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

Financial Statements

June 30, 2008

(With Comparative Totals for June 30, 2007)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

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INDEPENDENT AUDITORS' REPORT

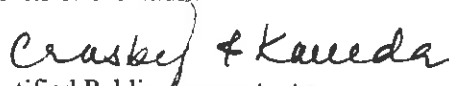
Board of Directors
Sunset District Community Services
dba: Sunset Youth Services
San Francisco, California

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, 2008, 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 2007 financial statements and, in our report, dated September 20, 2007, 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, 2008, 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 October 21, 2008, 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
October 21, 2008

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Financial Position
June 30, 2008
(With Comparative Totals for June 30, 2007)

	2008	2007
Assets		
Current Assets		
Cash	\$ 39,486	\$ 33,113
Contracts/grants receivable	63,425	51,829
Prepaid expenses	3,028	-
Total Current assets	105,939	84,942
Property and equipment, net (Note 3)	37,685	28,795
Deposits	9,840	9,840
Total Assets	\$ 153,464	\$ 123,577
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 16,387	\$ 11,602
Line of credit (Note 7)	10,000	10,000
Total Liabilities	26,387	21,602
Commitments and Contingencies (Notes 4 and 5)		
Net Assets		
Unrestricted	50,309	74,920
Temporarily restricted (Note 6)	76,768	27,055
Total Net Assets	127,077	101,975
Total Liabilities and Net Assets	\$ 153,464	\$ 123,577

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Activities
Year Ended June 30, 2008
(With Comparative Totals for Year Ended June 30, 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2008</u>	<u>2007</u>
Support and Revenue:				
Government contracts	\$ 492,217	\$	\$ 492,217	\$ 441,213
Foundation and corporate support	40,050	112,000	152,050	96,203
Donations	91,937	25,467	117,404	119,557
In kind support (Note 8)	52,613		52,613	79,623
Festival revenue	1,609		1,609	3,388
Other	2,024		2,024	1,671
	<u>680,450</u>	<u>137,467</u>	<u>817,917</u>	<u>741,655</u>
Net assets released from donor restrictions (Note 6)	<u>87,754</u>	<u>(87,754)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>768,204</u>	<u>49,713</u>	<u>817,917</u>	<u>741,655</u>
Expenses:				
Program	598,968		598,968	545,650
General and administration	88,040		88,040	135,519
Fundraising	105,807		105,807	110,031
	<u>792,815</u>	<u>-</u>	<u>792,815</u>	<u>791,200</u>
Change in Net Assets	<u>(24,611)</u>	<u>49,713</u>	<u>25,102</u>	<u>(49,545)</u>
Net Assets, beginning of year	<u>74,920</u>	<u>27,055</u>	<u>101,975</u>	<u>151,520</u>
Net Assets, end of year	<u>\$ 50,309</u>	<u>\$ 76,768</u>	<u>\$ 127,077</u>	<u>\$ 101,975</u>

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Cash Flows
Year Ended June 30, 2008
(With Comparative Totals for Year Ended June 30, 2007)

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ 25,102	\$ (49,545)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	11,380	9,039
Changes in assets and liabilities:		
Contracts/grants receivable	(11,596)	(1,424)
Prepaid expenses	(3,028)	-
Accounts payable and accrued expenses	4,785	(4,142)
Net cash provided (used) by operating activities	26,643	(46,072)
Cash flows from investing activities:		
Equipment purchase	(20,270)	(22,332)
Net cash used by investing activities	(20,270)	(22,332)
Cash flows from financing activities:		
Borrowings on line of credit	-	10,000
Net cash provided (used) by financing activities	-	10,000
Net change in cash	6,373	(58,404)
Cash, beginning of year	33,113	91,517
Cash, end of year	\$ 39,486	\$ 33,113
Supplemental Disclosure		
Interest paid	\$ 1,112	\$ 655

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Functional Expenses
Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

	Program					Management and Administration		Fundraising		Total	
	Case Management	Outreach and Recreation	Campus Support and Literacy Enrichment	Technology and Digital Arts	Total Program	Administration	Fundraising	2008	2007	Total	2007
Salaries	180,313	141,318	20,338	30,246	\$ 372,215	\$ 50,201	\$ 69,368	\$ 491,784	\$ 470,419	\$ 491,784	\$ 470,419
Payroll taxes	11,400	12,443	1,344	370	25,557	4,379	6,450	36,386	33,907	36,386	33,907
Employee benefits	21,863	16,092	2,270	4,538	44,763	4,597	3,586	52,946	86,629	52,946	86,629
	213,576	169,853	23,952	35,154	442,535	59,177	79,404	581,116	590,955	581,116	590,955
Accounting fees					-	6,025		6,025	6,175	6,025	6,175
Supplies	4,853	10,698	395	1,052	16,998	1,220	4,165	22,383	15,658	22,383	15,658
Telephone	2,895	3,184	236	386	6,701	729	1,029	8,459	6,720	8,459	6,720
Postage		1,678			1,678	202	1,321	3,201	2,138	3,201	2,138
Occupancy	29,093	28,877	2,371	3,879	64,220	7,327	10,344	81,891	89,989	81,891	89,989
Equipment rental and maintenance	235	6,119	19	31	6,404	59	84	6,547	10,419	6,547	10,419
Printing and publications	1,198	6,302	98	160	7,758	302	2,170	10,230	5,694	10,230	5,694
Travel, meals and entertainment	110	27,637			27,747	2,270	366	30,383	19,702	30,383	19,702
Interest						1,112		1,112	655	1,112	655
Depreciation		3,931		1,865	5,796	5,039	545	11,380	9,039	11,380	9,039
Insurance	1,995	2,780	163	266	5,204	1,749	709	7,662	7,222	7,662	7,222
Dues, licenses, service fees		668			668	1,249	25	1,942	994	1,942	994
Professional fees	1,037	11,629	84	388	13,138	1,345	5,215	19,698	24,440	19,698	24,440
Other		121			121	235	430	786	1,400	786	1,400
Total Expenses	\$ 254,992	\$ 273,477	\$ 27,318	\$ 43,181	\$ 598,968	\$ 88,040	\$ 105,807	\$ 792,815	\$ 791,200	\$ 792,815	\$ 791,200

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007)**

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, 2008
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007)**

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 \$500 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, 2007, 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, 2008
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007)**

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Furnishings and equipment	\$ 106,219	\$ 91,656
Leasehold improvements	14,740	8,468
Construction in progress	4,520	5,086
Less: accumulated depreciation	<u>(87,794)</u>	<u>(76,415)</u>
Total	<u>\$ 37,685</u>	<u>\$ 28,795</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:

2009	\$ 73,842
2010	75,944
2011	74,422
2012	76,654
2013	<u>12,838</u>
Total	<u>\$ 313,700</u>

Rent for the years ended June 30, 2008 and 2007 was \$66,126 and \$64,200, 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, 2008
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007)**

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2008</u>	<u>2007</u>
Case Management	\$ 31,128	\$ 8,000
Literacy	15,000	-
Youth Readiness	7,500	-
Capital Campaign	10,360	19,055
Technology	8,404	-
Staff Mental Health	<u>4,376</u>	<u>-</u>
Total	<u>\$ 76,768</u>	<u>\$ 27,055</u>

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

	<u>2008</u>	<u>2007</u>
Capacity building	\$ -	\$ 10,208
Literacy	-	15,000
Sunset Community Festival	7,000	3,456
Case Management	21,873	17,053
Capital Campaign	8,695	-
Technology	16,595	-
Community Outreach	5,000	-
Staff Mental Health	624	-
Youth Readiness	-	25,853
Street Fair	25,467	-
Sports Program	-	21,000
After school program	-	7,500
Holiday fair	<u>2,500</u>	<u>3,445</u>
Total	<u>\$ 87,754</u>	<u>\$ 103,515</u>

NOTE 7: LINE OF CREDIT

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, 2008 and 2007, there was \$ 10,000 outstanding.

SUNSET DISTRICT COMMUNITY DEVELOPMENT
DBA: SUNSET YOUTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007)

NOTE 8: IN KIND SUPPORT

During the years ended June 30, 2008 and 2007, the Organization received in-kind donations as follows:

	<u>2008</u>	<u>2007</u>
Auction prizes	\$ 42,613	\$ 60,603
Event rent	10,000	10,000
Furniture	-	4,500
Leasehold improvements	<u>-</u>	<u>4,520</u>
Total	<u>\$ 52,613</u>	<u>\$ 79,623</u>

**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, 2008, and have issued our report thereon dated October 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable We have audited the financial statements of Sunset District Community Development, dba Sunset Youth Services as of and for the year ended June 30, 2008, and have issued our report thereon dated October 21, 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 Sunset District Community Development, dba Sunset Youth Services' 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 the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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 part of obtaining reasonable assurance about whether Sunset District Community Development, dba Sunset Youth Services' 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*.

We noted certain matters that we reported to management of Sunset District Community Development, dba Sunset Youth Services in a separate letter dated October 21, 2008.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and City and County of San Francisco and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Oakland, California
October 21, 2008