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# **SUNSET DISTRICT COMMUNITY DEVELOPMENT**

**dba: Sunset Youth Services**

## **FINANCIAL STATEMENTS**

**June 30, 2020**

**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)**

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**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, 2020, 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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Croody & Lameda CPAs LLP*

Oakland, California

December 28, 2020

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

**Statement of Financial Position**  
**June 30, 2020**  
**(With Comparative Totals as of June 30, 2019)**

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 437,736	\$ 143,470
Contributions receivable	27,050	23,201
Accounts receivable	435,438	272,268
Prepaid expenses	82,222	23,406
Property and equipment, net (Note 3)	107,033	159,887
Deposits	12,840	12,840
Total Assets	<u>\$ 1,102,319</u>	<u>\$ 635,072</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 28,716	\$ 26,924
Accrued vacation	48,280	25,419
Paycheck protection program loan (Note 4)	136,000	-
Total Liabilities	<u>212,996</u>	<u>52,343</u>
<b>Net Assets</b>		
Without donor restrictions	736,261	524,038
With donor restrictions (Note 9)	153,062	58,691
Total Net Assets	<u>889,323</u>	<u>582,729</u>
Total Liabilities and Net Assets	<u>\$ 1,102,319</u>	<u>\$ 635,072</u>

See Notes to the Financial Statements

**SUNSET DISTRICT COMMUNITY DEVELOPMENT****dba: Sunset Youth Services****Statement of Activities****For the Year Ended June 30, 2020****(With Comparative Totals for the Year Ended June 30, 2019)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>Support and Revenue:</b>				
Government contracts	\$ 1,574,757	\$	\$ 1,574,757	\$ 1,404,811
Foundation and corporate support	84,337	210,875	295,212	197,995
Donations	352,906	5,500	358,406	162,980
Fundraising event, net			-	88,798
Other	3,544		3,544	9,515
Support provided by expiring time and purpose restrictions	122,004	(122,004)	-	-
Total Support and Revenue	<u>2,137,548</u>	<u>94,371</u>	<u>2,231,919</u>	<u>1,864,099</u>
<b>Expenses</b>				
Programs	1,531,366		1,531,366	1,331,241
Management and general	218,135		218,135	204,091
Fundraising	175,824		175,824	157,299
Total Expenses	<u>1,925,325</u>	<u>-</u>	<u>1,925,325</u>	<u>1,692,631</u>
Change in Net Assets	212,223	94,371	306,594	171,468
Net Assets, beginning of year	<u>524,038</u>	<u>58,691</u>	<u>582,729</u>	<u>411,261</u>
Net Assets, end of year	<u>\$ 736,261</u>	<u>\$ 153,062</u>	<u>\$ 889,323</u>	<u>\$ 582,729</u>

See Notes to the Financial Statements

**SUNSET DISTRICT COMMUNITY DEVELOPMENT****dba: Sunset Youth Services****Statement of Cash Flows****For the Year Ended June 30, 2020****(With Comparative Totals for the Year Ended June 30, 2019)**

	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 306,594	\$ 171,468
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	59,906	34,736
Changes in assets and liabilities:		
Contributions receivable	(3,849)	146,550
Accounts receivable	(163,170)	(265,703)
Prepaid expenses	(58,816)	(3,799)
Deposits	-	(1,500)
Accounts payable and accrued expenses	1,792	16,203
Accrued vacation	22,861	11,944
Net cash provided (used) by operating activities	<u>165,318</u>	<u>109,899</u>
<b>Cash flows from investing activities:</b>		
Purchase or property and equipment	<u>(7,052)</u>	<u>(143,756)</u>
Net cash provided (used) by investing activities	<u>(7,052)</u>	<u>(143,756)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from paycheck protection program loan	<u>136,000</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>136,000</u>	<u>-</u>
Net change in cash and cash equivalents	294,266	(33,857)
Cash and cash equivalents, beginning of year	<u>143,470</u>	<u>177,327</u>
Cash and cash equivalents, end of year	<u>\$ 437,736</u>	<u>\$ 143,470</u>

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

**Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**  
**(With Comparative Totals for the Year Ended June 30, 2019)**

	Program	Management and General	Fundraising	Total	
				2020	2019
Salaries	\$ 955,669	\$ 153,011	\$ 135,696	\$ 1,244,376	\$ 1,083,142
Employee benefits	131,224	13,665	9,120	154,009	124,713
Payroll taxes	72,478	9,821	10,065	92,364	83,923
Total Personnel	<u>1,159,371</u>	<u>176,497</u>	<u>154,881</u>	<u>1,490,749</u>	<u>1,291,778</u>
Professional fees	48,665	12,985	2,454	64,104	73,517
Advertising and promotion	2,337	89	171	2,597	2,547
Supplies and office expenses	73,651	4,505	3,314	81,470	89,075
Occupancy	105,340	13,666	10,055	129,061	109,954
Travel and meals	15,508	3,252	967	19,727	3,154
Training	5,500	-	181	5,681	2,264
Depreciation	56,404	3,177	325	59,906	34,736
Insurance	10,772	1,313	966	13,051	7,120
Dues, licenses, service fees	3,392	1,010	2,510	6,912	6,479
Participant incentives	50,426	-	-	50,426	69,790
Other	-	1,641	-	1,641	2,217
Expenses by Function	<u>1,531,366</u>	<u>218,135</u>	<u>175,824</u>	<u>1,925,325</u>	<u>1,692,631</u>
Expenses reported on a net basis on statement of activities					
Direct donor benefit	-	-	-	-	40,569
Total Expense	<u>\$ 1,531,366</u>	<u>\$ 218,135</u>	<u>\$ 175,824</u>	<u>\$ 1,925,325</u>	<u>\$ 1,733,200</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, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)**

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**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.

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**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**  
**(With Comparative Totals for the Year Ended June 30, 2019)**

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**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, 2020. 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, 2020. 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 IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of June 30, 2020 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.

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**Notes to the Financial Statements  
For the Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)**

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**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.

**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, 2020.

**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
Vehicles	5 years

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**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 based on 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.

**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, 2019, 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.

**Changes in Accounting Principles**

The Organization adopted FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The ASU clarifies current

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guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance. In addition, it increases the number of contributions that are likely to be considered conditional by removing guidance that a conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

**NOTE 3: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furnishings and equipment	\$ 208,702	\$ 208,704
Leasehold improvements	27,573	20,502
Vehicles	44,820	44,840
Less: accumulated depreciation	<u>(174,062)</u>	<u>(114,159)</u>
Total	<u>\$ 107,033</u>	<u>\$ 159,887</u>

**NOTE 4: PAYCHECK PROTECTION PROGRAM LOAN**

The Organization received a \$136,000 paycheck protection program (PPP) loan bearing interest of 1% and maturing June 30, 2025 which it accounts for under FASB 470 including interest accrual. Based on the guidance in FASB ASC 405-20-40-1, the proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been “legally released” or (2) the Organization pays off the loan. Future payments due under this loan are as follows:

2021	\$ 15,112
2022	30,222
2023	30,222
2024	30,222
2025	<u>30,222</u>
Total	<u>\$ 136,000</u>

The Organization may be eligible for forgiveness of some or all of this loan.

**NOTE 5: 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, 2020, there was no outstanding balance.

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**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**  
**(With Comparative Totals for the Year Ended June 30, 2019)**

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**NOTE 6: 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:

2021	\$ 86,244
2022	88,844
2023	<u>76,184</u>
Total	<u>\$ 251,272</u>

Rent expenses totaled \$112,569 and \$88,680 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 7: 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 8: 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 9: NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2020</u>	<u>2019</u>
Programs	\$ 133,059	\$ 42,759
Hardship and benevolent funds	<u>20,003</u>	<u>15,932</u>
Total	<u>\$ 153,062</u>	<u>\$ 58,691</u>

**NOTE 10: SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events and has concluded that as of December 28, 2020, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose other than the information noted below:

**Continuing Public Health Emergency**

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic and the Organization and the area it operates in was subject to a public health order related to COVID-19 coronavirus

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**For the Year Ended June 30, 2020**  
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which affected activities of the Organization. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations and workforce.

**NOTE 11: 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, 2020 are:

Cash and cash equivalents	\$ 437,736
Accounts receivable	435,438
Contributions receivable	27,050
Less purpose-restricted net assets	<u>(153,062)</u>
Total	<u>\$ 747,162</u>

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.