

**SUNSET DISTRICT
COMMUNITY DEVELOPMENT
dba: Sunset Youth Services**

Financial Statements

June 30, 2006

(With Comparative Totals for June 30, 2005)

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sunset District Community Services
dba: Sunset Youth Services
San Francisco, California

We have audited the accompanying statement of financial position of Sunset District Community Services dba: Sunset Youth Services (a nonprofit California corporation) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Sunset District Community Services dba: Sunset Youth Service's 2005 financial statements and, in our report, dated December 20, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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 Sunset District Community Services dba: Sunset Youth Services as of June 30, 2006, and the changes in its net assets and its cash flows for the year 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 a report dated November 21, 2006, on our consideration of Sunset District Community Services dba: Sunset Youth Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

Certified Public Accountants
Oakland, California
November 21, 2006

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Financial Position
June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006	2005
Assets		
Current Assets		
Cash	\$ 91,517	\$ 39,043
Contracts/grants receivable	50,405	64,654
Total Current assets	141,922	103,697
Property and equipment, net (Note 3)	15,502	31,826
Deposits	9,840	9,840
Total Assets	\$ 167,264	\$ 145,363
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 15,744	\$ 7,678
Line of credit (Note 7)	-	27,981
Total Liabilities	15,744	35,659
Commitment and Contingencies (Notes 4 and 5)		
Net Assets		
Unrestricted	75,338	49,825
Temporarily restricted (Note 6)	76,182	59,879
Total Net Assets	151,520	109,704
Total Liabilities and Net Assets	\$ 167,264	\$ 145,363

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Activities
Year Ended June 30, 2006
(With Comparative Totals for Year Ended June 30, 2005)

	Unrestricted	Temporarily Restricted	Total	
			2006	2005
Support and Revenue:				
Government contracts	\$ 418,948	\$	\$ 418,948	\$ 389,526
Foundation and corporate support	89,671	99,640	189,311	145,467
Donations	113,635	23,380	137,015	92,288
In kind support (Note 8)	33,465		33,465	53,061
Festival revenue	5,265		5,265	5,245
Other	1,081		1,081	-
	<u>662,065</u>	<u>123,020</u>	<u>785,085</u>	<u>685,587</u>
Net assets released from donor restrictions (Note 6)	<u>106,717</u>	<u>(106,717)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>768,782</u>	<u>16,303</u>	<u>785,085</u>	<u>685,587</u>
Expenses:				
Program	491,874		491,874	490,411
General and administration	155,767		155,767	128,109
Fundraising	95,628		95,628	72,215
	<u>743,269</u>	<u>-</u>	<u>743,269</u>	<u>690,735</u>
Change in Net Assets	<u>25,513</u>	<u>16,303</u>	<u>41,816</u>	<u>(5,148)</u>
Net Assets, beginning of year	<u>49,825</u>	<u>59,879</u>	<u>109,704</u>	<u>114,852</u>
Net Assets, end of year	<u>\$ 75,338</u>	<u>\$ 76,182</u>	<u>\$ 151,520</u>	<u>\$ 109,704</u>

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Cash Flows
Year Ended June 30, 2006
(With Comparative Totals for Year Ended June 30, 2005)

	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ 41,816	\$ (5,148)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	19,597	19,959
Changes in assets and liabilities:		
Contracts/grants receivable	14,249	(18,112)
Prepaid expense	-	4,048
Accounts payable and accrued expenses	8,066	(13,711)
Net cash provided (used) by operating activities	83,728	(12,964)
Cash flows from investing activities:		
Equipment purchase	(3,273)	(15,193)
Net cash used by investing activities	(3,273)	(15,193)
Cash flows from financing activities:		
Borrowings on line of credit	-	29,132
Repayment of line of credit	(27,981)	(1,151)
Net cash provided (used) by financing activities	(27,981)	27,981
Net change in cash	52,474	(176)
Cash, beginning of year	39,043	39,219
Cash, end of year	\$ 91,517	\$ 39,043
Supplemental Disclosure		
Interest paid	\$ 1,200	\$ 160

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Functional Expenses
Year Ended June 30, 2006
(With Comparative Totals for the Year Ended June 30, 2005)

	Program				Total Program	Management and Administration	Fundraising	Total	
	Case Management	Outreach and Recreation	Campus Support and Literacy Enrichment	Technology and Digital Arts				2006	2005
Salaries	\$ 134,295	\$ 112,658	\$ 19,626	\$ 31,974	\$ 298,553	\$ 54,647	\$ 62,528	\$ 415,728	\$ 378,392
Payroll taxes	7,074	11,239	1,416	735	20,464	4,773	5,469	30,706	23,428
Employee benefits	14,863	25,335	2,921	6,567	49,686	7,363	8,511	65,560	52,471
	<u>156,232</u>	<u>149,232</u>	<u>23,963</u>	<u>39,276</u>	<u>368,703</u>	<u>66,783</u>	<u>76,508</u>	<u>511,994</u>	<u>454,291</u>
Accounting fees					-	5,475	-	5,475	2,975
Supplies	1,000	10,004	368	238	11,610	2,369	2,670	16,649	41,536
Telephone	1,000	4,948			5,948	1,014	100	7,062	8,000
Postage		2,996			2,996		823	3,819	4,380
Occupancy	8,400	28,640			37,040	39,529		76,569	72,899
Equipment rental and maintenance		7,472		983	8,455	2,538		10,993	12,508
Printing and publications		4,768			4,768	325	1,483	6,576	1,073
Travel, meals and entertainment		18,619	148		18,767	597		19,364	6,458
Interest					-	1,200		1,200	160
Depreciation		558		11,839	12,397	7,200		19,597	19,959
Insurance		5,959			5,959	2,047		8,006	5,272
Dues, licenses, service fees		26			26	584	160	770	1,792
Professional fees		14,498			14,498	24,670	13,169	52,337	56,879
Other		707			707	1,436	715	2,858	2,553
Total Expenses	<u>\$ 166,632</u>	<u>\$ 248,427</u>	<u>\$ 24,479</u>	<u>\$ 52,336</u>	<u>\$ 491,874</u>	<u>\$ 155,767</u>	<u>\$ 95,628</u>	<u>\$ 743,269</u>	<u>\$ 690,735</u>

See Notes to the Financial Statements

**SUNSET DISTRICT COMMUNITY DEVELOPMENT
DBA: SUNSET YOUTH SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005)**

NOTE 1: NATURE OF ACTIVITIES

Sunset District Community Development dba: Sunset Youth Services (the Organization) is a California nonprofit public benefit corporation. It is a faith-based organization, which seeks to facilitate positive transformation in the lives of the youth in the Sunset by providing the following programs:

- *Case Management*: offers a liaison and advocacy service for youth;
- *Outreach & Recreation*: provides a Youth Drop In-Center and neighborhood food pantry.
- *Campus Support and Literacy Enrichment*: enables staff to build relationships with students on school campus and support learning in literacy and skills building classes.
- *Technology and Digital Arts*: offers young people access to digital film and audio recording technology to record their stories;

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**SUNSET DISTRICT COMMUNITY DEVELOPMENT
DBA: SUNSET YOUTH SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005)**

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d).

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

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.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

**SUNSET DISTRICT COMMUNITY DEVELOPMENT
DBA: SUNSET YOUTH SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005)**

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2006</u>	<u>2005</u>
Furnishings and equipment	\$ 77,248	\$ 74,605
Climbing wall	5,630	5,000
<i>Less: accumulated depreciation</i>	<u>(67,376)</u>	<u>(47,779)</u>
Total	<u>\$ 15,502</u>	<u>\$ 31,826</u>

NOTE 4: COMMITMENTS

Operating Leases

The Organization is party to a lease for the community center and office space which expires in 2013 and for a copier, which expires in January 2010. Future minimum operating lease payments are as follows:

Year Ended June 30:

2007	\$ 69,806
2008	71,798
2009	73,842
2010	75,944
2011	74,422
Thereafter	<u>89,492</u>
Total	<u>\$ 455,304</u>

Rent for the years ended June 30, 2006 and 2005 was \$62,330 and \$61,615, respectively.

NOTE 5: CONTINGENCIES

The Organization receives a portion of its support from federal and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

**SUNSET DISTRICT COMMUNITY DEVELOPMENT
DBA: SUNSET YOUTH SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005)**

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as follows at June 30:

	<u>2006</u>	<u>2005</u>
Case management	\$ 5,053	\$ -
Literacy	15,000	4,545
Youth readiness	25,854	-
Capital campaign	20,000	-
Development	10,275	42,083
Youth Program	<u>-</u>	<u>13,251</u>
Total	<u>\$ 76,182</u>	<u>\$ 59,879</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows:

	<u>2006</u>	<u>2005</u>
Capacity building	\$ 31,875	\$ -
Capital campaign	-	7,917
Family Support Services	-	2,955
Literacy	4,545	9,955
Financial literacy	-	12,501
Sunset Community Festival	31,302	21,625
Case management	14,947	-
Youth Program	<u>24,048</u>	<u>6,749</u>
Total	<u>\$ 106,717</u>	<u>\$ 61,702</u>

NOTE 7: LINE OF CREDIT

As of June 30, 2006 the Organization had a \$30,000 unsecured line of credit with a local bank to be drawn down as needed, with interest at the prime rate published in the Wall Street Journal plus 3.75%. At June 30, 2006 there was no outstanding balance. At June 30, 2005 \$27,981 was outstanding.

NOTE 8: IN KIND SUPPORT

During the year ended June 30, 2006, the Organization received donations of auction prizes valued at \$33,465.

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

Board of Directors
Sunset District Community Services dba: Sunset Youth Services
San Francisco, California

We have audited the financial statements of Sunset District Community Services dba: Sunset Youth Services (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 21, 2006. 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 Sunset District Community Services dba: Sunset Youth Service's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunset District Community Services dba: Sunset Youth Service'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 the Board of Directors, management, and their federal awarding agencies, pass-through entities, and other funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants
Oakland, California
November 21, 2006