

Surf City Squash, Inc.

Financial Statements

August 31, 2009 and 2008



Surf City Squash, Inc.

Table of Contents



Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activity	3
Statements of Cash Flows	4
Notes to Financial Statements	5-9

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, 2009 and 2008, and the related statements of activity 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, 2009 and 2008, 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.

November 23, 2009

Surf City Squash, Inc.

Statements of Financial Position August 31, 2009 and 2008

	2009	2008
Assets		
Cash	\$ 104,636	\$ 108,555
Prepays	4,040	1,893
Property and equipment - net (Note 2)	26,895	20,541
Total Assets	\$ 135,571	\$ 130,989
Liabilities and Net Assets		
Accounts payable	\$ 1,954	\$ 3,892
Total Liabilities	1,954	3,892
Net Assets		
Unrestricted	133,617	127,097
Temporarily restricted (Note 3)	-	-
Total Net Assets	133,617	127,097
Total Liabilities and Net Assets	\$ 135,571	\$ 130,989

The accompanying notes are an integral part of this statement.

Surf City Squash, Inc.

Statements of Activities Years Ended August 31, 2009 and 2008

	2009	2008
Unrestricted Net Assets		
<i>Support:</i>		
Individual contributions	\$ 105,517	\$ 77,923
Corporate contributions	12,563	7,395
Corporate foundations contributions	5,225	15,125
Family foundation contributions	11,534	21,130
Grants	39,500	16,750
In-kind contributions	12,800	17,800
<i>Other:</i>		
Interest income	1,907	2,381
Other income	1,033	-
Fundraising special event	848	-
Total Unrestricted Support	190,927	158,504
Net assets released from restriction:		
Satisfaction of funding restriction	-	1,800
Total Unrestricted Support & Reclassification	190,927	160,304
Expenses:		
<i>Program services:</i>		
Youth services	142,327	132,616
<i>Supporting services:</i>		
Management and general	39,847	29,880
Fundraising	2,233	15,159
Total Expenses	184,407	177,655
Increase (Decrease) in Unrestricted Net Assets	6,520	(17,351)
Temporarily Restricted Net Assets		
Net assets released from restrictions	-	(1,800)
Increase (Decrease) in Restricted Net Assets	-	(1,800)
Increase (Decrease) in Net Assets	6,520	(19,151)
Net Assets, Beginning of year	127,097	146,248
Net Assets, End of year	\$ 133,617	\$ 127,097

The accompanying notes are an integral part of this statement.

Surf City Squash, Inc.

Statements of Cash Flows Years Ended August 31, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Cash received from:		
Contributors	\$ 174,339	\$ 138,323
Interest received	1,907	2,381
Fundraising events	848	-
Other income received	1,033	-
Cash paid to suppliers and employees	(174,108)	(157,691)
Net Cash Provided (Used) by Operating Activities	4,019	(16,987)
Cash Flows From Investing Activities		
Purchase of property and equipment	(7,938)	(2,277)
Net Cash (Used) by Investing Activities	(7,938)	(2,277)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,919)	(19,264)
Cash and Cash Equivalents , Beginning of year	108,555	127,819
Cash and Cash Equivalents, End of year	\$ 104,636	\$ 108,555
Reconciliation of Increase in Net Assets to Net Cash Used by Operating Activities		
Increase (decrease) in net assets	\$ 6,520	\$ (19,151)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	6,784	4,265
In-kind donations of fixed assets	(5,200)	(4,100)
(Increase) in prepaid expense	(2,147)	(1,893)
(Decrease) Increase in accounts payable	(1,938)	3,892
Net Cash Provided (Used) by Operating Activities	\$ 4,019	\$ (16,987)

The accompanying notes are an integral part of this statement.

Surf City Squash, Inc.

Notes to Financial Statements Years Ended August 31, 2009 and 2008

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Surf City Squash, Inc.

Notes to Financial Statements Years Ended August 31, 2009 and 2008

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, 2009 and 2008 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.

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, 2009 and 2008, the Organization received \$3,600 and \$500 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, 2009 and 2008

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, 2009 and 2008, 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, 2009 and 2008

2. Property & Equipment

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

	2009	2008
Furniture and fixtures	\$ 14,460	\$ 10,186
Library	600	600
Computer equipment	3,780	116
Vehicles	21,017	15,817
	<u>39,857</u>	<u>26,719</u>
Less: accumulated depreciation	(12,962)	(6,178)
Net property and equipment	<u>\$ 26,895</u>	<u>\$ 20,541</u>

For the years ended August 31, 2009 and 2008 depreciation expense was \$6,784 and \$4,265 respectively.

3. Temporarily Restricted Net Assets

As of August 31, 2009, the Organization had no temporarily restricted net assets. During fiscal year 2008 temporarily restricted net assets were used for their intended use and the restrictions were released.

4. Operating Lease Commitment

The Organization rents office, classroom and facility space under an annual lease from San Diego Squash. The lease requires monthly payments of \$1,000 per month through August 31, 2010. Total rent expense was \$12,000 and \$12,000 for the years ended August 31, 2009 and 2008 respectively.

5. Concentration of Credit Risk

Concentration of Revenues

During the years ended August 31, 2009 and 2008, the Organization received approximately 10% of its total revenues from board member contributions.

Surf City Squash, Inc.

Notes to Financial Statements Years Ended August 31, 2009 and 2008

6. Related Party Transactions

As disclosed in Note 4 to these financial statements, the Organization has entered into a lease agreement with San Diego Squash, Inc., a facility partially owned by one of the Organization's board member. The Organization paid San Diego Squash, Inc. \$12,000 and \$12,000 for the years ended August 31, 2009 and 2008 respectively.

The Organization paid San Diego Squash, Inc. \$2,003 and \$673 for general operating expenses for the years ended August 31, 2009 and 2008 respectively.

7. Subsequent Event

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 and the executive director of the Organization. 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.