

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

Financial Statements

June 30, 2004

(With Comparative Totals for June 30, 2003)

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 organization) as of June 30, 2004, 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 Sunset District Community Services dba: Sunset Youth Services' 2003 financial statements and, in our report, dated September 23, 2003; 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 *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 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, 2004, 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 23, 2004, on our consideration of Sunset District Community Services dba: Sunset Youth Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants
Oakland, California
November 23, 2004

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Financial Position
June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004	2003
Assets		
Current Assets		
Cash	\$ 39,219	\$ 38,491
Contracts/grants receivable	46,542	34,084
Prepaid expenses	4,048	-
Total Current assets	89,809	72,575
Property and equipment, net (Note 3)	36,592	41,752
Deposits	9,840	9,840
Total Assets	\$ 136,241	\$ 124,167
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 21,389	\$ 18,678
Total Liabilities	21,389	18,678
Commitment and Contingencies (Notes 4 and 5)		
Net Assets		
Unrestricted	91,896	83,737
Temporarily restricted (Note 6)	22,956	21,752
Total Net Assets	114,852	105,489
Total Liabilities and Net Assets	\$ 136,241	\$ 124,167

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Activities
Year Ended June 30, 2004
(With Comparative Totals for Year Ended June 30, 2003)

	Unrestricted	Temporarily Restricted	Total	
			2004	2003
Support and Revenue:				
Government contracts	\$ 367,900	\$	\$ 367,900	\$ 391,775
Foundation and corporate support	17,368	103,826	121,194	67,772
Donations	59,821	3,455	63,276	96,906
Festival revenue	6,824		6,824	5,556
	<u>451,913</u>	<u>107,281</u>	<u>559,194</u>	<u>562,009</u>
Net assets released from donor restrictions (Note 6)	106,077	(106,077)	-	-
Total Support and Revenue	<u>557,990</u>	<u>1,204</u>	<u>559,194</u>	<u>562,009</u>
Expenses:				
Program	414,755		414,755	456,762
General and administration	92,859		92,859	32,275
Fundraising	42,217		42,217	968
Total Expenses	<u>549,831</u>	<u>-</u>	<u>549,831</u>	<u>490,005</u>
Change in Net Assets	<u>8,159</u>	<u>1,204</u>	<u>9,363</u>	<u>72,004</u>
Net Assets, beginning of year	<u>83,737</u>	<u>21,752</u>	<u>105,489</u>	<u>33,485</u>
Net Assets, end of year	<u>\$ 91,896</u>	<u>\$ 22,956</u>	<u>\$ 114,852</u>	<u>\$ 105,489</u>

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Cash Flows
Year Ended June 30, 2004
(With Comparative Totals for Year Ended June 30, 2003)

	2004	2003
Cash flows from operating activities:		
Change in net assets	\$ 9,363	\$ 72,004
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	15,475	3,027
Changes in assets and liabilities:		
Contracts/grants receivable	(12,458)	(10,671)
Prepaid expense	(4,048)	(9,840)
Accounts payable and accrued expenses	2,711	1,893
Net cash provided by operating activities	11,043	56,413
Cash flows from investing activities:		
Equipment purchase	(10,315)	(39,517)
Net cash used by investing activities	(10,315)	(39,517)
Net change in cash	728	16,896
Cash, beginning of year	38,491	21,595
Cash, end of year	\$ 39,219	\$ 38,491

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Functional Expenses
Year Ended June 30, 2004
(With Comparative Totals for the Year Ended June 30, 2003)

	Program				Total Program	General and Administration	Fundraising	Total	
	Case Management	Outreach and Recreation	Campus Support and Literacy Enrichment	Technology and Digital Arts				2004	2003
Salaries	\$ 117,450	\$ 73,243	\$ 17,608	\$ 28,595	\$ 236,896	\$ 49,970	\$ 26,091	\$ 312,957	\$ 285,002
Payroll taxes	5,776	5,336	1,080	583	12,775	3,823	1,996	18,594	16,602
Benefits	28,708	12,849	3,667	6,477	51,701	6,626	3,419	61,746	47,426
	<u>151,934</u>	<u>91,428</u>	<u>22,355</u>	<u>35,655</u>	<u>301,372</u>	<u>60,419</u>	<u>31,506</u>	<u>393,297</u>	<u>349,030</u>
Interns					-			-	6,557
Professional services		4,085			4,085	5,389	4,132	13,606	6,720
Promotion					-			-	1,950
Equipment rental/maintenance		7,137			7,137	2,717		9,854	7,860
Occupancy	18,400	28,006			46,406	5,603		52,009	41,330
Supplies	2,381	21,908	200	5,890	30,379	1,670	3,720	35,769	42,492
Printing		432			432		1,475	1,907	3,087
Postage		2,243			2,243	917	731	3,891	4,844
Telephone	1,000	4,037			5,037	2,864		7,901	8,790
Travel		3,690			3,690	1,366	653	5,709	1,423
Depreciation				9,992	9,992	5,483		15,475	3,027
Dues, licenses, service fees		1,203			1,203	1,439		2,642	1,873
Insurance		2,021			2,021	2,904		4,925	2,169
Other		758			758	2,088		2,846	8,853
Total	<u>\$ 173,715</u>	<u>\$ 166,948</u>	<u>\$ 22,555</u>	<u>\$ 51,537</u>	<u>\$ 414,755</u>	<u>\$ 92,859</u>	<u>\$ 42,217</u>	<u>\$ 549,831</u>	<u>\$ 490,005</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, 2004
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2003)**

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, 2004
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2003)**

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 with 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, 2003, 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, 2004
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2003)

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2004:

	<u>2004</u>	<u>2003</u>
Furnishings and equipment	\$ 64,412	\$ 57,991
Less: accumulated depreciation	<u>(27,820)</u>	<u>(16,239)</u>
Total	<u>\$ 36,592</u>	<u>\$ 41,752</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 2005. Future minimum operating lease payments are as follows:

Year Ended June 30,:

2005	\$ 61,110
2006	59,040
2007	59,040
2008	59,040
2009	59,040
Thereafter	<u>246,000</u>
Total	<u>\$ 543,270</u>

Rent for the years ended June 30, 2004 and 2003 was \$45,930 and \$33,175, 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, 2004
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2003)**

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as follows:

	<u>2004</u>	<u>2003</u>
Financial literacy	\$ 7,500	\$ -
Literacy	2,955	-
Youth Internships	-	1,777
Case management	12,501	-
Capital Campaigns	-	7,289
Sunset Community Festival	-	656
Youth Program	<u>-</u>	<u>12,030</u>
Total	<u>\$ 22,956</u>	<u>\$ 21,752</u>

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

	<u>2004</u>	<u>2003</u>
Food Pantry	\$ -	\$ 13,000
After School Programs	-	14,925
Youth Internships	1,777	8,223
Capital Campaigns	7,289	9,840
Family Support Services	10,000	-
Literacy	25,045	-
Financial literacy	12,500	-
Equipment	12,176	5,000
Sunset Community Festival	12,761	16,324
Case management	12,499	-
Youth Program	<u>12,030</u>	<u>36,442</u>
Total	<u>\$ 106,077</u>	<u>\$ 103,754</u>

**REPORT ON COMPLIANCE AND ON THE INTERNAL CONTROL OVER
FINANCIAL REPORTING 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, 2004, and have issued our report thereon dated November 23, 2004. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a 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 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.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization 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
November 23, 2004