	
Expenses:						
Salaries and wages	\$ 2,421,528	\$ 490,213	\$ 332,751	\$ 157,489	\$ 980,453	\$ 3,401,981
Payroll taxes	196,162	39,297	25,712	11,549	76,558	272,720
Fringe benefits	308,045	63,214	36,758	24,608	124,580	432,625
Total salaries and related expenses	2,925,735	592,724	395,221	193,646	1,181,591	4,107,326
Conference and meetings	39,608	7,504	8,297	-	15,801	55,409
Dues, fees and other charges	137,374	20,312	39,617	544	60,473	197,847
Emergency assistance	5,480,553	-	-	-	-	5,480,553
In-kind emergency assistance	1,895,419	-	-	-	-	1,895,419
In-kind professional services	4,195	2,310	-	-	2,310	6,505
Insurance	40,714	9,647	8,601	-	18,248	58,962
Interest expense	155,505	13,683	13,689	-	27,372	182,877
Maintenance and repair	59,860	11,806	12,447	-	24,253	84,113
Occupancy	204,218	16,136	16,392	-	32,528	236,746
Outside services	172,900	18,773	95,230	251,250	365,253	538,153
Postage	8,245	1,772	18,318	-	20,090	28,335
Printing	13,373	2,743	87,026	-	89,769	103,142
Subcontractor payments	330,243	-	-	-	-	330,243
Supplies	93,100	17,395	19,757	572	37,724	130,824
Telephone	46,612	9,359	8,953	-	18,312	64,924
Travel	4,450	171	111	5,099	5,381	9,831
Volunteer expense	3,333	613	3,119	-	3,732	7,065
Advertising	34	8	26,303	-	26,311	26,345
Total expenses before depreciation	11,615,471	724,956	753,081	451,111	1,929,148	13,544,619
Depreciation and amortization	290,655	22,966	23,331	-	46,297	336,952
Total expenses	\$ 11,906,126	\$ 747,922	\$ 776,412	\$ 451,111	\$ 1,975,445	\$ 13,881,571
Percentage of total	85.77%	5.39%	5.59%	3.25%	14.23%	100.00%

The accompanying notes are an integral part of these financial statements

SUNNYVALE COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Services		Supporting Services			2021 Total Expenses
	Emergency Assistance	Management and General	Fundraising	Capital Campaign	Total	
Expenses:						
Salaries and wages	\$ 2,174,141	\$ 390,533	\$ 302,848	\$ 149,184	\$ 842,565	\$ 3,016,706
Payroll taxes	178,184	31,058	23,011	11,172	65,241	243,425
Fringe benefits	302,240	54,914	35,798	27,343	118,055	420,295
Total salaries and related expenses	2,654,565	476,505	361,657	187,699	1,025,861	3,680,426
Conference and meetings	27,974	3,052	3,533	-	6,585	34,559
Dues, fees and other charges	144,941	14,644	42,219	-	56,863	201,804
Emergency assistance	3,821,654	-	-	-	-	3,821,654
In-kind emergency assistance	1,702,421	-	-	-	-	1,702,421
In-kind professional services	6,244	1,118	1,340	-	2,458	8,702
In-kind supplies	24,390	5,056	4,917	-	9,973	34,363
Insurance	29,776	4,366	5,753	-	10,119	39,895
Interest expense	6,415	-	-	-	-	6,415
Maintenance and repair	32,917	5,954	6,788	2,080	14,822	47,739
Occupancy	94,196	6,143	6,435	-	12,578	106,774
Outside services	382,126	14,964	94,458	97,500	206,922	589,048
Postage	4,369	777	20,847	-	21,624	25,993
Printing	7,107	1,351	67,604	-	68,955	76,062
Subcontractor payments	302,519	-	-	-	-	302,519
Supplies	80,267	12,840	18,152	-	30,992	111,259
Telephone	32,374	5,963	6,783	-	12,746	45,120
Travel	2,420	42	41	-	83	2,503
Volunteer expense	4,441	350	383	-	733	5,174
Advertising	-	-	410	-	410	410
Bad debt expense	-	-	-	25,000	25,000	25,000
Total expenses before depreciation	9,361,116	553,125	641,320	312,279	1,506,724	10,867,840
Depreciation and amortization	31,733	6,578	6,397	-	12,975	44,708
Total expenses	\$ 9,392,849	\$ 559,703	\$ 647,717	\$ 312,279	\$ 1,519,699	\$ 10,912,548
Percentage of total	<u>86.07%</u>	<u>5.13%</u>	<u>5.94%</u>	<u>2.86%</u>	<u>13.93%</u>	<u>100.00%</u>

The accompanying notes are an integral part of these financial statements

SUNNYVALE COMMUNITY SERVICES
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 368,963	\$ 3,301,166
Noncash items included in revenues and expenses:		
Depreciation and amortization	336,952	44,708
Net realized and unrealized (gain)/loss on investments	165,354	(242,827)
Accrued interest payable	(2,280)	1,263
Non-cash debt forgiveness	(616,508)	(495,000)
Increase (decrease) in cash resulting from changes in:		
Awards and grants receivable	(181,970)	(285,831)
Pledge receivable	926,559	7,122
Inventory	(7,747)	(72,327)
Prepaid expenses	4,321	(48,221)
Deposits	20,000	-
Accounts payable	(2,315,395)	2,334,595
Agency transactions refundable	346,100	92,115
Accrued compensation	(20,542)	85,570
Net cash provided by/(used in) operating activities	(976,193)	4,722,332
Cash flows from investing activities:		
Change in cash restricted for Season of Sharing	(350,582)	(150,039)
(Purchase) of property and equipment	(2,120,057)	(6,067,345)
(Purchase) of investments	(451,654)	(578,878)
Sales of investments	473,927	563,622
Net cash provided by/(used in) investing activities	(2,448,367)	(6,232,640)
Cash flows from financing activities:		
Payments of capitalized interest	(89,449)	(267,614)
Payments on capital lease	(15,382)	(15,047)
Proceeds from 2nd PPP loan	-	616,508
Proceeds from building improvement loan	1,500,000	-
Net cash provided by/(used in) financing activities	1,395,169	333,847
Net change in cash and cash equivalents	(2,029,391)	(1,176,461)
Beginning cash and cash equivalents	4,498,176	5,674,637
Ending cash and cash equivalents	\$ 2,468,785	\$ 4,498,176

The accompanying notes are an integral part of these statements

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 1 – Nature of Operations:

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 from across the county with financial aid and case management. Our homeless services assist unhoused individuals with case management, temporary housing, move-in expenses, food, job training, and job placement.

We are one of the largest “Transformer” partners of Second Harvest of Silicon Valley, distributing more than **1 million pounds** of food annually, equal to nearly **900,000 meals each year**. In addition, we partner with Loaves & Fishes to distribute an average of 300 meals each week to homebound Sunnyvale residents.

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 “clean” audits as far back as our record go. We have sufficient 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.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 1 – Nature of Operations (Continued):

Fiscal Health (Continued)

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 ten years in a row, and we earned a GuideStar Platinum seal by demonstrating the highest level of transparency about our organization. In 2020, we were honored to be named Business of the Year by the City of Sunnyvale and Nonprofit of the Year by the Mission City Community Fund for our work during the COVID-19 pandemic. We were also a recipient of Santa Clara County's COVID-19 Outstanding Service Award for our exceptional contribution to the residents of Sunnyvale.

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 square foot 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 previous building at 725 Kifer Road, leasing it to SCS for \$1.00 until the completion of renovations to the new buildings. 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 2022, we had raised over \$15M towards our campaign goal of \$20M, to cover the purchase price, tenant improvements, mortgage, and initial operating costs for the new building. Our campaign fundraising continues with strong community support. We have a \$6M mortgage, with the goal to pay off the loan in five years.

After 23 months of renovations, SCS moved into the new building in late 2021. The new facility offered 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.

Note 2 – Program Services:

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 FY2021-2022, we provided one or more safety net services to **10,595** (unduplicated) individuals, a 53% increase in seven years.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 2 – Program Services (Continued):

Case Management and Financial Assistance Programs

- *Financial Assistance:* SCS provides emergency financial aid for rent, utilities, car repairs, medications, and other urgent needs. Last fiscal year, we assisted **7,800** individuals with financial assistance totaling \$7,490,530.
- *Intensive Case Management:* SCS provides case management for individuals who need assistance more than once, including people with health-related issues or who are chronically homeless.
- *Benefits Assistance:* SCS staff conduct outreach and initial screening to connect clients with public benefits programs and services.
- *Workforce Development and Homeless Services:* The WorkFirst Sunnyvale program, our partnership with Downtown Streets Team, helped **73** homeless individuals with job training and housing opportunities.
- *Community Navigator Program:* Since 2018, SCS has trained **72** residents to be local leaders in outreach, community service, and local advocates on housing, voter rights, and immigrant rights.
- *Displacement Support:* SCS also responds quickly to unexpected needs. Each year, SCS works with the City of Sunnyvale to assist residents who are suddenly displaced due to fire and other disasters.

Food and In-Kind Assistance Programs for low-income children, adults, and seniors

- *Produce Days:* SCS provides an average of **850** households (more than **2,000** people) with fresh fruits and vegetables from Second Harvest of Silicon Valley every other week.
- *Monthly Groceries:* SCS provided more than **1,200** households with bags of groceries each month.
- *Home Food Delivery:* Last year, SCS volunteers delivered healthy groceries twice a month to over **300** elderly and disabled individuals. In 2021, we added prepared meals from Loaves & Fishes to each delivery, totaling over **1,500** meals each month.
- *Emergency Food:* Throughout the pandemic, prepacked bags of healthy and easy-to-prepare food have remained available on request, including bags specifically intended for those who lack access to kitchen facilities. **1,213** clients received these bags in the last fiscal year.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 2 – Program Services (Continued):

Food and In-Kind Assistance Programs for low-income children, adults, and seniors (Continued)

- *Back-to-School and Children’s Summer Nutrition Programs:* In addition to providing **1,765** students with school supplies and gift cards for backpacks and new shoes in 2021, these programs gave kids and their families extra portions of healthy foods during summer months when schools were closed.
- *Holiday Programs:* During monthly food distributions last November and December, SCS provided more than **2,100** households (more than **5,900** individuals) with special holiday foods, plus grocery store and department store gift cards so that clients could buy additional food, presents for children and/or needed household items.
- *Other Assistance:* SCS also provides diapers and hygiene kits.

COVID-19 Response

- At 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 of 2020 and continued through the fiscal year. By June 2022, SCS had distributed nearly \$10M in financial assistance during the pandemic.
- Our eleven years of experience with drive-through food distributions helped us adapt during the pandemic. Many of our regular volunteers were over 65 years of age or otherwise at high risk from the coronavirus, so they could no longer safely come onsite. Corporate groups also had to cancel their volunteer shifts. 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. We also shifted our back-to-school and Holiday distributions to a drive-through format.
- Our new facility offered ample space so that, once COVID restrictions were relaxed in 2022, we were able to carefully invite volunteers and our entire staff to work onsite. We continued to require masks to be worn onsite and used social distancing inside our facility.
- The California state-wide eviction moratorium expired at the end of the fiscal year on June 30, 2022. We braced for an increase in the number of clients in need of rental assistance. Given widespread expectations of an economic downturn and rising inflation, we are preparing for growing need for all our safety net services.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 3 – Summary of Significant Accounting Policies:

Basis of Accounting – The financial statements of Sunnyvale Community Services have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

- *Net assets without donor restrictions* – include those net assets which are available to support all activities of the Organization without restrictions and include those net assets whose use is not restricted by donors, even though their use may be limited in other respect, such as by contract or board designation.
- *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.

Adoption of Accounting Standards Update – In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The update requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including fixed assets, supplies, services, and other items. The update includes disclosure of information on an entity’s policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Organization adopted ASU 2020-07 with a date of the initial application of July 1, 2021, using the full retrospective method.

Fair Value Measurements – Financial instruments included in the Organization’s statements of financial position as of June 30, 2022 include cash and cash equivalents, receivables, accounts payable and other liabilities. For cash and cash equivalents, receivables, accounts payable and other liabilities, the carrying amounts represent a reasonable estimate of the corresponding fair values.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash and highly liquid investment. For purpose of reporting cash flows, the Organization considers all investments with a maturity of 90 days or less highly liquid investments.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 3 – Summary of Significant Accounting Policies (Continued):

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, 2022 and 2021, the amount set aside was \$813,388 and \$462,806, respectively.

Concentration of Credit Risk – Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents, and investments. The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include money market funds. These accounts are insured up to \$250,000 per depositor by an agency of the federal government. At times, such accounts might exceed Federal Deposit Insurance Corporation (“FDIC”) limits. The Organization’s investments have been placed with high quality financial institutions. The Organization monitors these investments and has not experienced significant credit losses. It is the management of the Organization’s opinion that it is not exposed to any significant credit risks.

Accounts and Grants Receivable – Accounts and grants receivables consists of amounts due to the Organization in conjunction with the Organization’s programs and grants awarded to the Organization yet received at year-end. The Organization considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. The Organization does discount long-term grants receivable equal to the average US Treasury market rate of two percent and adding one percent for credit risk and valuation risk.

Pledges Receivable – Pledges receivable represents amounts pledged towards the Organization’s capital campaign. Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support in the period received. 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.

Inventory – Inventory consists of food, household items, and gift cards. 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 are based on donor determination; gift cards are based on face value. The first-in, first-out method is used for tracking inventory.

Property, Equipment, and Depreciation – Property and equipment are recorded at cost or estimated fair value for donated items. All property and equipment with a cost greater than \$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 on the straight-line method based on 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.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 3 – Summary of Significant Accounting Policies (Continued):

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, 2022, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

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, 2022 and 2021 was \$186,076 and \$187,272, respectively.

Revenue Recognition – The Organization receives cost reimbursement contract revenue as well as fixed rate contract revenue. Under cost reimbursement contracts, revenue is recognized when applicable expense is incurred and the corresponding service has been provided according to the agreement, subject to the contract limit, if any. Under fixed rate contracts, the Organization agrees to provide certain services in specified quantities at a prescribed rate per unit of service provided. 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.

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.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 3 – Summary of Significant Accounting Policies (Continued):

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.

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 Principles, the value of these services is not reflected in the financial statements.

Functional Expense Allocation – The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Salaries and fringe benefits are allocated on a percentage basis between functional categories based on historical time studies. Costs related to facilities are allocated based upon square footage. All other costs have been allocated among the programs and supporting services benefited.

Advertising – The Organization's policy is to expense advertising costs as the costs are incurred. The advertising expense for the years ended June 30, 2022 and 2021 was \$26,345 and \$410, respectively.

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 financial 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.

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.

Use of Estimates – The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 3 – Summary of Significant Accounting Policies (Continued):

Comparative Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class 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, 2022, from which the summarized information was derived.

Recent Accounting Pronouncements – In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which requires the Organization that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for public business entities with fiscal years beginning after December 15, 2019, and for nonprofit Sunnyvale Community Services with fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Subsequent Events – Management of the Organization has evaluated events and transactions subsequent to June 30, 2022 for potential recognition or disclosure in the financial statements, and determined that no material subsequent events require an estimate or recognition to be recorded as of June 30, 2022, but had determined that two subsequent events were material enough to require to be disclosed as of June 30, 2022 and are reflected in Note 17.

Note 4 – Liquidity and Availability of Funds:

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Accounts and grants receivable consists of donor-restricted net assets for specific purpose and time-restricted net assets expected to be received within one year from June 30, 2022, with the exception of the amounts available for general use.

Deposits consists of deposit for workers compensation, which is refunded when the policy is not renewed and the final workers compensation audit is completed, which is not available within one year.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 4 – Liquidity and Availability of Funds (Continued):

The following is a quantitative disclosure which describes assets and liquid resources that are available as of June 30, 2022 to fund general expenditures and other obligations within one year:

Cash and equivalents	\$	2,468,785
Cash, restricted for Season for Sharing		813,388
Accounts and grants receivable		1,350,588
Pledge receivable (net of allowance)		157,751
Investments (marketable securities)		759,868
Deposits		3,485
<hr/>		
Total financial assets	\$	5,553,865
Less financial assets held to meet donor-imposed restrictions:		
Cash, restricted for Season for Sharing	\$	(813,388)
Purpose-restricted net assets		(1,649,411)
Time-restricted net assets		(150,000)
Less financial assets not available within one year:		
Grants receivable, long-term (net of discount)		(73,711)
<hr/>		
Amount available for general expenditures within one year	\$	2,867,355

Note 5 – 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.

The table below presents the assets measured at fair value at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Investments (Level 1):		
Money Funds	\$ 20,201	\$ 11,592
Equities	739,667	935,903
Total Investments	\$ <u>759,868</u>	\$ <u>947,495</u>

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 6 – Inventory:

Inventory at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Vouchers and gift cards	\$ 123,428	\$ 234,523
Household items	37,343	21,954
Food	<u>296,996</u>	<u>193,543</u>
Total inventory	<u>\$ 457,767</u>	<u>\$ 450,020</u>

Note 7 – Property and Equipment, net:

The cost and related accumulated depreciation of the property and equipment consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 7,171,626	\$ 7,006,856
Building	15,072,671	7,048,562
Building improvements	43,519	-
Construction in progress	-	5,754,974
Construction in progress fixed assets	-	300,000
Capitalized interest	-	409,853
Equipment and furniture	550,513	376,219
Vehicles	<u>306,289</u>	<u>254,948</u>
	23,144,618	21,151,412
Less accumulated depreciation	<u>(422,822)</u>	<u>(303,486)</u>
Net property and equipment	<u>\$ 22,721,796</u>	<u>\$ 20,847,926</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$335,637 and \$43,393, respectively.

Note 8 – 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, 2022 and 2021, the agency refundable amount was \$750,676 and \$404,576, respectively.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 9 – Forgivable Loans:

Forgivable loans at June 30, 2022 and 2021 is reported as follows:

City of Sunnyvale (CDBG Loan) – 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, 2022 and 2021 was \$900,000 and \$900,000, 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.

City of Sunnyvale (General Fund) – City of Sunnyvale funds of \$1,500,000 requiring the funds to be used for the improvements of the property located at 1160 Kern Avenue, Sunnyvale, CA 94085. The funds were provided on July 28, 2021, bearing 0% interest.

No monthly installment payments shall be due and the entire loan amount shall be forgiven at the end of the note term. The note term is either ten years or sale or other transfer of any full or partial ownership interest of the property (unless with the City's prior written approval), whichever occurs first.

The principal outstanding balance as of June 30, 2022 and 2021 was \$1,500,000 and \$0, respectively.

Paycheck Protection Program – On February 17th, 2021 the Organization obtained the second round of Small Business Administration (SBA) Paycheck Protection Program Loan (PPP) through Boston Private Bank & Trust Company in the amount of \$616,508 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 loan was forgiven on March 31, 2022.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 10 – Notes Payable:

Notes payable at June 30, 2022 and 2021 is reported as follows:

	<u>2022</u>	<u>2021</u>
<u>Silicon Valley Bank (formerly Boston Private Bank)</u>	\$ 6,040,000	\$ 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, on November 27, 2019, maturing on November 27, 2034, with an interest rate of 4.42%. Interest is charged for the initial 60 months that is only till December, 2024 ("Interest Only Period").</p>		
<u>Cisco Systems Capital Corporation</u>	12,376	27,757
<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>6,052,376</u>	<u>6,067,757</u>
Less: Current maturities	<u>(12,376)</u>	<u>(14,713)</u>
Notes Payable	<u>\$ 6,040,000</u>	<u>\$ 6,053,044</u>

Note 11 – 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 12 – Board Designated Net Assets:

At June 30, 2022, 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

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 13 – Net Assets with Donor Restrictions:

Net assets with donor restrictions as of June 30, 2022 and 2021 consisted of the following:

Program:	2022	2021
Backpack Day	\$ 137,134	\$ 213,141
Case Manager	197,000	187,000
Emergency Assistance	362,712	294,216
COVID-19	402,062	959,688
Nutrition Access/Diabetes	-	9,939
Food	18,555	36,319
Toys	500	500
Capital Campaign	352,406	1,109,362
Murphy Pet Fund	4,042	-
Sponsors/Challenge Holiday	25,000	65,000
Vehicle	-	99,707
Admin/Staffing	-	15,413
Social Impact Support DST Program	150,000	-
Time Restriction	150,000	210,000
Total Net Assets with Donor Restrictions	\$ 1,799,411	\$ 3,200,285

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

Program:	2022	2021
Backpack Day	\$ 248,847	\$ 113,337
Case Manager	187,000	83,983
Emergency Assistance	548,575	474,144
COVID-19	569,395	299,397
Nutrition Access/Diabetes	34,939	40,061
Food	57,030	31,490
Fire Relief Fund	-	222,523
Toys	-	13,365
Coordinated Services for Homebound	-	70,017
Veterans Program	-	29,868
Capital Campaign	1,653,163	1,145,062
Murphy Pet Fund	-	5,645
Sunnyvale Crush Victim	-	8,915
Sponsors/Challenge Holiday	211,778	76,500
Vehicle	112,508	-
Adopt-A-Day	-	3,000
Freezer	-	100,000
CDP Program	10,000	-
Time Restriction	210,000	75,000
Total Released from Restrictions	\$ 3,843,235	\$ 2,792,307

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 14 – In-Kind Donations:

The Organization also received a large volume of donated food, gift cards, supplies, other material and professional services for use in its emergency assistance programs. In-kind contribution consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Food	\$ 1,982,729	\$ 1,654,094
Household	395	500
Gift Cards	11,998	11,680
Assets (Cars, Equipment, etc.)		387,009
Toys	2,500	-
Other materials	1,250	38,554
Donated labor (professional)	<u>6,505</u>	<u>8,702</u>
Total	<u>\$ 2,005,377</u>	<u>\$ 2,100,539</u>

Sunnyvale Community Services receives various donation such as food and gift cards that are distributed and used as part of its essential services program. These donations are valued as follows:

- Food – For the food received from Second Harvest of Silicon Valley, the valuation is based on a cost study conducted by Feeding America. It is valued differently between government and non-government. For the year ended June 30, 2022, the donated government food was valued at \$1.53 per pound, and the donated non-government products was valued at \$1.92 per pound.
- Household – The in-kind contribution of household items was valued based on the market price for new and used items
- Gift cards – The donated gift cards were valued at face value.
- Assets – The assets were valued at fair market value. Fair market value is defined as the price that would be received to sell an asset in an orderly transaction between market participants.
- Toys – The in-kind contribution of toys was valued based on the market price for new and used items.
- Other materials – The in-kind contribution of other materials was valued based on the market price for new and used items.
- Donated labor (professional) – The in-kind contribution of donated labor (professional) was valued based on the market price for similar type services provided.

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 15 – Donated Services:

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, 2022, these volunteers donated approximately 10,884 hours with an estimated value of \$325,976. This value was computed using an hourly rate of \$29.95. This amount is based upon the average hourly earnings of volunteer time as determined by the Independent Sector.

Note 16 – Operating Leases:

The Organization leases photocopiers and postage meters all under non-cancelable lease agreements with varying expiration dates.

Future minimum lease payments at year ending June 30:

2023	\$	10,709
2024		9,848
2025		4,195
2026		2,463
2027		1,437
		<hr/>
	\$	<u>28,653</u>

Note 17 – Subsequent Events:

On January 1, 2023, the Organization signed a Forgivable Loan Agreement with the County of Santa Clara in the amount of \$1 million dollars. The purpose of the loan is for the repayment of a portion of the existing loan with Silicon Valley Bank which was used to finance the acquisition of the property ("Property") located at 1160 Kern Avenue, Sunnyvale, California. The loan does not contain an interest rate. The conditions of the loan are that \$100,000 of the loan balance will be forgiven annually over 10 years as long as the Organization continues to own the Property and the Property has been continuously used to provide services to vulnerable residents located in Santa Clara County.

On March 10, 2023, California Department of Financial Protection and Innovation (DFPI) issued an order taking possession of Silicon Valley Bank ("Bank"). The Organization has deposits on account with the Bank in excess of the \$250,000 FDIC insurance limitation. In addition, the Organization has an outstanding loan payable in the amount of \$6,040,000 with the bank. On March 13, 2023, the FDIC announced that the FDIC transferred the Bank's assets to a new bridge bank, Silicon Valley Bridge Bank, N.A. On March 26, 2023, the FDIC announced that First Citizens BancShares would acquire the commercial bank business of

Sunnyvale Community Services

Notes to Financial Statements

June 30, 2022 and June 30, 2021

Note 17 – Subsequent Events (Continued):

Silicon Valley Bank. On March 27, 2023, the 17 legacy Silicon Valley Bank, N.A. branches began operating as Silicon Valley Bank, a division of First Citizens Bank & Trust. First Citizens Bank & Trust is a subsidiary of First Citizens BancShares, Inc. On March 27, 2023, SCS had deposits on account of \$1,067,256 and an outstanding loan balance of \$5,040,000. As the situation continues to evolve, SCS is closely monitoring the impact this has on their existing deposit accounts as well as outstanding loan with Silicon Valley Bank.

SUNNYVALE COMMUNITY SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listings Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Passed through Second Harvest Food Bank USDA Food Commodities	10.569		\$ -	\$ 241,530
<i>Total Department of Agriculture</i>			-	241,530
<u>U.S. Department of Housing and Urban Development</u>				
Passed through City of Sunnyvale Community Development Block Grant Funds - Building Loan (Note D)	14.218			900,000
Community Development Block Grant Funds - Downtown Streets Team	14.218		167,836	240,266
Community Development Block Grant Funds - Year Round Food Assistance	14.218			63,484
COVID 19 Community Development Block Grant Funds	14.218			655,443
Passed through Sacred Heart Community Services COVID-19 Community Development Block Grant Funds	14.218			236,558
<i>Total Department of Housing and Urban Development</i>			-	2,095,751
<u>U.S. Department of the Treasury</u>				
Passed through Sacred Heart Community Services COVID-19 Emergency Rental Assistance Program	21.023		-	2,762,241
<i>Total U.S. Department of the Treasury</i>			-	2,762,241 *
<u>Federal Emergency Management Agency</u>				
Passed through United Way Bay Area Emergency Food and Shelter Program	97.024		-	124,000
<i>Total Federal Emergency Management Agency</i>			-	124,000
 Total Expenditures of Federal Awards			 \$ -	 \$ 5,223,522

* Denotes major program

See accompanying notes to schedule of expenditures of federal awards

SUNNYVALE COMMUNITY SERVICES

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 award activity of Sunnyvale Community Services under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Code of Federal Regulations, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, Title 2, Section 200 (the 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, 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 allowed under the Uniform Guidance.

NOTE D – LOAN OUTSTANDING BALANCE

The balance outstanding on the Community Development Block Grant (CDBG) loan with the City of Sunnyvale at June 30, 2022 was \$900,000.



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
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, 2022, 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 March 17, 2023.

Report on 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) as a basis for designing 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 Sunnyvale Community Service'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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01 that we consider to be material weaknesses.

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*.

Sunnyvale Community Services' Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Sunnyvale Community Services' response to findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Sunnyvale Community Services response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
March 17, 2023



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
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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sunnyvale Community Services and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with each major federal program. Our audit does not provide a legal determination of Sunnyvale Community Services' compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grants agreements applicable to Sunnyvale Community Services' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sunnyvale Community Services' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable use of the report on compliance about Sunnyvale Community Services' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sunnyvale Community Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sunnyvale Community Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purposes of expressing an opinion on the effectiveness of Sunnyvale Community Services' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
March 17, 2023

SUNNYVALE COMMUNITY SERVICES
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2022

Section I
Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
- Material weaknesses identified?	Yes
- 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:	
U.S. Treasury – Emergency Rental Assistance Program	CFDA 21.023
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

SUNNYVALE COMMUNITY SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section II
Financial Statement Findings

Material Weaknesses

2022-01: Financial Close Procedures

1. **Condition:** Routine and non-routine journal entries recorded during year-end financial close procedures were not reviewed and approved prior to being posted to the general ledger.
2. **Criteria:** Sunnyvale Community Services established internal control procedures with regards to approving routine as well as non-routine journal entries. Due to the small number of staff operating in the accounting department, management established procedures to review all journal entries prior to being posted to the general ledger.
3. **Cause:** Management override of internal controls caused a routine journal entry and a non-routine journal entry to be posted to the general ledger that had not been reviewed and approved according to internal controls established by Sunnyvale Community Services with regards to the financial close procedures.
4. **Effect:** A routine journal entry for accrued payroll was posted incorrectly to the general ledger causing cash balances as well as accrued liabilities on the Statement of Financial Position to be understated by \$140,675. A non-routine journal entry for realized gain on the sale of stock was posted incorrectly to the general ledger causing cash balances on the Statement of Financial Position and investment income on the Statement of Activities to be overstated by \$103,314. Audit procedures discovered these misstatements, and they have since been corrected.
5. **Recommendation:** Established internal control procedures should be followed to ensure that all routine and non-routine journal entries are reviewed and approved prior to being posted to the general ledger. Additional accounting staff could help provide resources to ensure that the established internal control procedures are being followed.
6. **Views of Responsible Officials and Planned Corrective Actions:** Management will take timely action to implement new and improved procedures related to the integrity and accuracy of account balances and the organization's financial statements. These actions will include review and reconciliation of all asset and liability accounts. Adjustments, or proposed adjustments, arising from the year-end review will be documented and reviewed by management and the Finance Committee prior to submitting information to the independent auditor.

Section III
Federal Award Findings and Questioned Costs

No matters were reported