

# **Surf City Squash, Inc.**

## **Financial Statements**

**August 31, 2010 and 2009**



# Surf City Squash, Inc.

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### INDEPENDENT AUDITORS' REPORT

Board of Directors  
Surf City Squash, Inc.  
San Diego, California

We have audited the accompanying statements of financial position of Surf City Squash, Inc. (a non-profit organization), as of August 31, 2010 and 2009, and the related statements of activities and cash flows for the years 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.

We conducted the 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 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 Surf City Squash, Inc., as of August 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Ortega & Konrad, LLP*

December 13, 2010

# Surf City Squash, Inc.

## Statements of Financial Position August 31, 2010 and 2009

	2010	2009
<b>Assets</b>		
Cash	\$ 37,012	\$ 104,636
Prepays	4,097	4,040
Property and equipment - net (Note 2)	24,822	26,895
<b>Total Assets</b>	<b>\$ 65,931</b>	<b>\$ 135,571</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 770	\$ 1,954
<b>Total Liabilities</b>	<b>770</b>	<b>1,954</b>
<b>Net Assets</b>		
Unrestricted	65,161	133,617
<b>Total Net Assets</b>	<b>65,161</b>	<b>133,617</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 65,931</b>	<b>\$ 135,571</b>

*The accompanying notes are an integral part of this statement.*

# Surf City Squash, Inc.

## Statements of Activities Years Ended August 31, 2010 and 2009

	2010	2009
<b>Unrestricted Net Assets</b>		
<i>Support:</i>		
Individual contributions	\$ 103,915	\$ 105,517
Corporate contributions	12,545	12,563
Corporate foundation contributions	11,000	5,225
Family foundation contributions	12,500	11,534
Grants	--	39,500
In-kind contributions	9,900	12,800
<i>Other:</i>		
Interest income	629	1,907
Other income	-	1,033
Fundraising special event	-	848
<b>Total Unrestricted Support</b>	<b>150,489</b>	<b>190,927</b>
<i>Expenses:</i>		
<i>Program services:</i>		
Youth services	164,256	142,327
<i>Supporting services:</i>		
Management and general	34,921	39,847
Fundraising	15,608	2,233
<i>Other Expenses:</i>		
Loss on disposal of fixed asset	4,160	-
<b>Total Expenses</b>	<b>218,945</b>	<b>184,407</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(68,456)</b>	<b>6,520</b>
Net Assets, Beginning of year	133,617	127,097
<b>Net Assets, End of year</b>	<b>\$ 65,161</b>	<b>\$ 133,617</b>

The accompanying notes are an integral part of this statement.

# Surf City Squash, Inc.

## Statements of Cash Flows Years Ended August 31, 2010 and 2009

	2010	2009
<b>Cash Flows From Operating Activities</b>		
Cash received from:		
Contributors	\$ 139,960	\$ 174,339
Interest received	629	1,907
Fundraising events	-	848
Other income received	-	1,033
Cash paid to suppliers and employees	(197,410)	(174,108)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(56,821)</b>	<b>4,019</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(10,803)	(7,938)
<b>Net Cash (Used) by Investing Activities</b>	<b>(10,803)</b>	<b>(7,938)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(67,624)	(3,919)
Cash and Cash Equivalents , Beginning of year	104,636	108,555
<b>Cash and Cash Equivalents, End of year</b>	<b>\$ 37,012</b>	<b>\$ 104,636</b>
<b>Reconciliation of Increase in Net Assets to Net Cash Used by Operating Activities</b>		
Increase (decrease) in net assets	\$ (68,456)	\$ 6,520
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	8,716	6,784
Loss on disposal of fixed asset	4,160	-
In-kind donations of fixed assets	-	(5,200)
(Increase) in prepaid expense	(57)	(2,147)
(Decrease) Increase in accounts payable	(1,184)	(1,938)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (56,821)</b>	<b>\$ 4,019</b>

*The accompanying notes are an integral part of this statement.*

# Surf City Squash, Inc.

## Notes to Financial Statements Years Ended August 31, 2010 and 2009

### 1. Summary of Significant Accounting Policies

#### *Nature of organization*

Surf City Squash Inc. (the Organization) is a 501(c)(3) not-for-profit corporation organized under the laws of the State of California for the purpose of promoting a youth enrichment program serving underprivileged students. The Organization provides an after-school program that focuses on academic tutoring and mentoring, community service, cultural experiences and squash instruction to students of San Diego County. The Organization is supported through public and private grants and contributions.

#### *Basis of accounting*

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting.

#### *Basis of presentation*

The Organization is required to report 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.

#### *Use of 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.

#### *Subsequent Events*

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 13, 2010, the date the financial statements were available to be issued.

# Surf City Squash, Inc.

## Notes to Financial Statements Years Ended August 31, 2010 and 2009

### 1. Summary of Significant Accounting Policies (Continued)

#### *Contributions*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase 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 the purpose of 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.

#### *Contributed Services and Facilities*

The Organization has numerous individuals volunteering their time in a variety of tasks that assist the Organization in its mission. For the years ended August 31, 2010 and 2009 volunteers respectively provided approximately 260 and 150 hours of their time to the Organization. These services do not meet the criteria for recognition as contributed services and are not reflected in the financial statements. Additionally, the Organization received contributed services that do meet the criteria for recognition; these contributions are disclosed in Note 3 to the financial statements.

The Organization, rents the use of its facilities at lower than fair market value. The difference between the fair market value and the actual amount the Organization pays for use of the facilities is recorded as an in-kind contribution. For the years ended August 31, 2010 and 2009, the Organization received \$3,600 and \$3,600 in in-kind facilities use respectively.

#### *Cash and cash equivalents*

The Organization considers all unrestricted and highly liquid investments with an initial maturity of three months or less to be cash equivalents.



# Surf City Squash, Inc.

## Notes to Financial Statements Years Ended August 31, 2010 and 2009

### 1. Summary of Significant Accounting Policies (Continued)

#### *Property and equipment*

Acquisitions of property and equipment in excess of \$500 with an estimated useful life of more than one year are capitalized. Purchased property and equipment are capitalized and stated at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis, taking a one-half year depreciation expense in the first and last year of the asset's estimated life: computer equipment - 3 years, vehicles - 5 years, furniture and fixtures - 7 years. Maintenance and repairs are charged to operations as incurred.

#### *Promises to receive*

Contributions are recognized when a donor makes an unconditional promise to give. The Organization uses the allowance method to determine uncollectible promises receivable. As of August 31, 2010 and 2009, the Organization had no promises to receive.

#### *Income tax status*

The Organization, a California not-for-profit corporation, is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

#### *Functional Allocation of Expenses*

Costs of providing program services and other activities are identified as either direct or indirect costs. Indirect or shared costs are allocated to program and supporting services by a method which best measured the relative degree of benefit. Accordingly, certain costs have been allocated between program and supporting services in reasonable ratios determined by management.

# Surf City Squash, Inc.

## Notes to Financial Statements Years Ended August 31, 2010 and 2009

### 2. Property & Equipment

The following is a summary of property and equipment at cost less, accumulated depreciation:

	2010	2009
Furniture and fixtures	\$ 14,460	\$ 14,460
Library	600	600
Computer equipment	3,780	3,780
Vehicles	26,620	21,017
	<b>45,460</b>	39,857
Less: accumulated depreciation	<b>(20,638)</b>	(12,962)
Net property and equipment	<b>\$ 24,822</b>	\$ 26,895

For the years ended August 31, 2010 and 2009 depreciation expense was \$8,716 and \$6,784 respectively.

### 3. Contributed Services

The organization recognizes contribution revenue for certain services received at the fair value of such services. Services provided by two summer camp providers were recognized as follows and have been included in the statements of activities as In-kind contributions:

<i>Program Services – Youth Services</i>	2010	2009
Squash Solutions Summer Camp (six students)	\$ 4,000	\$ 4,000
Princeton & Williams Summer Camp (one student)	1,500	- -
Total Contributed Services	<b>\$ 5,500</b>	<b>\$ 4,000</b>

### 4. Operating Lease Commitment

The Organization rents office, classroom and facility space under an annual lease from Squash Group, LLC. The lease requires monthly payments of \$1,000 per month through August 31, 2011. Total rent expense was \$12,470 and \$12,000 for the years ended August 31, 2010 and 2009 respectively.

# Surf City Squash, Inc.

## Notes to Financial Statements Years Ended August 31, 2010 and 2009

### 5. Concentration of Credit Risk

#### *Concentration of Revenues*

During the years ended August 31, 2010 and 2009, the Organization received approximately 21% and 10% respectively of its total revenues from board member contributions.

### 6. Related Party Transactions

As disclosed in Note 4 to these financial statements, the Organization had entered into a lease agreement with San Diego Squash, Inc., a facility partially owned by one the Organization's board members that expired on September 30, 2009. The Organization paid San Diego Squash, Inc. \$1,470 and \$12,000 for the years ended August 31, 2010 and 2009 respectively.

On October 1, 2009, the shareholders of San Diego Squash, Inc. sold the operations of San Diego Squash to Squash Group, LLC, dba San Diego Squash. The members of Squash Group, LLC consist of a board member, the executive director of the Organization and three unrelated investors. A new lease agreement, mirroring the terms and conditions noted on Note 4 of the financial statements, was entered into between the Organization and Squash Group, LLC. The Organization paid Squash Group, LLC \$11,000 for the year ended August 31, 2010.

### 7. Subsequent Event

On September 1, 2010, the Board of Directors approved a name change of the Organization to Access Youth Academy.