

PENINSULA VOLUNTEERS, INC.
INDEPENDENT AUDITORS' REPORT

and

FINANCIAL STATEMENTS

For the Years ended at June 30, 2008 and 2007

STOREK, CARLSON & STRUTZ
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

August 26, 2008

To the Board of Directors
PENINSULA VOLUNTEERS, INC.

We have audited the accompanying statements of financial position of Peninsula Volunteers, Inc. as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Peninsula Volunteers, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peninsula Volunteers, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2008 on our consideration of Peninsula Volunteer, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PENINSULA VOLUNTEERS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

	2008	2007
<u>ASSETS</u>		
Cash and cash equivalents	\$ 91,287	\$ 175,362
Receivables	285,228	359,372
Prepaid expenses	41,407	43,113
Inventories	9,522	-
Investments	5,991,702	6,487,005
Property and equipment, net	5,241,362	5,196,186
Imputed leasehold, net	4,152,507	4,488,961
TOTAL ASSETS	\$ 15,813,015	\$ 16,749,999
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 66,896	\$ 114,098
Accrued payroll expenses	65,962	57,604
Accrued compensated absences	61,391	61,200
Deferred revenue	89,184	231,103
Other accrued expenses	12,062	16,104
Total liabilities	295,495	480,109
NET ASSETS:		
Unrestricted:		
Undesignated	10,066,126	10,376,480
Endowment earnings to be used at board's discretion	36,555	79,213
Total unrestricted net assets	10,102,681	10,455,693
Temporarily restricted:		
Net present value of unconditional promise of contributed rent	4,152,507	4,488,961
Restricted to property improvements:		
Partridge-Kennedy Apartments	244,422	261,149
Little House/Rosener House dining room renovation projects	-	46,227
Total temporarily restricted net assets	4,396,929	4,796,337
Permanently restricted - Endowment Fund	1,017,910	1,017,860
Total net assets	15,517,520	16,269,890
TOTAL LIABILITIES AND NET ASSETS	\$ 15,813,015	\$ 16,749,999

The accompanying notes are an integral part of these financial statements.

PENINSULA VOLUNTEERS, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CHANGES IN NET ASSETS:				
Revenues and gains:				
Participant fees	\$ 763,991	\$ -	\$ -	\$ 763,991
Contributions	752,020	-	50	752,070
Special events	651,043	-	-	651,043
Federal grants	587,231	-	-	587,231
Senior nutrition	352,088	-	-	352,088
Interest and dividends	280,735	-	-	280,735
Contributed rent	193,546	-	-	193,546
Other grants and contracts	128,846	-	-	128,846
Membership dues	96,886	-	-	96,886
Investment gains (losses)	(286,057)	-	-	(286,057)
Assets released from restrictions:				
Imputed lease value	336,454	(336,454)	-	-
Dining room renovations	46,227	(46,227)	-	-
Property improvements	16,727	(16,727)	-	-
Total revenues and gains	<u>3,919,737</u>	<u>(399,408)</u>	<u>50</u>	<u>3,520,379</u>
Expenses and losses:				
Program services:				
Rosener House	1,380,085	-	-	1,380,085
Little House	996,832	-	-	996,832
Meals on Wheels	715,972	-	-	715,972
Nutrition	370,742	-	-	370,742
Total program services	<u>3,463,631</u>	<u>-</u>	<u>-</u>	<u>3,463,631</u>
Supporting services:				
General and administrative	231,457	-	-	231,457
Fundraising and membership	577,661	-	-	577,661
Total supporting services	<u>809,118</u>	<u>-</u>	<u>-</u>	<u>809,118</u>
Total expenses and losses	<u>4,272,749</u>	<u>-</u>	<u>-</u>	<u>4,272,749</u>
CHANGE IN NET ASSETS	(353,012)	(399,408)	50	(752,370)
NET ASSETS, BEGINNING OF YEAR	<u>10,455,693</u>	<u>4,796,337</u>	<u>1,017,860</u>	<u>16,269,890</u>
NET ASSETS, END OF YEAR	<u>\$ 10,102,681</u>	<u>\$ 4,396,929</u>	<u>\$ 1,017,910</u>	<u>\$ 15,517,520</u>

The accompanying notes are an integral part of these financial statements.

PENINSULA VOLUNTEERS, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CHANGES IN NET ASSETS:				
Revenues and gains:				
Contributions	\$ 473,156	\$ -	\$ 1,017,860	\$ 1,491,016
Participant fees	638,709	-	-	638,709
Federal grants	576,035	-	-	576,035
Investment gains (losses)	458,456	-	-	458,456
Special events	429,136	46,227	-	475,363
Interest and dividends	276,737	-	-	276,737
Other grants and contracts	245,015	-	-	245,015
Senior nutrition	226,816	-	-	226,816
Contributed rent	209,834	-	-	209,834
Membership dues	74,855	-	-	74,855
Assets released from restrictions:				
Imputed lease value	320,166	(320,166)	-	-
Property improvements	<u>6,727</u>	<u>(6,727)</u>	<u>-</u>	<u>-</u>
Total revenues and gains	<u>3,935,642</u>	<u>(280,666)</u>	<u>1,017,860</u>	<u>4,672,836</u>
Expenses and losses:				
Program services:				
Rosener House	1,212,054	-	-	1,212,054
Little House	936,723	-	-	936,723
Meals on Wheels	630,779	-	-	630,779
Nutrition	<u>321,259</u>	<u>-</u>	<u>-</u>	<u>321,259</u>
Total program services	<u>3,100,815</u>	<u>-</u>	<u>-</u>	<u>3,100,815</u>
Supporting services:				
General and administrative	176,349	-	-	176,349
Fundraising and membership	<u>310,194</u>	<u>-</u>	<u>-</u>	<u>310,194</u>
Total supporting services	<u>486,543</u>	<u>-</u>	<u>-</u>	<u>486,543</u>
Total expenses and losses	<u>3,587,358</u>	<u>-</u>	<u>-</u>	<u>486,543</u>
CHANGE IN NET ASSETS	348,284	(280,666)	1,017,860	1,085,478
NET ASSETS, BEGINNING OF YEAR	<u>10,107,409</u>	<u>5,077,003</u>	<u>-</u>	<u>15,184,412</u>
NET ASSETS, END OF YEAR	<u>\$ 10,455,693</u>	<u>\$ 4,796,337</u>	<u>\$ 1,017,860</u>	<u>\$ 16,269,890</u>

The accompanying notes are an integral part of these financial statements.

PENINSULA VOLUNTEERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Program Services</u>				<u>Support Services</u>				<u>Total Expenses</u>
	<u>Rosener House</u>	<u>Little House</u>	<u>Meals on Wheels</u>	<u>Nutrition</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Fundraising and Membership</u>	<u>Total Supporting</u>	
Salaries, wages and benefits	\$ 735,236	\$ 289,857	\$ 319,530	\$ 362,174	\$ 1,706,797	\$ 121,394	\$ 513	\$ 121,907	\$ 1,828,704
Facility expenses	204,545	430,911	5,235	16,885	657,576	4,017	2,210	6,227	663,803
Special events	89	119	89	30	327	641	520,691	521,332	521,659
Programs and supplies	43,115	43,052	16,290	303,618	406,075	3,954	14,647	18,601	424,676
Advertising	63,234	68,883	61,568	634	194,319	789	6,148	6,937	201,256
Professional services	104,608	11,081	11,315	3,402	130,406	30,589	29,247	59,836	190,242
Insurance	9,517	14,308	7,936	4,660	36,421	3,885	49	3,934	40,355
Telephone and conferences	7,761	3,671	7,140	4,882	23,454	6,082	12	6,094	29,548
Transportation	572	836	27,254	193	28,855	84	38	122	28,977
Investment management fees	-	-	-	-	-	20,325	-	20,325	20,325
Equipment lease and repairs	9,753	1,420	3,118	2,758	17,049	3,195	-	3,195	20,244
Other expenses	724	11	807	960	2,502	16,935	-	16,935	19,437
Printing and postage	2,837	3,801	5,498	363	12,499	681	3,911	4,592	17,091
Dues and subscription	1,769	3,715	764	288	6,536	3,016	195	3,211	9,747
Food service allocation	62,802	48,711	249,211	(360,724)	-	-	-	-	-
Total expenses before depreciation	1,246,562	920,376	715,755	340,123	3,222,816	215,587	577,661	793,248	4,016,064
Depreciation	133,523	76,456	217	30,619	240,815	15,870	-	15,870	256,685
TOTAL EXPENSES	\$ 1,380,085	\$ 996,832	\$ 715,972	\$ 370,742	\$ 3,463,631	\$ 231,457	\$ 577,661	\$ 809,118	\$ 4,272,749
Percent of total expenses	<u>32.3%</u>	<u>23.3%</u>	<u>16.8%</u>	<u>8.7%</u>	<u>81.1%</u>	<u>5.4%</u>	<u>13.5%</u>	<u>18.9%</u>	<u>100.0%</u>

The accompanying notes are an integral part of these financial statements.

PENINSULA VOLUNTEERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Program Services</u>				<u>Support Services</u>				<u>Total Expenses</u>
	<u>Rosener House</u>	<u>Little House</u>	<u>Meals on Wheels</u>	<u>Nutrition</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Fundraising and Membership</u>	<u>Total Supporting</u>	
Salaries, wages and benefits	\$ 664,246	\$ 292,887	\$ 298,204	\$ 331,423	\$ 1,586,760	\$ 95,258	\$ 25,923	\$ 121,181	\$ 1,707,941
Facility expenses	199,478	419,803	4,604	14,237	638,122	2,531	2,104	4,635	642,757
Programs and supplies	18,762	37,019	25,592	284,742	366,115	1,057	6,088	7,145	373,260
Special events	423	1,796	-	870	3,089	583	222,230	222,813	225,902
Professional services	69,434	9,692	10,510	7,504	97,140	11,669	50,689	62,358	159,498
Printing and postage	8,023	20,090	7,073	3,262	38,448	2,918	1,688	4,606	43,054
Insurance	12,242	12,183	5,793	6,107	36,325	4,212	482	4,694	41,019
Telephone and conferences	7,553	3,647	7,181	4,870	23,251	5,699	118	5,817	29,068
Transportation	25,052	108	22,581	225	47,966	4	1	5	47,971
Equipment lease and repairs	9,508	2,362	3,246	3,258	18,374	2,693	297	2,990	21,364
Investment management fees	-	-	-	-	-	19,621		19,621	19,621
Advertising	6,201	3,380	3,317	644	13,542	1,276	10	1,286	14,828
Other expenses	101	497	595	3,007	4,200	6,825	81	6,906	11,106
Dues and subscription	4,524	921	203	140	5,788	4,603	424	5,027	10,815
Food service allocation	48,059	54,941	235,949	(339,030)	(81)	22	59	81	-
Total expenses before depreciation	1,073,606	859,326	624,848	321,259	2,879,039	158,971	310,194	469,165	3,348,204
Depreciation	138,448	77,397	5,931	-	221,776	17,378	-	17,378	239,154
TOTAL EXPENSES	\$ 1,212,054	\$ 936,723	\$ 630,779	\$ 321,259	\$ 3,100,815	\$ 176,349	\$ 310,194	\$ 486,543	\$ 3,587,358
Percent of total expenses	<u>33.8%</u>	<u>26.1%</u>	<u>17.6%</u>	<u>9.0%</u>	<u>86.4%</u>	<u>4.9%</u>	<u>8.6%</u>	<u>13.6%</u>	<u>100.0%</u>

The accompanying notes are an integral part of these financial statements.

PENINSULA VOLUNTEERS, INC.

STATEMENTS OF CASH FLOWS

JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flow (to) from operating activities:		
Increase (decrease) in net assets	\$ (752,370)	\$ 1,085,478
Adjustments to reconcile change in net assets to net cash from (to) operating activities:		
Depreciation	256,685	239,154
Amortization of imputed leasehold	336,454	320,166
Net realized and unrealized gain	306,382	(458,456)
Changes in assets and liabilities:		
Receivables	74,144	(164,380)
Prepaid expenses	1,706	(23,181)
Inventories	(9,522)	-
Accounts payable	(47,202)	74,774
Accrued liabilities	(137,412)	144,150
Net cash flow (to) from operating activities	<u>28,865</u>	<u>1,217,705</u>
Cash flow (to) from investing activities:		
Acquisition of property and equipment	(301,861)	(427,574)
Proceeds from sale of investments	588,921	4,285,747
Purchases of investments	(400,000)	(5,107,726)
Net cash flow to investing activities	<u>(112,940)</u>	<u>(1,249,553)</u>
Cash flow (to) from financing activities:	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(84,075)	(31,848)
Cash and cash equivalents at beginning of year	<u>175,362</u>	<u>207,210</u>
Cash and cash equivalents at end of year	<u>\$ 91,287</u>	<u>\$ 175,362</u>

SUPPLEMENTAL INFORMATION:

Non-cash transactions: In 2008 and 2007, PVI received unconditional contributions of rent based on two long-term leases with the City of Menlo Park. The estimated value of the contributed rent is \$530,000 per year, which is recorded in the statements of activities as contributed rent, less amortization of the imputed leasehold, and as rent expense. The imputed lease value for the contributed rent is amortized using the interest method.

There was no interest expense or income tax paid for the years ended June 30, 2008 and 2007.

The accompanying notes are an integral part of these financial statements.

PENINSULA VOLUNTEERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(a) Peninsula Volunteers, Inc. (PVI) is a California nonprofit corporation which has provided a variety of services to older adults residing in San Mateo and Santa Clara counties since 1947. PVI provides the following four major programs:

1. Little House, The Roslyn G. Morris Activity Center - Little House provides classes, workshops, referral services, and congregate nutritional services to seniors in the community.
2. Rosener House Adult Day Services - Rosener House is a licensed adult day care and support center for impaired older adults, providing respite care for family and other caregivers.
3. Meals on Wheels - Peninsula Volunteers, Inc. currently delivers over one thousand hot meals per week to homebound seniors and other qualified individuals in San Mateo County.
4. Nutrition - Peninsula Volunteers, Inc. prepares and serves nutritionally balanced dinners to the residents of low-income senior housing, participants of its adult day support center, and congregate meals to seniors in the community.

(b) The accompanying financial statements have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles. Those principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

(c) In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, PVI reports information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are those currently available at the discretion of the board of directors for use in PVI's operations. PVI maintains temporarily restricted net asset accounts for funds restricted by donor stipulation for: 1) future improvements of Partridge-Kennedy, an apartment complex owned and operated as low-income senior housing by Peninsula Volunteers Properties, Inc., a related party as discussed in note 9; 2) the net present value of unconditional promises of contributed rent, as discussed in note 4; and 3) future dining room renovation projects for Little House and Rosener House. PVI maintains permanently restricted net assets for funds permanently restricted by donor stipulation to PVI's Endowment Fund. Earnings from the Endowment Fund are available at the discretion of the board of directors.

(d) PVI has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, whereby contributions received are to be recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. If a restriction expires in the same accounting period as the contribution is received, the revenue is shown as unrestricted. Unconditional promises to give are recognized as revenue at the time the promise is made by the donor; conditional promises to give are disclosed but not recognized as revenue until the conditions are met.

(e) In accordance with SFAS No. 124, *Accounting for Certain Investments held by Non-Profit Organizations*, PVI records all investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Absent donor stipulations on earnings from restricted net assets, investment income is allocated to unrestricted net assets.

(f) Acquisitions of property and equipment in excess of \$2,000 are capitalized. Property and equipment are carried at cost or, if donated, at approximate fair value at the date of donation. Depreciation is computed using the straight-line method with estimated useful lives from 3 to 40 years. Expenditures representing general maintenance and repairs are expensed in the year incurred.

PENINSULA VOLUNTEERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2008 AND 2007

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) PVI considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

(h) Fundraising activities are performed primarily by PVI employees and volunteers. Special events that are major and/or ongoing are reported as gross proceeds and related expenses in accordance with AICPA's *Not-for-Profit Organizations* and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Joint costs incurred in fundraising activities are allocated between program and support services in the statement of functional expenses, as required by AICPA's *Not-for-Profit Organizations*.

(i) The cost of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) Peninsula Volunteers, Inc. has obtained tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and from the Franchise Tax Board under Section 23701(d) of the California Revenue and Tax Code. Accordingly, no provision for federal income tax or California franchise tax has been made. PVI has been classified as a publicly supported charitable organization, which is not a private foundation under IRS Code Section 509(a).

NOTE 2 - RECEIVABLES

Receivables consist of the following on June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Grants and contracts receivable	\$ 267,679	\$ 342,786
Due from affiliates	11,574	12,610
Participant fees receivable	5,975	3,976
	<u>\$ 285,228</u>	<u>\$ 359,372</u>

NOTE 3 - INVESTMENTS

Market values of investments on June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Money market funds	\$ 324,419	\$ 117,571
Shares of registered investment companies	2,453,156	5,727,798
Shares of real estate mortgage investment	-	444,990
Debt securities	3,214,127	196,646
	<u>\$ 5,991,702</u>	<u>\$ 6,487,005</u>

Investment returns are as follows for the years ended June 30, 2008 and 2007:

Interest and dividends	\$ 280,735	\$ 276,737
Net realized and unrealized gains and losses	(286,057)	458,456
Investment management fees	(20,325)	(19,621)
	<u>\$ (25,647)</u>	<u>\$ 715,572</u>

PENINSULA VOLUNTEERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2008 AND 2007

NOTE 4 - PROPERTY AND EQUIPMENT

Property, equipment and accumulated depreciation are comprised of the following amounts on June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Little House:		
Improvements	\$ 2,680,771	\$ 2,564,520
Furniture and equipment	<u>707,148</u>	<u>606,888</u>
	<u>3,387,919</u>	<u>3,171,408</u>
Rosener House:		
Building	3,940,777	3,940,777
Improvements	327,876	327,876
Furniture and equipment	<u>372,331</u>	<u>372,331</u>
	<u>4,640,984</u>	<u>4,640,984</u>
Meals on Wheels:		
Improvements	2,330	2,330
Furniture and equipment	<u>144,126</u>	<u>58,839</u>
	<u>146,456</u>	<u>61,169</u>
Administrative:		
Improvements	4,843	4,843
Furniture and equipment	<u>149,711</u>	<u>149,711</u>
	<u>154,554</u>	<u>154,554</u>
Total property and equipment at cost	8,329,913	8,028,115
Less accumulated depreciation	<u>3,088,551</u>	<u>2,831,929</u>
Total property and equipment, net	<u>\$ 5,241,362</u>	<u>\$ 5,196,186</u>

NOTE 5 - IMPUTED LEASEHOLD

In 1954 PVI built the facilities at Little House and deeded them to the City of Menlo Park ("the City.") The City leases the facilities back to PVI for \$12 per year, based on the terms of the current lease dated February 1, 1995 and expiring on January 31, 2015. On July 1, 2001, PVI extended its ground lease agreement dated January 15, 1980 with the City of Menlo Park for the Rosener House location for a term of twenty-five years for \$1 per year, with an option to extend for an additional ten years.

Unconditional promises to give the use of long-lived assets for a specified number of periods in which the donor retains legal title to the long-lived asset may be received in connection with leases. The estimated net present value of the contributed rent is required under SFAS No. 116 to be recognized as temporarily restricted revenue when the promise is received. Contributed rents receivable due in more than one year are discounted to their estimated net present value using a risk-free rate of return, typically the three-month U.S. Treasury bill rate in effect at the date the promise was received. Peninsula Volunteers, Inc. has estimated the net present values of the Little House and Rosener House leases using discount rates of 5.49% and 3.40%, respectively, based on the three-month U.S. Treasury bill rate in effect at each lease's inception. The imputed leasehold value is amortized using the interest method over the term of each lease and is recorded annually as additional contribution revenue.

PENINSULA VOLUNTEERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2008 AND 2007

NOTE 6 - LEASE COMMITMENTS AND CONTINGENCIES

PVI leases its Little House and Rosener House facilities based on the terms of the respective leases, as discussed in note 5.

As of June 30, 2008, Peninsula Volunteers, Inc. had entered into various noncancelable operating lease agreements for the rental of office equipment. Minimum rentals on an annual basis are as follows: \$6,424 in 2009 and none thereafter.

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

PVI maintains its investment accounts primarily with three brokerages. These investments, which are described in note 3, are not protected under the Federal Depository Insurance Corporation (FDIC) or other regulatory agency, therefore the Organization is not insured against investment loss.

Cash balances exceeding the FDIC limit totaled zero and \$73,812 for the years ended June 30, 2008 and 2007, respectively. Occasionally, the balances during the fiscal year exceed the \$100,000 insured limit. Management does not believe that PVI is exposed to significant risk in association with the uninsured balances

NOTE 8 - EMPLOYEE BENEFIT PLANS

PVI adopted a SIMPLE IRA plan ("the Plan") in 1998 under Internal Revenue Code Section 408(p), whereby employees may contribute up to \$10,000 of their annual salary to the Plan, with additional salary deferrals allowed for employees over age fifty. The Plan allows a discretionary employer match of up to 3% of eligible employees' annual compensation. PVI made matching contributions of \$29,810 for 2008 and \$26,546 for 2007.

NOTE 9 - RELATED PARTY TRANSACTIONS

Peninsula Volunteers, Inc. contracts with a related nonprofit organization, Peninsula Volunteers Properties, Inc. ("PVP") for food services provided to the residents of a low-income apartment complex for seniors owned by PVP. The two organizations share a common board of directors, a joint liability insurance policy, and provide services to older adults under the common name, "Peninsula Volunteers." In addition, Peninsula Volunteers, Inc. has agreed, but is not obligated, to make payments of \$561 per month on PVP's mortgage with the State of California.

NOTE 10 - DONATED SERVICES, MATERIALS AND FACILITIES

In 2008, PVI received donated services and fundraising supplies valued at \$132,326 (\$23,987 in 2007.) PVI pays annual rent for Little House and Rosener House at an amount significantly less than market rate. The approximate fair value of these annual lease values has been estimated by a real estate professional to be \$375,000 and \$155,000, respectively. These amounts are included in the accompanying financial statements in accordance with SFAS No. 116, as described in note 5

PVI also receives over 20,000 hours of donated services from unpaid volunteers assisting in various program and fundraising activities. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been met.

NOTE 11 - CONDITIONAL PROMISE TO GIVE

On February 18, 2007, Peninsula Volunteers, Inc. received from the Sovereign Order of St. John of Jerusalem Knights Hospitaller (SOSJ) a conditional promise to provide \$200,000 in funding for the renovation of the Little House kitchen. The primary conditions for funding were that the renovation be completed and approved for occupancy by local government agencies, and that the new kitchen be placed in active use. Construction work on the project was completed, occupancy permits obtained, and the kitchen was placed in active use on July 30, 2007. The conditions set by the donor having been substantially met, PVI's management recorded the contribution revenue in the accompanying financial statements for the year ended June 30, 2008, in accordance with SFAS No. 116.

PENINSULA VOLUNTEERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2008 AND 2007

NOTE 12 - PRIOR PERIOD ADJUSTMENT

The management of Peninsula Volunteers, Inc. has restated the balance of its permanently restricted net assets and the corresponding opening balance of unrestricted net assets. This restatement corrects an error in the classification of contributions and net assets, based on donor stipulations that their contributions made in 2007 be invested in perpetuity by PVI, with the earnings available at the discretion of the board of directors for use in PVI's operations. Beginning balances for 2007 are correct as originally reported.

	<u>2007</u>
PERMANENTLY RESTRICTED NET ASSETS: ENDOWMENT FUND	
As previously reported	\$ -
Adjustment to record contributions permanently restricted by donors	<u>1,017,860</u>
Balance at end of year, as restated	<u>\$ 1,017,860</u>
 UNRESTRICTED NET ASSETS: BOARD-DESIGNATED ENDOWMENT EARNINGS	
As previously reported	\$ -
Adjustment to record earnings on permanently restricted net assets	<u>79,213</u>
Balance at end of year, as restated	<u>\$ 79,213</u>
 UNRESTRICTED NET ASSETS: UNDESIGNATED	
As previously reported	\$ 11,473,553
Adjustment to record permanently net assets and earnings on these assets	<u>(1,097,073)</u>
Balance at end of year, as restated	<u>\$ 10,376,480</u>

PENINSULA VOLUNTEERS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/ Pass Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures of Federal Awards</u>
U.S. Department of Health and Human Services			
Pass-through programs from San Mateo County:			
<i>Special Programs for the Aging: Nutrition Services</i>			
Meals on Wheels - Seniors	93.045	570004R66248	\$ 247,730
<i>Special Programs for the Aging: Grants for Supporting Services and Senior Centers</i>			
Alzheimer's Day Care Resource Center	93.044	570004R66248	60,002
Multipurpose Senior Services Program	93.044	66932	20,230
<i>Nutrition Services Incentive Program</i>			
Adult Day Care Program	93.053	570004R66248	41,533
Adult Day Care - Transportation	93.053	570004R66248	35,402
Adult Day Care - Nutrition	93.053	570004R66248	60,131
<i>Family Caregiver Support Program</i>			
Adult Day Care - Supplies and Equipment	93.052	570004R66248	1,268
Total U.S. Department of Health and Human Services			<u>466,296</u>
 U.S. Department of Veterans Affairs			
Formula Grant Administered by State of California Medi-Cal Program:			
<i>Veterans State Nursing Home Care</i>			
Adult Day Care Program	64.015	N/A	120,935
Total U.S. Department of Veterans Affairs			<u>120,935</u>
 Total Expenditures of Federal Awards			 <u>\$ 587,231</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Peninsula Volunteers, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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**

August 26, 2008

To the Board of Directors
PENINSULA VOLUNTEERS, INC.
Menlo Park, CA

We have audited the financial statements of the Peninsula Volunteers, Inc. (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated August 26, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Peninsula Volunteers, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Peninsula Volunteers, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Peninsula Volunteers, Inc.'s financial statements are free of 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*.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and Board of Directors of Peninsula Volunteers, Inc., and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

August 26, 2008

To the Board of Directors
PENINSULA VOLUNTEERS, INC.
Menlo Park, CA

Compliance

We have audited the compliance of Peninsula Volunteers, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Peninsula Volunteers, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Peninsula Volunteers, Inc.'s management. Our responsibility is to express an opinion on Peninsula Volunteers, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Peninsula Volunteers, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Peninsula Volunteers Inc.'s compliance with those requirements.

In our opinion, Peninsula Volunteers, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Peninsula Volunteers, Inc. is responsible for establishing and maintaining effective internal over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing the audit, we considered Peninsula Volunteers, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control on compliance. Accordingly, we do not express an opinion on the effectiveness of Peninsula Volunteers, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

To the Board of Directors
Peninsula Volunteers, Inc.
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results, in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Peninsula Volunteers, Inc.'s responses to the findings identified in our audit, if applicable, are described in the accompanying schedule of findings and questioned costs. We did not audit Peninsula Volunteers, Inc.'s responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the audit committee, others within the entity, the Board of Directors of Peninsula Volunteers, Inc. and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PENINSULA VOLUNTEERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' expresses an unqualified opinion on the financial statements of Peninsula Volunteers, Inc.
2. No significant deficiencies were disclosed during the audit or reported in the "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* ."
3. No instances of noncompliance material to the financial statements of Peninsula Volunteers, Inc. were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal awards program or reported in the "Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133".
5. The auditors' report on compliance for the major federal award program referred to above expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award program of Peninsula Volunteers, Inc. which are required to be reported in Part C of this Schedule
7. The federal award program tested as a major program was U.S. Department of Health and Human Services, CFDA Numbers 93.044, 93.045, 93.052 and 93.053.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Peninsula Volunteers, Inc. was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no audit findings for the year ended June 30, 2008.