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

FINANCIAL STATEMENTS

June 30, 2018

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)

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

Report on the Financial Statements

We have audited the accompanying financial statements of Sunset District Community Services dba Sunset Youth Services, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Sunset District Community Services dba Sunset Youth Services' June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby & Lanida CPAs LLP

Oakland, California
January 7, 2019

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Financial Position
June 30, 2018
(With Comparative Totals as of June 30, 2017)

| | 2018 | 2017 |
|---|------------|------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 177,327 | \$ 196,812 |
| Grants and pledges receivable | 169,751 | 99,724 |
| Accounts receivable | 6,565 | - |
| Prepaid expenses | 19,607 | 16,858 |
| Total Current Assets | 373,250 | 313,394 |
| Property and equipment, net (Note 3) | 50,867 | 61,817 |
| Deposits | 11,340 | 9,840 |
| Total Assets | \$ 435,457 | \$ 385,051 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 10,721 | \$ 11,349 |
| Accrued vacation | 13,475 | 15,151 |
| Total Liabilities | 24,196 | 26,500 |
| Commitments and Contingencies (Notes 5 and 6) | | |
| Net Assets | | |
| Unrestricted | 366,175 | 316,050 |
| Temporarily restricted (Note 8) | 45,086 | 42,501 |
| Total Net Assets | 411,261 | 358,551 |
| Total Liabilities and Net Assets | \$ 435,457 | \$ 385,051 |

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

| | Unrestricted | Temporarily Restricted | Total | |
|---|------------------|---------------------------|------------------|------------------|
| | | | 2018 | 2017 |
| Support and Revenue: | | | | |
| Government contracts | \$ 850,978 | \$ - | \$ 850,978 | \$ 744,792 |
| Foundation and corporate support | 55,663 | 124,750 | 180,413 | 137,110 |
| Donations | 167,670 | - | 167,670 | 128,874 |
| Fundraising event, net (Note 9) | 71,328 | - | 71,328 | 85,785 |
| In-kind support | - | - | - | 41,526 |
| Other | 12,083 | - | 12,083 | 3,263 |
| Net assets released from donor restrictions (Note 8) | 122,165 | (122,165) | - | - |
| Total Support and Revenue | 1,279,887 | 2,585 | 1,282,472 | 1,141,350 |
| Expenses: | | | | |
| Programs | | | | |
| Violence response | 245,587 | - | 245,587 | 256,017 |
| Digital arts | 206,146 | - | 206,146 | 184,545 |
| Youth employment development | 313,676 | - | 313,676 | 297,872 |
| Family support | 148,602 | - | 148,602 | 104,003 |
| Total Program | 914,011 | - | 914,011 | 842,437 |
| Management and general | 223,685 | - | 223,685 | 128,040 |
| Fundraising | 92,066 | - | 92,066 | 57,033 |
| Total Expenses | 1,229,762 | - | 1,229,762 | 1,027,510 |
| Change in Net Assets | 50,125 | 2,585 | 52,710 | 113,840 |
| Net Assets, beginning of year | 316,050 | 42,501 | 358,551 | 244,711 |
| Net Assets, end of year | \$ 366,175 | \$ 45,086 | \$ 411,261 | \$ 358,551 |

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

| | 2018 | 2017 |
|--|------------|------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 52,710 | \$ 113,840 |
| Adjustments to reconcile change in net assets to cash provided (used) by operating activities: | | |
| Depreciation | 25,570 | 10,471 |
| Loss from disposal of property and equipment | - | 4,520 |
| Donated property and equipment | - | (41,526) |
| Changes in assets and liabilities: | | |
| Grants and pledges receivable | (70,027) | (239) |
| Accounts receivable | (6,565) | - |
| Prepaid expenses | (2,749) | (5,269) |
| Deposits | (1,500) | 250 |
| Accounts payable and accrued expenses | (628) | 4,425 |
| Accrued vacation | (1,676) | 2,929 |
| Net cash provided (used) by operating activities | (4,865) | 89,401 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (14,620) | (22,877) |
| Net cash provided (used) by investing activities | (14,620) | (22,877) |
| Net change in cash and cash equivalents | (19,485) | 66,524 |
| Cash and cash equivalents, beginning of year | 196,812 | 130,288 |
| Cash and cash equivalents, end of year | \$ 177,327 | \$ 196,812 |

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

| | Program | Management and General | Fundraising | Total | |
|------------------------------|-------------------|---------------------------|------------------|---------------------|---------------------|
| | | | | 2018 | 2017 |
| Salaries | \$ 592,695 | \$ 146,471 | \$ 55,796 | \$ 794,962 | \$ 643,165 |
| Employee benefits | 70,423 | 11,118 | 3,982 | 85,523 | 78,447 |
| Payroll taxes | 46,316 | 9,716 | 4,859 | 60,891 | 47,785 |
| Total Personnel | <u>709,434</u> | <u>167,305</u> | <u>64,637</u> | <u>941,376</u> | <u>769,397</u> |
| Professional fees | 23,696 | 17,380 | 5,073 | 46,149 | 55,650 |
| Advertising and promotion | - | 177 | 1,000 | 1,177 | 798 |
| Supplies and office expenses | 73,847 | 6,638 | 2,345 | 82,830 | 70,261 |
| Occupancy | 73,338 | 25,811 | 10,968 | 110,117 | 100,996 |
| Travel and meals | 2,266 | 1,406 | 1,417 | 5,089 | 1,538 |
| Training | 412 | - | 199 | 611 | 3,409 |
| Depreciation | 25,371 | 199 | - | 25,570 | 10,471 |
| Insurance | 5,028 | 1,544 | 584 | 7,156 | 7,177 |
| Dues, licenses, service fees | 545 | 1,025 | 1,908 | 3,478 | 2,344 |
| Bad debt | - | - | 3,808 | 3,808 | 2,500 |
| Other | 74 | 2,200 | 127 | 2,401 | 2,969 |
| Total Expenses | <u>\$ 914,011</u> | <u>\$ 223,685</u> | <u>\$ 92,066</u> | <u>\$ 1,229,762</u> | <u>\$ 1,027,510</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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

NOTE 1: NATURE OF ACTIVITIES

Sunset District Community Development dba: Sunset Youth Services (the Organization) is a California nonprofit public benefit corporation. The Organization seeks to facilitate positive transformation in the lives of the high-need, systems involved youth, young adults and families in San Francisco by providing the following supportive programs:

- Justice Services: offers a liaison and advocacy service for systems involved young people.
- Family Support: provides group and one-on-one support for parents of teens and teen parents.
- Workforce Development: offers basic employment readiness and opportunities for employment, skills building, educational support, financial education and training in digital arts and restaurant-readiness.
- Digital Arts and Technology: 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 accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents 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 three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of June 30, 2018.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met.

**SUNSET DISTRICT COMMUNITY DEVELOPMENT
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**Notes to the Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

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.

Grants, Pledges and Accounts Receivable

The Organization considers all grants, pledges, and accounts receivable to be fully collectible at June 30, 2018. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

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). The Organization has evaluated its current tax positions as of June 30, 2018 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only 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. There were no contributed services that met the criteria for recognition for the year ended June 30, 2018.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

**Notes to the Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on June 30, 2018.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

| | |
|-------------------------|----------|
| Improvements | 10 years |
| Furniture and equipment | 3 years |

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Functional Allocation of Expenses

The costs of providing various programs and other 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.

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

**Notes to the Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

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

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of January 7, 2019 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|------------------|------------------|
| Furnishings and equipment | \$ 120,582 | \$ 134,916 |
| Leasehold improvements | 9,707 | 9,707 |
| Less: accumulated depreciation | <u>(79,422)</u> | <u>(82,806)</u> |
| Total | <u>\$ 50,867</u> | <u>\$ 61,817</u> |

NOTE 4: LINE OF CREDIT

The Organization had a \$30,000 secured 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 7%. At June 30, 2018, there was no outstanding balance.

NOTE 5: COMMITMENTS

Operating Lease

The Organization is party to a lease for the community center and office space in San Francisco which expires in April 2023. Future minimum lease payments were as follows for the years ended June 30:

| | |
|-------|-------------------|
| 2019 | \$ 82,529 |
| 2020 | 83,736 |
| 2021 | 86,244 |
| 2022 | 88,844 |
| 2023 | <u>76,184</u> |
| Total | <u>\$ 417,537</u> |

**SUNSET DISTRICT COMMUNITY DEVELOPMENT
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**Notes to the Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

Rent expenses totaled \$86,280 and \$83,767 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 6: CONTINGENCIES

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.

NOTE 7: CONCENTRATION

The Organization receives approximately 65% of its support and revenue from the City and County of San Francisco. In addition, approximately 90% of total receivables were due from the same source. 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.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

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

| | <u>2018</u> | <u>2017</u> |
|------------|------------------|------------------|
| Programs | \$ 32,674 | \$ 38,402 |
| Benevolent | <u>12,412</u> | <u>4,099</u> |
| Total | <u>\$ 45,086</u> | <u>\$ 42,501</u> |

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

| | <u>2018</u> | <u>2017</u> |
|------------|-------------------|------------------|
| Festival | \$ 7,000 | \$ 13,856 |
| Programs | 111,978 | 73,286 |
| Benevolent | <u>3,187</u> | <u>6,176</u> |
| Total | <u>\$ 122,165</u> | <u>\$ 93,318</u> |

NOTE 9: FUNDRAISING EVENT

The Organization held a fundraising event; activities related to event were as follows during the years ended June 30:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|------------------|------------------|
| Admission | \$ 22,950 | \$ 22,750 |
| Donations and sponsorships | 77,510 | 84,685 |
| In-kind donations | 13,250 | 16,473 |
| Raffle | - | 1,280 |
| Less cost of direct benefit to donors | <u>(42,382)</u> | <u>(39,403)</u> |
| Total | <u>\$ 71,328</u> | <u>\$ 85,785</u> |