

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

Financial Statements

June 30, 2007

(With Comparative Totals for June 30, 2006)

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, 2007, 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 2006 financial statements and, in our report, dated November 21, 2006, 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, 2007, 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 September 20, 2007, 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
September 20, 2007

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Financial Position
June 30, 2007
(With Comparative Totals for June 30, 2006)

	2007	2006
Assets		
Current Assets		
Cash	\$ 33,113	\$ 91,517
Contracts/grants receivable	51,829	50,405
Total Current assets	84,942	141,922
Property and equipment, net (Note 3)	28,795	15,502
Deposits	9,840	9,840
Total Assets	\$ 123,577	\$ 167,264
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 11,602	\$ 15,744
Line of credit (Note 7)	10,000	-
Total Liabilities	21,602	15,744
Commitment and Contingencies (Notes 4 and 5)		
Net Assets		
Unrestricted	74,920	75,338
Temporarily restricted (Note 6)	27,055	76,182
Total Net Assets	101,975	151,520
Total Liabilities and Net Assets	\$ 123,577	\$ 167,264

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Activities
Year Ended June 30, 2007
(With Comparative Totals for Year Ended June 30, 2006)

	Unrestricted	Temporarily Restricted	Total	
			2007	2006
Support and Revenue:				
Government contracts	\$ 441,213	\$	\$ 441,213	\$ 418,948
Foundation and corporate support	45,203	51,000	96,203	189,311
Donations	119,557		119,557	137,015
In kind support (Note 8)	79,623		79,623	33,465
Festival revenue		3,388	3,388	5,265
Other	1,671		1,671	1,081
	<u>687,267</u>	<u>54,388</u>	<u>741,655</u>	<u>785,085</u>
Net assets released from donor restrictions (Note 6)	<u>103,515</u>	<u>(103,515)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>790,782</u>	<u>(49,127)</u>	<u>741,655</u>	<u>785,085</u>
Expenses:				
Program	545,650		545,650	491,874
General and administration	135,519		135,519	155,767
Fundraising	110,031		110,031	95,628
	<u>791,200</u>	<u>-</u>	<u>791,200</u>	<u>743,269</u>
Change in Net Assets	<u>(418)</u>	<u>(49,127)</u>	<u>(49,545)</u>	<u>41,816</u>
Net Assets, beginning of year	<u>75,338</u>	<u>76,182</u>	<u>151,520</u>	<u>109,704</u>
Net Assets, end of year	<u>\$ 74,920</u>	<u>\$ 27,055</u>	<u>\$ 101,975</u>	<u>\$ 151,520</u>

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Cash Flows
Year Ended June 30, 2007
(With Comparative Totals for Year Ended June 30, 2006)

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ (49,545)	\$ 41,816
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	9,039	19,597
Changes in assets and liabilities:		
Contracts/grants receivable	(1,424)	14,249
Accounts payable and accrued expenses	(4,142)	8,066
Net cash provided (used) by operating activities	(46,072)	83,728
Cash flows from investing activities:		
Equipment purchase	(22,332)	(3,273)
Net cash used by investing activities	(22,332)	(3,273)
Cash flows from financing activities:		
Borrowings on line of credit	10,000	-
Repayment of line of credit	-	(27,981)
Net cash provided (used) by financing activities	10,000	(27,981)
Net change in cash	(58,404)	52,474
Cash, beginning of year	91,517	39,043
Cash, end of year	\$ 33,113	\$ 91,517
Supplemental Disclosure		
Interest paid	\$ 655	\$ 1,200

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Functional Expenses
Year Ended June 30, 2007
(With Comparative Totals for the Year Ended June 30, 2006)

	Program				Total Program	Management and Administration		Fundraising		Total	
	Case Management	Outreach and Recreation	Campus Support and Literacy Enrichment	Technology and Digital Arts		2007	2006				
Salaries	\$ 154,824	\$ 139,834	\$ 21,149	\$ 34,847	\$ 350,654	\$ 57,333	\$ 62,432	\$ 470,419	\$ 415,728		
Payroll taxes	8,627	12,961	1,519	817	23,924	4,831	5,152	33,907	30,706		
Employee benefits	31,771	23,735	3,719	7,959	67,184	9,322	10,123	86,629	65,560		
	<u>195,222</u>	<u>176,530</u>	<u>26,387</u>	<u>43,623</u>	<u>441,762</u>	<u>71,486</u>	<u>77,707</u>	<u>590,955</u>	<u>511,994</u>		
Accounting fees					-	6,175	-	6,175	5,475		
Supplies	1,194	8,714		192	10,100	2,744	2,814	15,658	16,649		
Telephone	1,753	4,673			6,426	294	-	6,720	7,062		
Postage		1,073			1,073	-	1,065	2,138	3,819		
Occupancy	8,628	29,968			38,596	41,393	10,000	89,989	76,569		
Equipment rental and maintenance		8,551			8,551	1,868	-	10,419	10,993		
Printing and publications		3,800			3,800	-	1,894	5,694	6,576		
Travel, meals and entertainment	3,217	15,468			18,685	984	33	19,702	19,364		
Interest		-			-	655	-	655	1,200		
Depreciation		1,666		1,714	3,380	5,114	545	9,039	19,597		
Insurance		6,263			6,263	959	-	7,222	8,006		
Dues, licenses, service fees		450			450	544	-	994	770		
Professional fees	759	5,237	132	215	6,343	3,303	14,794	24,440	52,337		
Other		221			221	-	1,179	1,400	2,858		
Total Expenses	<u>\$ 210,773</u>	<u>\$ 262,614</u>	<u>\$ 26,519</u>	<u>\$ 45,744</u>	<u>\$ 545,650</u>	<u>\$ 135,519</u>	<u>\$ 110,031</u>	<u>\$ 791,200</u>	<u>\$ 743,269</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, 2007
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006)**

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, 2007
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006)**

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, 2006, 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, 2007
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006)**

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Furnishings and equipment	\$ 91,656	\$ 77,248
Leasehold improvements	8,468	5,630
Construction in progress	5,086	-
<i>Less: accumulated depreciation</i>	<u>(76,415)</u>	<u>(67,376)</u>
Total	<u>\$ 28,795</u>	<u>\$ 15,502</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:

2008	\$ 69,809
2009	71,793
2010	71,995
2011	72,258
2012	74,426
Thereafter	<u>89,497</u>
Total	<u>\$ 449,778</u>

Rent for the years ended June 30, 2007 and 2006 was \$64,200 and \$62,330, 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, 2007
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006)**

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Case management	\$ 8,000	\$ 5,053
Literacy	-	15,000
Youth readiness	-	25,854
Capital campaign	19,055	20,000
Development	<u>-</u>	<u>10,275</u>
Total	<u>\$ 27,055</u>	<u>\$ 76,182</u>

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

	<u>2007</u>	<u>2006</u>
Capacity building	\$ 10,208	\$ 31,875
Literacy	15,000	4,545
Sunset Community Festival	3,456	31,302
Case management	17,053	14,947
Youth Readiness	25,853	24,048
Sports Program	21,000	-
After school program	7,500	-
Holiday fair	<u>3,445</u>	<u>-</u>
Total	<u>\$ 103,515</u>	<u>\$ 106,717</u>

NOTE 7: LINE OF CREDIT

As of June 30, 2007 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, 2007 there was \$ 10,000 outstanding.

NOTE 8: IN KIND SUPPORT

During the years ended June 30, 2007 and 2006, the Organization received in-kind donations as follows:

	<u>2007</u>	<u>2006</u>
Auction prizes	\$ 60,603	\$ 33,465
Event rent	10,000	-
Furniture	4,500	-
Leasehold improvements	<u>4,520</u>	<u>-</u>
Total	<u>\$ 79,623</u>	<u>\$ 33,465</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, 2007, and have issued our report thereon dated September 20, 2007. 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 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 Sunset District Community Services dba: Sunset Youth Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sunset District Community Services dba: Sunset Youth Services' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies of material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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 the 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 the internal control that might be significant deficiencies and accordingly, would not

necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunset District Community Services 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 also noted certain additional matters that we reported to the management of Sunset District Community Services dba: Sunset Youth Services in a separate letter dated September 20, 2007.

Sunset District Community Services dba: Sunset Youth Services' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Sunset District Community Services dba: Sunset Youth Services' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and their 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
September 20, 2007