
SUNSET DISTRICT COMMUNITY DEVELOPMENT

dba: Sunset Youth Services

FINANCIAL STATEMENTS

June 30, 2019

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)

CROSBY & KANEDA

Certified Public Accountants
for 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, 2019, 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 Sunset Youth Services' as of June 30, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Croody & Lameda CPAs LLP". The signature is written in a cursive, flowing style.

Oakland, California

December 23, 2019

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Financial Position
June 30, 2019
(With Comparative Totals as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 143,470	\$ 177,327
Contributions receivable	23,201	169,751
Accounts receivable	272,268	6,565
Prepaid expenses	23,406	19,607
Total Current Assets	<u>462,345</u>	<u>373,250</u>
Property and equipment, net (Note 3)	159,887	50,867
Deposits	<u>12,840</u>	<u>11,340</u>
Total Assets	<u><u>\$ 635,072</u></u>	<u><u>\$ 435,457</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 26,924	\$ 10,721
Accrued vacation	25,419	13,475
Total Liabilities	<u>52,343</u>	<u>24,196</u>
Commitments and Contingencies (Notes 5 and 6)		
Net Assets		
Without donor restrictions	524,038	366,175
With donor restrictions (Note 8)	58,691	45,086
Total Net Assets	<u>582,729</u>	<u>411,261</u>
Total Liabilities and Net Assets	<u><u>\$ 635,072</u></u>	<u><u>\$ 435,457</u></u>

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Support and Revenue:				
Government contracts	\$ 1,404,811	\$	\$ 1,404,811	\$ 850,978
Foundation and corporate support	37,729	160,266	197,995	180,413
Donations	162,980		162,980	167,670
Fundraising event, net (Note 9)	88,798		88,798	71,328
In-kind support	4,559		4,559	-
Other	4,956		4,956	12,083
Support provided by expiring time and purpose restrictions	146,661	(146,661)	-	-
Total Support and Revenue	1,850,494	13,605	1,864,099	1,282,472
Expenses				
Programs	1,331,241		1,331,241	914,011
Management and general	204,091		204,091	223,685
Fundraising	157,299		157,299	92,066
Total Expenses	1,692,631	-	1,692,631	1,229,762
Change in Net Assets	157,863	13,605	171,468	52,710
Net Assets, beginning of year	366,175	45,086	411,261	358,551
Net Assets, end of year	\$ 524,038	\$ 58,691	\$ 582,729	\$ 411,261

See Notes to the Financial Statements

SUNSET DISTRICT COMMUNITY DEVELOPMENT**dba: Sunset Youth Services****Statement of Cash Flows****For the Year Ended June 30, 2019****(With Comparative Totals for the Year Ended June 30, 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 171,468	\$ 52,710
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	34,736	25,570
Changes in assets and liabilities:		
Contributions receivable	146,550	(70,027)
Accounts receivable	(265,703)	(6,565)
Prepaid expenses	(3,799)	(2,749)
Deposits	(1,500)	(1,500)
Accounts payable and accrued expenses	16,203	(628)
Accrued vacation	11,944	(1,676)
Net cash provided (used) by operating activities	<u>109,899</u>	<u>(4,865)</u>
Cash flows from investing activities:		
Purchase or property and equipment	<u>(143,756)</u>	<u>(14,620)</u>
Net cash provided (used) by investing activities	<u>(143,756)</u>	<u>(14,620)</u>
Net change in cash and cash equivalents	(33,857)	(19,485)
Cash and cash equivalents, beginning of year	<u>177,327</u>	<u>196,812</u>
Cash and cash equivalents, end of year	<u>\$ 143,470</u>	<u>\$ 177,327</u>

SUNSET DISTRICT COMMUNITY DEVELOPMENT
dba: Sunset Youth Services

Statement of Functional Expenses
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Program	Management and General	Fundraising	Total	
				2019	2018
Salaries	\$ 824,834	\$ 140,580	\$ 117,728	\$ 1,083,142	\$ 794,962
Employee benefits	103,199	13,457	8,057	124,713	85,523
Payroll taxes	66,255	8,715	8,953	83,923	60,891
Total Personnel	<u>994,288</u>	<u>162,752</u>	<u>134,738</u>	<u>1,291,778</u>	<u>941,376</u>
Professional fees	50,273	10,773	4,070	65,116	46,149
Advertising and promotion	-	-	315	315	1,177
Supplies and office expenses	155,573	10,022	3,903	169,498	82,830
Occupancy	87,852	11,930	10,172	109,954	110,117
Travel and meals	2,607	811	966	4,384	5,089
Training	2,264	-	-	2,264	611
Depreciation	32,545	2,008	183	34,736	25,570
Insurance	5,640	799	681	7,120	7,156
Dues, licenses, service fees	199	2,831	2,219	5,249	3,478
Bad debt	-	-	-	-	3,808
Other	-	2,165	52	2,217	2,401
Expenses by Function	<u>1,331,241</u>	<u>204,091</u>	<u>157,299</u>	<u>1,692,631</u>	<u>1,229,762</u>
Expenses reported on a net basis on statement of activities					
Direct donor benefit	-	-	40,569	40,569	42,382
Total Expense	<u>\$ 1,331,241</u>	<u>\$ 204,091</u>	<u>\$ 197,868</u>	<u>\$ 1,733,200</u>	<u>\$ 1,272,144</u>

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

**Notes to the Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)**

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).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

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

**Notes to the Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)**

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement or performance grants. The Organization considers all accounts receivable to be fully collectible at June 30, 2019. 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.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition. The Organization considers all contributions receivable to be fully collectible at June 30, 2019. 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, 2019 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.

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

**Notes to the Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)**

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, 2019.

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.

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, 2019.

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 \$2,500; 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
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SUNSET DISTRICT COMMUNITY DEVELOPMENT
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Notes to the Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

Vehicles	5 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.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on hourly tracking by program in timesheets per pay period.

Occupancy, depreciation, and amortization, and interest are allocated on the basis of employees full time equivalents for each program.

Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee full time equivalents for each program.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgments contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Changes in Accounting Principles

The Organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at June 30, 2018:

**SUNSET DISTRICT COMMUNITY DEVELOPMENT
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**Notes to the Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)**

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 366,175	\$ -
Temporarily restricted net assets	45,086	-
Net assets without donor restrictions	-	366,175
Net assets with donor restrictions	-	45,086
Total	<u>\$ 411,261</u>	<u>\$ 411,261</u>

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, 2018, 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 December 23, 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>2019</u>	<u>2018</u>
Furnishings and equipment	\$ 208,704	\$ 120,582
Leasehold improvements	20,502	9,707
Vehicles	44,840	-
Less: accumulated depreciation	<u>(114,159)</u>	<u>(79,422)</u>
Total	<u>\$ 159,887</u>	<u>\$ 50,867</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 5.5%. At June 30, 2019, 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:

**SUNSET DISTRICT COMMUNITY DEVELOPMENT
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**Notes to the Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)**

2020	\$ 91,118
2021	93,623
2022	96,198
2023	<u>82,296</u>
Total	<u>\$ 363,235</u>

Rent expenses totaled \$88,680 and \$86,280 for the years ended June 30, 2019 and June 30, 2018, 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 76% of its support and revenue from the City and County of San Francisco. In addition, approximately 92% 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: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Programs	\$ 42,759	\$ 32,674
Hardship and benevolent funds	<u>15,932</u>	<u>12,412</u>
Total	<u>\$ 58,691</u>	<u>\$ 45,086</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>2019</u>	<u>2018</u>
Admission	\$ 22,400	\$ 22,950
Donations and sponsorships	92,471	77,510
In-kind donations	11,686	13,250
Auction	2,810	-
Less cost of direct benefit to donors	<u>(40,569)</u>	<u>(42,382)</u>
Total	<u>\$ 88,798</u>	<u>\$ 71,328</u>

SUNSET DISTRICT COMMUNITY DEVELOPMENT
DBA: SUNSET YOUTH SERVICES

Notes to the Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

NOTE 10: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

Financial assets:

Cash and cash equivalents	\$ 143,470
Accounts receivable	272,268
Contributions receivable	<u>23,201</u>
Total financial assets	438,939

Less financial assets held to meet donor-imposed restrictions:

Purpose-restricted net assets	<u>(58,691)</u>
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Amount available for general expenditures within one year	<u>\$ 380,248</u>
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As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in cash and cash equivalents. The Organization maintains a revolving line of credit of \$30,000 to cover short-term cash needs.