



Report of Independent Auditors and
Financial Statements and Supplementary Information

Sunnyvale Community Services

June 30, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Sunnyvale Community Services

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sunnyvale Community Services (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sunnyvale Community Services as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 opinion.

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 for 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 GAAS 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 GAAS 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* (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 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 January 4, 2024 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.

Other Matter

Prior Period Financial Statements

The financial statements of Sunnyvale Community Services as of and for the year ended June 30, 2022, were audited by other auditors whose report thereon dated March 17, 2023, expressed an unmodified opinion.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Rancho Cordova, California
January 4, 2024

Financial Statements

Sunnyvale Community Services
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,266,145	\$ 2,551,698
Cash, restricted for Season for Sharing	791,109	750,676
Accounts and grants receivable, net	1,199,977	1,276,877
Pledges receivable, net of allowance	60,400	157,751
Investments	812,337	739,667
Inventory	393,615	457,767
Prepaid expenses	134,601	114,334
	6,658,184	6,048,770
NONCURRENT ASSETS		
Property and equipment, net	22,537,011	22,721,796
Grants receivable, long-term, net of discount	-	73,711
Deposits	3,485	3,485
	22,540,496	22,798,992
Total noncurrent assets	22,540,496	22,798,992
Total assets	\$ 29,198,680	\$ 28,847,762

See accompanying notes.

Sunnyvale Community Services
Statements of Financial Position (Continued)
June 30, 2023 and 2022

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Long-term debt, current portion	\$ -	\$ 12,376
Accounts payable	329,316	110,036
Accrued compensation	318,272	330,732
Agency transactions refundable	791,109	750,676
	1,438,697	1,203,820
NONCURRENT LIABILITIES		
Forgivable loans	3,400,000	2,400,000
Note payable, net of financing costs	5,024,933	6,023,619
	8,424,933	8,423,619
Total liabilities	9,863,630	9,627,439
NET ASSETS		
Net assets without donor restrictions:		
Undesignated	17,041,595	16,392,382
Board-designated reserves	1,028,530	1,028,530
	18,070,125	17,420,912
Net assets with donor restrictions:		
Purpose restrictions	958,925	1,649,411
Time-restricted for future periods	306,000	150,000
	1,264,925	1,799,411
Total net assets	19,335,050	19,220,323
Total liabilities and net assets	\$ 29,198,680	\$ 28,847,762

See accompanying notes.

Sunnyvale Community Services
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2023 and 2022

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Foundation and corporate grants	\$ 1,051,309	\$ 1,921,360	\$ 2,972,669	\$ 639,832	\$ 1,677,553	\$ 2,317,385
Government contracts	3,452,607	-	3,452,607	6,586,384	-	6,586,384
Contributions	2,933,178	503,957	3,437,135	2,685,813	688,808	3,374,621
In-kind donations	2,666,271	-	2,666,271	2,005,377	-	2,005,377
Special events	133,780	-	133,780	-	-	-
United Way Allocation	-	76,000	76,000	-	76,000	76,000
Fee for service	53,336	-	53,336	69,537	-	69,537
Interest income	18,462	-	18,462	2,072	-	2,072
Investment income (loss)	122,023	-	122,023	(174,502)	-	(174,502)
Loss on disposal of property and equipment	-	-	-	(6,340)	-	(6,340)
	<u>10,430,966</u>	<u>2,501,317</u>	<u>12,932,283</u>	<u>11,808,173</u>	<u>2,442,361</u>	<u>14,250,534</u>
Net assets released from restrictions	<u>3,035,803</u>	<u>(3,035,803)</u>	<u>-</u>	<u>3,843,235</u>	<u>(3,843,235)</u>	<u>-</u>
Total revenues, gains, and other support	<u>13,466,769</u>	<u>(534,486)</u>	<u>12,932,283</u>	<u>15,651,408</u>	<u>(1,400,874)</u>	<u>14,250,534</u>
EXPENSES						
Program services	10,575,335	-	10,575,335	11,906,126	-	11,906,126
Supporting services:						
Management and general	883,939	-	883,939	747,922	-	747,922
Fundraising	719,219	-	719,219	776,412	-	776,412
Capital campaign	639,063	-	639,063	451,111	-	451,111
Total expenses	<u>12,817,556</u>	<u>-</u>	<u>12,817,556</u>	<u>13,881,571</u>	<u>-</u>	<u>13,881,571</u>
CHANGES IN NET ASSETS	649,213	(534,486)	114,727	1,769,837	(1,400,874)	368,963
NET ASSETS, beginning 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>
NET ASSETS, end of year	<u>\$ 18,070,125</u>	<u>\$ 1,264,925</u>	<u>\$ 19,335,050</u>	<u>\$ 17,420,912</u>	<u>\$ 1,799,411</u>	<u>\$ 19,220,323</u>

See accompanying notes.

Sunnyvale Community Services
Statements of Functional Expenses
Year Ended June 30, 2023

	Program Services	Supporting Services			Total	2023 Total Expenses
	Emergency Assistance	Management and General	Fundraising	Capital Campaign		
EXPENSES						
Salaries and wages	\$ 2,368,948	\$ 559,297	\$ 306,635	\$ 125,421	\$ 991,353	\$ 3,360,301
Payroll taxes	188,462	43,572	23,972	8,382	75,926	264,388
Fringe benefits	333,080	78,692	45,576	14,539	138,807	471,887
Total salaries and related expenses	2,890,490	681,561	376,183	148,342	1,206,086	4,096,576
Conference and meetings	8,678	1,368	7,672	-	9,040	17,718
Dues, fees, and other charges	133,119	29,384	18,811	-	48,195	181,314
Emergency assistance	3,603,563	-	-	-	-	3,603,563
Emergency assistance - food, household items, gift cards, and other	2,592,787	-	-	-	-	2,592,787
Insurance	36,178	8,889	5,937	-	14,826	51,004
Interest expense	-	-	-	248,192	248,192	248,192
Maintenance and repair	44,860	10,518	7,405	-	17,923	62,783
Merchant fees	-	-	14,659	-	14,659	14,659
Occupancy	181,212	14,844	10,532	-	25,376	206,588
Outside services	159,565	29,567	116,284	228,750	374,601	534,166
Postage	251	67	19,473	-	19,540	19,791
Printing	16,659	3,432	66,566	-	69,998	86,657
Property tax	1,772	495	192	-	687	2,459
Subcontractor payments	408,655	-	-	-	-	408,655
Sales tax	-	-	1,262	-	1,262	1,262
Supplies	65,524	9,621	8,247	-	17,868	83,392
Telephone	51,948	12,742	8,977	-	21,719	73,667
Training	12,531	1,175	977	-	2,152	14,683
Travel	7,633	644	2,298	13,779	16,721	24,354
Volunteer expense	3,755	104	397	-	501	4,256
Advertising	802	117	927	-	1,044	1,846
Total expenses before depreciation	10,219,982	804,528	666,799	639,063	2,110,390	12,330,372
Depreciation and amortization	355,353	79,411	52,420	-	131,831	487,184
Total expenses	<u>\$ 10,575,335</u>	<u>\$ 883,939</u>	<u>\$ 719,219</u>	<u>\$ 639,063</u>	<u>\$ 2,242,221</u>	<u>\$ 12,817,556</u>

See accompanying notes.

Sunnyvale Community Services
Statements of Functional Expenses (Continued)
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
Emergency assistance - food, household items, gift cards, and other	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	<u>\$ 11,906,126</u>	<u>\$ 747,922</u>	<u>\$ 776,412</u>	<u>\$ 451,111</u>	<u>\$ 1,975,445</u>	<u>\$ 13,881,571</u>

See accompanying notes.

Sunnyvale Community Services
Statements of Cash Flows
Year Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 114,727	\$ 368,963
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	487,184	336,952
Net realized and unrealized (gain) loss on investments	(80,328)	165,354
Noncash debt forgiveness	-	(616,508)
Changes in operating assets and liabilities:		
Grants receivable	150,611	(181,970)
Pledge receivable	97,351	926,559
Inventory	64,152	(7,747)
Prepaid expenses	(20,267)	4,321
Deposits	-	20,000
Accounts payable	219,280	(2,315,395)
Accrued interest payable	-	(2,280)
Agency transactions refundable	40,433	346,100
Accrued compensation	(12,460)	(20,542)
	<u>1,060,683</u>	<u>(976,193)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(301,085)	(2,120,058)
Purchases of investments	(882,680)	(431,453)
Sales of investments	890,338	473,927
	<u>(293,427)</u>	<u>(2,077,584)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of capitalized interest	-	(89,449)
Payments on finance lease	(12,376)	(15,382)
Principal payment on note payable	(1,000,000)	-
Proceeds from forgivable loan	1,000,000	-
Proceeds from building improvement loan	-	1,500,000
	<u>(12,376)</u>	<u>1,395,169</u>
CHANGES IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>754,880</u>	<u>(1,658,608)</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>3,302,374</u>	<u>4,960,982</u>

See accompanying notes.

Sunnyvale Community Services
Statements of Cash Flows (Continued)
Year2 Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u>\$ 4,057,254</u>	<u>\$ 3,302,374</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for interest	\$ 250,472	\$ 180,597
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Debt forgiveness	\$ -	\$ 616,508

See accompanying notes.

Sunnyvale Community Services

Notes to Financial Statements

Note 1 – Nature of Operations

Agency overview – Founded in 1970, Sunnyvale Community Services (“SCS” or the “Organization”) 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 10,500 unduplicated residents each year with one or more services.

SCS is one of seven Emergency Assistance Network (“EAN”) agencies in Santa Clara County. SCS is 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 also assists unhoused individuals and families. SCS is 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.

Our theory of change – SCS believes that early intervention is the most effective way to prevent homelessness and hunger. The Organization does this by:

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

SCS is the fiscal agent in Santa Clara County for the San Francisco Chronicle’s annual Season of Sharing fundraising drive.

Facilities and building – 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 new facility offers 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.

Sunnyvale Community Services

Notes to Financial Statements

Case management and financial assistance programs

Financial assistance – SCS provides emergency financial aid for rent, utilities, car repairs, medications, and other urgent needs.

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 or at risk of eviction and need longer-term assistance. This can include financial coaching, housing search assistance, landlord negotiations and referrals. SCS puts an increased emphasis on case management because only by stabilizing families can the Organization improve their overall health, promoting long-term housing stability.

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, helps homeless individuals with job training and housing opportunities.

Community Navigator program – SCS trains 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

Weekly food program – Since May of 2023, SCS has been distributing fresh produce and groceries four times a month. This program serves thousands of people each month.

Home food delivery – SCS volunteers deliver healthy groceries twice a month to elderly and disabled individuals. In 2022, the Organization added prepared meals from Loaves & Fishes to each delivery.

Unhoused self-select pantry – Since May 2023, the self-select pantry's primary goal is to provide our unhoused neighbors experiencing food insecurity the opportunity to shop for specific food choices to suit their individual needs. In addition to the scheduled Wednesday distribution, enrolled clients are permitted to visit the self-select pantry twice a week. This program was introduced in May of 2023.

School Snack pantry – In partnership with seven Sunnyvale schools, SCS provides a variety of healthy shelf-stable snacks to ensure that students can focus on learning rather than worrying about hunger. The goal of this partnership is to ensure that student challenges are immediately addressed if attributed to food insecurity. Families are then connected to SCS for additional supportive services.

Back-to-school and children's summer nutrition programs – In addition to providing students with school supplies and gift cards for backpacks and new shoes, these programs gave kids and their families extra portions of healthy foods during summer months when schools were closed.

Sunnyvale Community Services

Notes to Financial Statements

Holiday programs – During monthly food distributions in November and December 2022, SCS provided households 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.

Post novel coronavirus (COVID-19) pandemic – As pandemic restrictions relaxed in 2022, SCS has been able to carefully invite volunteers and our entire staff to work onsite. In 2023, with the end of eviction moratoriums in April and cutbacks in government funding, the Organization is seeing a new surge in need. Many low-income residents have not recovered financially, and inflation is causing food and other necessities to cost more for families and seniors. Corporate and foundation funding is shrinking while the income gap is widening. SCS continues to respond by providing longer-term financial support, intensive case management and resources to more families than ever before.

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 statements of activities as net assets released from restriction. Net assets held in perpetuity include those assets which are subject to a nonexpiring donor restriction, such as endowments.

Adoption of accounting standards update – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* (ASU 2016-02), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard requires lessees to recognize a liability associated with obligations to make payments under the terms of the arrangement in addition to a right-of-use asset representing the lessee's right to use or control the use of the given asset assumed under the lease. The Organization adopted ASU 2016-02 on July 1, 2022. The adoption of ASU 2016-02 had no impact on the Organization's financial statements.

Sunnyvale Community Services

Notes to Financial Statements

Fair value measurements – The Organization’s financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The levels of the fair value hierarchy are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities that the entity has the ability to access at the measurement date.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for the asset or liability that are not corroborated by market data.

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. Cash equivalents include money market funds.

Restricted cash – The Organization is required to hold the San Francisco Chronicle’s “Season of Sharing Fund” in a separate bank account for agency transactions refundable. At June 30, 2023 and 2022, the amount set aside was \$791,109 and \$750,676, respectively. SCS also holds cash balances for the purposes of the Season of Sharing Fund but are not part of the agency transactions refundable and are not included in restricted cash. At June 30, 2023 and 2022, the amount held in cash and cash equivalents was \$60,798 and \$62,712, 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. 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) and Securities Investor Protection Corporation (SIPC) 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. Grants receivable that are expected to be collected in greater than one year are recorded at the present value of expected future cash flows using discount rates equal to the prior year average U.S. Treasury market rate of two percent and adding one percent for credit risk and valuation risk.

Sunnyvale Community Services

Notes to Financial Statements

Pledges receivable – Pledges receivable represents amounts pledged towards the Organization’s capital campaign. Unconditional promises to give are recognized as support in the period pledged. The Organization considers all unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Pledges that are expected to be collected in greater than one year are recorded at the present value of expected future cash flows using a discount rate. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At June 30, 2023, pledges receivable are expected to be collected within one year.

Investments – Investments are stated at fair value based on quoted market prices and the net unrealized appreciation or depreciation on investments is included in the changes in net assets in the accompanying statements of activities and changes in net assets. Interest and dividend income are accrued when earned.

Inventory – Inventory consists of food, household items, and gift cards. The Organization receives, sorts, stores, and distributes donated goods from various sources and the USDA commodities program.

Donated food is valued at the weighted-average wholesale value of one pound of donated product based on the national per-pound price as proved by the Feeding America Product Valuation Survey. Feeding America is the national food bank network which sets the standards for fiscal operations of food banks. The Organization utilized the Feeding America valuations of \$1.57 and \$1.53 for donated USDA commodities and \$1.93 and \$1.92 per pound for donated non-USDA food for years ended June 30, 2023 and 2022, respectively. Donated inventories are expensed when distributed.

Purchased inventories are valued at the cost of products purchased as determined by the first-in, first-out method, and consist of food products purchased by the Organization and related to both grant and nongrant funded purchases. Purchased inventory is expensed when distributed.

Property and equipment, net – 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. 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.

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 years ended June 30, 2023 and 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 statements of financial position. The accrued vacation balances as of June 30, 2023 and 2022 was \$177,501 and \$186,076, respectively.

Sunnyvale Community Services

Notes to Financial Statements

Revenue recognition – SCS records certain revenue from contracts with customers in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606). Under ASC 606, SCS must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) SCS satisfies a performance obligation. Revenue from exchange transactions and program fees are recognized as revenue in the period in which the service is provided. Certain sources of revenue are derived from interest and dividends earned on investment securities that are not within the scope of ASC 606. Donated services are recognized as in-kind donations if the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

SCS used the following methods to recognize revenue:

Government contracts – 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.

Grants – The Organization receives grants from various federal, state, local governmental funding sources, and from private donors. These funds are to be spent for specific purposes. Many of the grants are subject to annual budget negotiations and availability of funds. Revenue from grants and agreements that are nonreciprocal is treated like contributions. If the grant or agreement is conditional, a barrier to entitlement exists. Revenue is recognized and there is an increase to net assets without donor restrictions when the barrier is considered overcome. Allowable expenditures under such agreements are incurred and decrease net assets without donor restrictions. Consequently, revenues for these transactions are recognized as the expenditures are incurred. Any difference between expenses incurred and the total funds received (not to exceed the grant maximum) is recorded as advances on conditional grants. Amounts received in advance of services performed are recognized as advances on conditional grants and are recognized as revenues in future periods as services are performed.

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. When the time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

In-kind donations – Donated food, household items, gift cards, and other assets are recorded as contributions at their estimated value or per-pound value on the date of the donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions as net assets are released from restrictions. In-kind donations are used for operations and not monetized.

Special events – Special events revenue is recognized upon the event taking place.

Sunnyvale Community Services

Notes to 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, 2023 and 2022 was \$1,915 and \$26,345, 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.

As of June 30, 2023 and 2022, the Organization had no unrecognized tax positions or uncertain tax positions requiring accrual. Unrelated business tax, if any, is insignificant. No provision for income taxes has been provided in the financial statements.

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.

Reclassifications – Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. These reclassifications had no impact on net assets for the year ended June 30, 2022.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through January 4, 2024, which is the date the financial statements are available to be issued.

Sunnyvale Community Services

Notes to Financial Statements

On October 4, 2023, the Organization entered into an Equity Sharing Agreement with the City of Sunnyvale (“City”) to receive a one-time contribution of \$4,000,000 from the City (the “City Contribution”) in exchange for granting a proportional equity share in the real property (the “Property”) located at 1160 Kern Avenue in Sunnyvale, California to the City. The City’s proportional interest in the Property is 16.19%, which represents the percentage of the Property’s current value of \$24,700,000 as determined by an appraisal prepared by Valbridge Property Advisors dated July 17, 2023. The purpose of the City Contribution is to pay off the existing loan of \$5,040,000 with Silicon Valley Bank. As stipulated in the agreement, the Organization may choose to purchase the City’s equity ownership interest at any time and the value of the Property will be determined by an appraisal conducted by a qualified real estate appraiser acceptable to both parties. The Organization used the City Contribution with additional cash to pay off the existing loan in full.

Note 4 – Liquidity and Availability of Funds

The following is a quantitative disclosure which reflects assets and liquid resources as of June 30, 2023 and 2022, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of nonliquid assets are donor restricted assets for specific expenditures, contractual reserve requirements, or governing board designations.

	2023	2022
Cash and cash equivalents	\$ 3,266,145	\$ 2,551,698
Cash, restricted for Season for Sharing	791,109	750,676
Accounts and grants receivable, net	1,199,977	1,350,588
Pledges receivable, net of allowance	60,400	157,751
Investments	812,337	739,667
Deposits	3,485	3,485
Total financial assets	6,133,453	5,553,865
Less financial assets held to meet donor-imposed restrictions		
Agency transaction refundable	(791,109)	(750,676)
Purpose-restricted net assets	(958,925)	(1,649,411)
Time-restricted net assets	(306,000)	(150,000)
Less financial assets not available within one year		
Collateral for mortgage loan held with lender	(1,000,000)	(1,000,000)
Grants receivable, long-term, net of discount	-	(73,711)
Deposits	(3,485)	(3,485)
Total unavailable for general expenditures within one year	(3,059,519)	(3,627,283)
Amount available for general expenditures within one year	\$ 3,073,934	\$ 1,926,582

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.

Sunnyvale Community Services

Notes to Financial Statements

Note 5 – Accounts and Grants Receivable, Net

Accounts and grants receivable, net, include amounts earned but not received from the following as of June 30:

	<u>2023</u>	<u>2022</u>
Corporate entities	\$ 125,000	\$ 35,000
Private foundations	361,000	432,000
Federal	263,177	300,565
City and county	426,650	582,228
Other	<u>24,150</u>	<u>795</u>
Total accounts and grants receivable, net	<u><u>\$ 1,199,977</u></u>	<u><u>\$ 1,350,588</u></u>

Note 6 – Investments

The table below presents the assets measured at fair value at June 30:

	<u>2023</u>	<u>2022</u>
Investments (Level 1):		
Equities	<u>\$ 812,337</u>	<u>\$ 739,667</u>
Total investments	<u><u>\$ 812,337</u></u>	<u><u>\$ 739,667</u></u>

Equities – Equities are listed on a national market or exchange and are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. 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. Such securities are classified within Level 1 of the valuation hierarchy.

Note 7 – Inventory

Inventory consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Vouchers and gift cards	\$ 9,306	\$ 123,428
Household items	60,017	37,343
Food	<u>324,292</u>	<u>296,996</u>
Total inventory	<u><u>\$ 393,615</u></u>	<u><u>\$ 457,767</u></u>

Sunnyvale Community Services
Notes to Financial Statements

Note 8 – Property and Equipment, Net

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

	2023	2022
Land	\$ 7,171,626	\$ 7,171,626
Building	15,072,671	15,072,671
Building improvements	245,084	43,519
Equipment and furniture	650,069	550,513
Vehicles	359,124	306,289
	23,498,574	23,144,618
Less: accumulated depreciation	(961,563)	(422,822)
Property and equipment, net	\$ 22,537,011	\$ 22,721,796

Depreciation expense for the years ended June 30, 2023 and 2022 was \$485,870 and \$335,637, respectively.

Note 9 – 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 with donor restrictions until distributed, and partly for another organization’s emergency assistance, which are recorded as agency refundable until distributed. At June 30, 2023 and 2022, the agency refundable amount was \$791,109 and \$750,676, respectively.

Note 10 – Forgivable Loans

Forgivable loans at June 30, 2023 and 2022 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 loan is secured by the real property located at 1160 Kern Avenue, Sunnyvale, CA 94085. Payments shall be fully deferred for the first five years. Any remaining balance at the end of the note term shall be forgiven. The principal outstanding balance as of June 30, 2023 and 2022 was \$900,000.

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.

Sunnyvale Community Services

Notes to Financial Statements

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. 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. No monthly installment payments shall be due and the entire loan amount shall be forgiven at the end of the note term. The principal outstanding balance as of June 30, 2023 and 2022 was \$1,500,000.

County of Santa Clara – County of Santa Clara funds of \$1,000,000 with a term of ten years. The loan was funded on January 1, 2023, bearing 0% interest. The purpose of the loan is for the repayment of a portion of the existing loan with Silicon Valley Bank. The loan is secured by the real property located at 1160 Kern Avenue, Sunnyvale, CA 94085. The principal outstanding balance as of June 30, 2023 was \$1,000,000.

The conditions of the loan forgiveness 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 the County of Santa Clara.

Paycheck Protection Program (PPP) – On February 17, 2021, the Organization obtained the second round of Small Business Administration (SBA) PPP Loan 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.

Note 11 – Note Payable, Net

Note payable, net at June 30 is as follows:

	2023	2022
Silicon Valley Bank - 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 a variable interest rate of 4.37% and 4.42% as of June 30, 2023 and 2022, respectively. Interest is charged for the initial 60 months until December 2024 ("Interest Only Period").	\$ 5,040,000	\$ 6,040,000
	5,040,000	6,040,000
Less: deferred financing costs	(15,067)	(16,381)
Less: current portion	-	-
Note payable, net	\$ 5,024,933	\$ 6,023,619

Sunnyvale Community Services

Notes to Financial Statements

Note 12 – 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.

The Organization has supplemental worker's compensation coverage for individual claims up to \$1,000,000 and aggregate annual claims up to \$1,000,000 based upon claims made. The Organization has general liability coverage for individual claims up to \$1,000,000 and aggregate annual claims up to \$2,000,000 based upon occurrence.

Note 13 – Employee Benefit Plan

The Organization offers a salary reduction plan under Internal Revenue Code Section 403(b) (the Plan). The Plan provides for employee retirement benefits through voluntary deferral of current salary at the election of the employee. All employees are eligible to enroll in the Plan immediately upon hire. Employees may contribute into the Plan up to the maximum allowed under the regulations. All employees are fully and immediately vested in their voluntary contributions. The Plan operates as a salary reduction plan only. The Organization contributed \$21,704 and \$21,163 to the Plan during the years ended June 30, 2023 and 2022.

Note 14 – Board-Designated Net Assets

At June 30, 2023 and 2022, the Board of Directors has designated \$1,028,530 of the Organization's net assets without donor restriction for general operating reserves.

Sunnyvale Community Services
Notes to Financial Statements

Note 15 – Net Assets with Donor Restrictions

Net assets with donor restrictions are expected to be released from restrictions by June 30, 2025, and consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Program		
Backpack day	\$ 118,303	\$ 137,134
Case manager	-	197,000
Emergency assistance	160,871	362,712
COVID-19	345,635	402,062
Food	-	18,555
Toys	500	500
Capital campaign	310,981	352,406
Murphy pet fund	4,570	4,042
Sponsors/challenge holiday	17,315	25,000
Gift cards	750	-
Social Impact Support DST Program	-	150,000
Time restriction	<u>306,000</u>	<u>150,000</u>
 Total net assets with donor restrictions	 <u><u>\$ 1,264,925</u></u>	 <u><u>\$ 1,799,411</u></u>

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

	<u>2023</u>	<u>2022</u>
Program		
Backpack day	\$ 238,688	\$ 248,847
Case manager	197,000	187,000
Emergency assistance	905,606	548,575
COVID-19	56,654	569,395
Nutrition access/diabetes	7,500	34,939
Food	73,007	57,030
Capital campaign	909,278	1,653,163
Sponsors/challenge holiday	385,070	211,778
Vehicle	-	112,508
Admin/staffing	38,000	-
Social Impact Support DST Program	150,000	-
CDP program	-	10,000
Time restriction	<u>75,000</u>	<u>210,000</u>
 Total net assets released from restrictions	 <u><u>\$ 3,035,803</u></u>	 <u><u>\$ 3,843,235</u></u>

Sunnyvale Community Services

Notes to Financial Statements

Note 16 – In-Kind Donations

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

	2023	2022
Food	\$ 2,590,649	\$ 1,982,729
Household	3,596	395
Gift cards	9,942	11,998
Assets (cars, equipment, etc.)	42,487	-
Toys	4,747	2,500
Other materials	11,150	1,250
Professional services	3,700	6,505
Total	\$ 2,666,271	\$ 2,005,377

The Organization 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, it was valued at the weighted-average wholesale value of one pound of donated product based on the national per-pound price as proved by the Feeding America Product Valuation Survey. The Organization utilized the Feeding America valuations of \$1.57 and \$1.53 per pound for donated USDA commodities and \$1.93 and \$1.92 per pound for donated non-USDA food for years ended June 30, 2023 and 2022, respectively.
- **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 toys were 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.
- **Professional services** – The in-kind contribution of donated professional services was valued based on the market price for similar type services provided when the services were rendered.

Sunnyvale Community Services

Notes to Financial Statements

Note 17 – Donated Services

The Organization received donated services from a variety of unpaid volunteers to help support the Organization's programs. The value of these services is not reflected in the accompanying financial statements since the services do not require specialized skills. During the years ended June 30, 2023 and 2022, volunteers donated approximately 14,106 and 10,884 hours of service with an estimated value of \$448,571 and \$325,976, respectively. These values were computed using hourly rate of \$31.80 and \$29.95, respectively, which are based on the average hourly earnings of volunteer time.

Supplementary Information

Sunnyvale Community Services
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Award Period	Program and/or Pass-Through Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Food Distribution Cluster</u>					
U.S. Department of Agriculture Passed through Second Harvest Food Bank USDA Food Commodities	10.569	7/1/2022 to 6/30/2023	94-2614101	\$ -	\$ 352,743
Total Food Distribution Cluster				-	352,743
<u>CDBG - Entitlement Grants Cluster</u>					
U.S. Department of Housing and Urban Development Community Development Block Grant Funds - Building Loan	14.218	2/16/2019 to 12/15/2024		-	900,000
City of Sunnyvale - Downtown Streets Team	14.218	7/1/2022 to 6/30/2023		328,655	453,787
City of Sunnyvale - CDBG Food Passed through Sacred Heart Community Service	14.218	7/1/2022 to 6/30/2023		-	60,952
Homeless Prevention System - CDBG Non-City of San Jose Resident	14.218	7/1/2022 to 6/30/2023	23-7179787	-	50,722
Homeless Prevention System - CDBG Non-City of San Jose Financial Assistance	14.218	7/1/2022 to 6/30/2023	23-7179787	-	87,168
Total CDBG - Entitlement Grants Cluster				328,655	1,552,629
<u>Home Investment Partnerships Program</u>					
Passed through City of Sunnyvale Home Investment Partnership Funds - Tenant-Based Rental Assistance	14.239	7/1/2022 to 6/30/2024	94-6000438	-	527,229
				-	527,229
<u>Coronavirus State and Local Fiscal Recovery Funds</u>					
U.S. Department of Treasury Passed through Sacred Heart Community Service COVID-19 Homeless Prevention System - SCC ARPA	21.027	7/1/2022 to 6/30/2023	23-7179787	-	194,249
				-	194,249
<u>Homeland Security Grant</u>					
U.S. Department of Homeland Security Passed through Second Harvest Food Bank Emergency Food and Shelter National Board Program	97.024	7/1/2022 to 6/30/2023	94-2614101	-	5,135
				-	5,135
Total Expenditures of Federal Awards				\$ 328,655	\$ 2,631,985

See notes to schedule of expenditures of federal awards.

Sunnyvale Community Services

Notes to Schedule of Expenditures of Federal Awards

Note 1 – 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, 2023. The information in this Schedule is presented in accordance with the 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). 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.

Federal expenditures of \$2,631,985 are presented in Sunnyvale Community Services' financial statements under their functional categories.

Note 2 – 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 to reimbursement. Sunnyvale Community Services has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Subrecipients

Certain funds are passed through to subrecipient organizations by Sunnyvale Community Services. Expenditures incurred by the subrecipients and reimbursed by Sunnyvale Community Services are included in the Schedule. Sunnyvale Community Services is also the subrecipient of federal funds, which are reported as expenditures and listed separately as federal pass-through funds.

Note 4 – Loan Outstanding Balance

The balance outstanding on the Community Development Block Grant (CDBG) loan with the City of Sunnyvale at June 30, 2023 was \$900,000.



Report of Independent Auditors 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*

The Board of Directors
Sunnyvale Community Services

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, 2023, and the related statements of activities and changes in net assets, 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 January 4, 2024.

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 Sunnyvale Community Services' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Sunnyvale Community Services' 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. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on 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 financial statements. 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' **Response** to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Sunnyvale Community Services' response to the finding 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 Sunnyvale Community Services' 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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Rancho Cordova, California
January 4, 2024



Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Sunnyvale Community Services

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sunnyvale Community Services' (A California Nonprofit Public Benefit Corporation) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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 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, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 for each major federal program. Our audit does not provide a legal determination of Sunnyvale Community Services' compliance with the compliance requirements referred to above.

Responsibilities 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 grant 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 GAAS, *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 user 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 GAAS, *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 purpose 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.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Rancho Cordova, California
January 4, 2024

**Sunnyvale Community Services
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over each federal major program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None

Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)?

Yes No

Identification of Major Federal Programs and Type of Auditor’s Report Issued on Compliance for Each Major Federal Program:

<i>Federal Assistance Listing Numbers</i>	<i>Name of Federal Programs or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Each Major Federal Program</i>
10.569	Food Distribution Cluster	<i>Unmodified</i>
14.218	CDBG - Entitlement Grants Cluster	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? Yes No

**Sunnyvale Community Services
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section II – Financial Statement Findings

**Reference Number
Finding**

Finding

2023-001

Financial Close and Reporting

Significant deficiency in Internal Control over Financial Reporting

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting inclusive of assessing revenue transactions for proper recognition as part of the closing process. Furthermore, the Organization required adjustments to be in conformity with accounting principles for proper recognition of revenue from a conditional grant when earned.

Condition: The Organization's financial statements should be presented in conformity with accounting principles generally accepted in the United States of America (GAAP), including recognizing grant revenue when conditions have been met and no remaining right of return exists.

Context: During the audit, Moss Adams identified two grants for which revenue had been recognized, but conditions of the grant had not been met.

Effect: Accounts and grants receivable, net and foundation and corporate grants were overstated by \$564,000.

Cause: The Organization's controls over financial close and reporting did not operate effectively during the year ended June 30, 2023.

Recommendation: We recommend the Organization provide additional training to accounting staff to ensure compliance with GAAP, provide adequate oversight, and ensure proper revenue recognition of grants.

Views of Responsible Officials and Planned Corrective Actions: The Organization will refine the financial close and reporting process by implementing a control to review grant agreements for language that indicates the grant is conditional according to GAAP. To enhance staff knowledge, the Organization will provide additional training on GAAP compliance, placing emphasis on grants.

Section III – Federal Award Findings and Questioned Costs

None reported.



Sunnyvale Community Services

2023-001 Financial Close and Reporting

Corrective Action Plan: Sunnyvale Community Services concurs with the recommendations and will implement a corrective action plan to refine the Organization's financial close and reporting process by implementing a control to review grant agreements for language that indicates the grant is conditional according to accounting principles generally accepted in the United States of America. To enhance staff knowledge, the Organization will provide additional training on GAAP compliance, placing emphasis on grants.

Estimated completion date: June 30, 2024

Contact person: Laura Hammer, Chief Financial Office

