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Department of Administrative Services

CITY ADMINISTRATOR'S
OFFICE

Annual Economic Statement for City-Funded Organizations

(Section 10.1, San Francisco Administrative Code)

For Funding of Program. Return to Department of Administrative Services by April 1st of each year.

To be submitted each year by every non-profit corporation, partnership, organization or other legal entity, receiving funding from or through the City and County of San Francisco to provide direct services to the public, except local, state, or federal governmental entities. [NOTE: If more space is needed for any section, please attach a separate sheet displaying the section number and the corresponding information.]

Calendar or fiscal year covered:

7-1-05 to 6-30-06
(beginning date) (ending date)

1. Name of Organization: Dolores Street Community Services
938 Valencia SF CA 94110
(address)

2. Name of chief executive officer, employee, or other person possessing daily managerial responsibilities:

SEE ATTACHED

3. Names of all officers or directors, and names of all other members of the board of directors who serve your organization:

SEE ATTACHED

4a. Total organizational expenditures for last completed calendar or fiscal year, whichever is applicable, setting forth the source of all monies received and a program-by-program description of all monies:

SEE ATTACHED

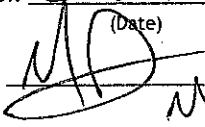
4b. Organizational budget for current calendar or fiscal year, whichever is applicable, setting forth the source of all monies received or budgeted and a program-by-program description of all monies expended or budgeted:

SEE ATTACHED

VERIFICATION

I declare under penalty of perjury that I have used all reasonable diligence in preparing this statement and to the best of my knowledge it is true and complete.

Executed on 3-27-07, at 938 Valencia SF
(Date) (Place)

Signature: 
Mason Jefferys

SUBMIT COMPLETED STATEMENT TO:
Department of Administrative Services
Attn: Annual Economic Statements
City Hall, Room 362
One Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
(415) 554-6171
(415) 554-6177 (fax)

Dolores Street Community Services Management Staff

Eric Quezada, Executive Director

Eric is a longtime community and housing activist in San Francisco's Mission and Bernal neighborhoods. Prior to joining Dolores Street in the fall of 2005, Eric worked at the Mission Housing Development Corporation and the Mission Economic Development Agency. He serves on the Board of Bernal Heights Neighborhood Center and PODER (People Organized to Demand Environmental and Economic Rights). He enjoys soccer, the outdoors, following the Giants and playing his tenor sax.

Mason Jeffrys, Director of Administration & Development

Mason Jeffrys has spent nearly a decade working in nonprofits across the country with an emphasis in volunteer and donor development for homeless services. After five years at Dolores Street, he has become a jack of all trades for the organization and has assumed additional responsibilities in administration and finance. He is all about random experiences and enjoys the wide variety of responsibilities his job entails.

Wendy Phillips, Cohen Program Director

Wendy began working at Cohen on January 9, 2006. Wendy has a wealth of experiences working with homeless and formerly homeless individuals, from providing direct outreach and social services, to tenant advocacy and organizing. She also has experience overseeing programs and services for supportive housing sites, and in the areas of planning, budgeting, and city policy advocacy. She holds a Masters in Social Work from San Francisco State University and is fluent in Spanish and English.

Marlon Mendieta, Dolores Housing Program Director

Marlon has worked with homeless adults in the Mission District as well as the Tenderloin. His work includes managing employment services in a supportive housing environment with multiple sites. He has also managed job training for homeless and formerly homeless adults with an emphasis on computer skills. Marlon is committed to helping homeless and immigrant communities at our shelters with a combination of administrative skills and an inclusive leadership style.

DOLORES STREET COMMUNITY SERVICES 2007 BOARD OF DIRECTORS

PRESIDENT

Jack Dean

*Partner, Good Vibrations
San Francisco, CA
Term Ends January 2009*

VICE PRESIDENT

Heather Borlase, Esq.

*Attorney, Bayer & Borlase
San Francisco, CA
Term Ends January 2008*

TREASURER

Aaron Mendelson

*Credit Suisse
San Francisco, CA
Term Ends January 2009*

SECRETARY

Malea Chavez, Esq.

*Attorney, ACCESS Program, SF Superior Court
San Francisco, CA
Term Ends January 2009*

Ana Canizales-Menendez

*Administrative Manager, Urban Bay Properties
Lafayette, CA
Term Ends January 2008*

Jerry Dickinson

*Field Representative, USDC Census Bureau
San Francisco, CA
Term Ends January 2008*

Fernando Gomez-Benitez

*HIV Services Director, Mission Neighborhood Health Center
San Francisco, CA
Term Ends January 2009*

Myrna Melgar

*Mayor's Office on Housing
San Francisco, CA
Term Ends January 2009*

Term & Election: Directors shall be elected for a term of three (3) years and cannot serve more than two (2) terms.
Number of Directors: The number of directors shall not exceed fifteen (15).

**DOLORES STREET
COMMUNITY SERVICES, INC.**

Financial Statements

June 30, 2006

**DOLORES STREET
COMMUNITY SERVICES, INC.**

Financial Statements

June 30, 2006

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Antoinette G. Nies

Certified Public Accountant

61 Prince Royal Drive
Corte Madera, CA 94925
agn.cpa@att.net
415-927-9475 voice
415-924-6960 fax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
DOLORES STREET COMMUNITY SERVICES, INC.

I have audited the accompanying Statement of Financial Position of Dolores Street Community Services, Inc. as of June 30, 2006, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior-year summarized comparative information has been derived from the Council's 2005 financial statements and, in my report dated June 28, 2006, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dolores Street Community Services, Inc. as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 6, 2006 on my consideration of Dolores Street Community Services, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Dolores Street Community Services, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Antoinette G. Nies, CPA
October 6, 2006

DOLORES STREET COMMUNITY SERVICES, INC.
Statement of Financial Position
June 30, 2006
(With Comparative Totals at June 30, 2005)

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash	\$ 119,321	\$ 107,350
Contracts Receivable	161,096	222,491
Foundation Grants Receivable	39,500	47,166
Other Receivables	2,064	1,612
Investment - Under One Roof	3,500	3,500
Prepaid Expenses and Deposits	8,092	10,673
Total Current Assets	333,573	392,792
NONCURRENT ASSETS		
Property and Equipment	1,037,695	1,080,896
Deposits	5,500	5,500
Total Noncurrent Assets	1,043,195	1,086,396
TOTAL ASSETS	\$ 1,376,768	\$ 1,479,188
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 20,576	\$ 71,174
Accrued Expenses	77,567	73,027
Line of Credit	-	99,950
Notes Payable	-	60,000
Rent Deposits and Funds Held for Residents	2,674	2,674
Refundable Advances	90	90
Total Current Liabilities	100,907	306,915
LONG-TERM LIABILITIES		
Notes Payable	18,517	17,145
Total Long-Term Liabilities	18,517	17,145
Total Liabilities	119,424	324,060
NET ASSETS		
Unrestricted	224,544	90,454
Temporarily Restricted	1,032,800	1,064,674
Total Net Assets	1,257,344	1,155,128
TOTAL LIABILITIES AND NET ASSETS	\$ 1,376,768	\$ 1,479,188

DOLORES ST. COMMUNITY SERVICES, INC.
Statement of Activities
For the Year Ended June 30, 2006
(With Comparative Totals for the Year Ended June 30, 2005)

	Unrestricted	Temporarily Restricted	2006	2005
REVENUES, GAINS, AND OTHER SUPPORT:				
Fees and Grants from Governmental Agencies	\$ 1,251,347		\$ 1,251,347	\$ 1,526,313
Foundation and Corporate Grants	90,845	77,500	168,345	193,833
Rent	80,767		80,767	86,765
Contributions	41,583		41,583	57,108
Fundraising Events	14,437		14,437	32,588
Other	9,027		9,027	4,953
Total Revenue, Gains and Other Support	<u>1,488,006</u>	<u>77,500</u>	<u>1,565,506</u>	<u>1,901,560</u>
NET ASSETS RESTRICTED OR RELEASED FROM RESTRICTIONS:				
Satisfaction of Program Requirements	76,000	(76,000)	-	-
Transactions Restricted under Grant				
Depreciation	32,001	(32,001)	-	-
Imputed Interest	1,373	(1,373)	-	-
Total Net Assets Restricted or Released from Restrictions	<u>109,374</u>	<u>(109,374)</u>	<u>-</u>	<u>-</u>
EXPENSES AND LOSSES				
Program Services				
Dolores Housing	588,948		588,948	794,354
Richard M. Cohen Residence	633,610		633,610	723,104
	<u>1,222,558</u>	<u>-</u>	<u>1,222,558</u>	<u>1,517,458</u>
Support Services				
General and Administrative	160,448		160,448	281,177
Development	80,284		80,284	163,579
	<u>240,732</u>	<u>-</u>	<u>240,732</u>	<u>444,756</u>
Total Expenses and Losses	<u>1,463,290</u>	<u>-</u>	<u>1,463,290</u>	<u>1,962,214</u>
Change in Net Assets	134,090	(31,874)	102,216	(60,654)
NET ASSETS, Beginning of Year	<u>90,454</u>	<u>1,064,674</u>	<u>1,155,128</u>	<u>1,215,782</u>
NET ASSETS, End of Year	<u>\$ 224,544</u>	<u>\$ 1,032,800</u>	<u>\$ 1,257,344</u>	<u>\$ 1,155,128</u>

DOLORES STREET COMMUNITY HOUSING, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2006
(With Comparative Totals for the Year Ended June 30, 2005)

	Dolores Housing	Richard M. Cohen Residence	Total Programs	General and Administrative	Development	Total Support Services	2006	2005
Salaries	\$ 325,019	\$ 339,905	\$ 664,924	\$ 62,027	\$ 48,491	\$ 110,518	\$ 775,442	\$ 1,120,252
Payroll Taxes and Employee Benefits	109,685	90,155	199,840	17,490	9,719	27,209	227,049	324,559
	434,704	430,060	864,764	79,517	58,210	137,727	1,002,491	1,444,811
Occupancy	81,868	29,704	111,572	12,033	3,290	15,323	126,895	145,540
Professional Fees	5,280	55,545	60,825	48,709	5,189	53,898	114,723	89,024
Food Supplies	12,652	24,684	37,336				37,336	40,302
Office Expense	12,711	6,312	19,023	3,335	3,611	6,946	25,969	33,114
Telephone and Communication	10,038	7,957	17,995	4,174	2,508	6,682	24,677	24,732
Insurance	9,458	10,450	19,908	1,540	830	2,370	22,278	24,704
Interest	361	1,654	2,015	9,803	47	9,850	11,865	5,655
Supplies	4,239	7,111	11,350				11,350	8,319
Miscellaneous	5,673	3,770	9,443	506	1,024	1,530	10,973	13,879
Equipment Maintenance and Repairs	138	9,510	9,648	20	10	30	9,678	8,472
Resident Activities and Expense		6,843	6,843				6,843	2,101
Service Contracts	738	1,327	2,065	116	1,150	1,266	3,331	10,738
Special Events					2,324	2,324	2,324	34,031
Staff and Volunteer Development	107	1,606	1,713	283	175	458	2,171	8,509
Recruiting	96	1,188	1,284	115	42	157	1,441	455
Appeal Letters								5,994
Newsletter								3,135
Total Expenses before Depreciation	578,063	597,721	1,175,784	160,151	78,410	238,561	1,414,345	1,903,515
Depreciation	10,885	35,889	46,774	297	1,874	2,171	48,945	58,699
Total Expenses	\$ 588,948	\$ 633,610	\$ 1,222,558	\$ 160,448	\$ 80,284	\$ 240,732	\$ 1,463,290	\$ 1,962,214

DOLORES ST. COMMUNITY SERVICES, INC.
Statement of Cash Flows
For the Year Ended June 30, 2006
(With Comparative Totals for the Year Ended June 30, 2005)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 102,216	\$ (60,654)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	48,945	58,699
Imputed Interest on Interest Free Loans	1,373	1,270
(Increases) Decreases in Operating Assets		
Contracts Receivable	61,395	(90,885)
Foundation Grants Receivable	7,666	(27,166)
Other Receivables	(453)	(1,613)
Prepaid Expenses and Deposits	2,581	1,519
Increases (Decreases) in Operating Liabilities		
Accounts Payable	(50,598)	54,009
Accrued Expenses	4,540	(40,187)
Rent Deposits and Funds Held for Residents	-	(185)
Refundable Advances	-	(12,359)
Net Cash Provided (Used) by Operating Activities	177,665	(117,552)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(5,744)	-
Investment in Under One Roof	-	(3,500)
Net Cash (Used) by Investing Activities	(5,744)	(3,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Payments on Line of Credit	(99,950)	98,005
Borrowings	-	60,000
Payments on Borrowings	(60,000)	-
Payments on Long-Term Debt	-	(17,597)
Net Cash Provided (Used) by Financing Activities	(159,950)	140,408
NET INCREASE IN CASH	11,971	19,356
CASH, Beginning of Year	107,350	87,994
CASH, End of Year	\$ 119,321	\$ 107,350
SUPPLEMENTAL DISCLOSURES:		
Operating activities reflect interest paid of:	\$ 10,492	\$ 4,385

DOLORES STREET COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2006

1. **Organization**

The Dolores Street Community Services, Inc. (DSCS) is a not-for-profit public benefit corporation established in 1982 to provide neighborhood-based housing, advocacy, and support for people seeking dignity, health, and hope in San Francisco. DSCS derives approximately 80% of its revenue from the City and County of San Francisco with certain portions originating from federal agencies.

The Agency's programs include:

Dolores Housing

A 120 bed emergency housing and support service program for homeless men, primarily the Latino working homeless of San Francisco's Mission District.

Richard M. Cohen Residence

A ten bed, twenty-four hour care assisted living residence for homeless men and women with disabling HIV or AIDS. The Cohen Residence provides a coordinated and integrated system of affordable housing with private rooms, meals and support services in a Victorian cottage.

2. **Summary of Significant Accounting Policies**

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, DSCS 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.

Contracts Receivable

Contracts receivable are stated at their unpaid balances. No allowance for doubtful accounts is considered necessary as the receivables relate primarily to governmental entities.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Assets

Noncash donations are recorded as contributions at their estimated fair values at the date of donation.

DOLORES STREET COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2006

(Continued)

2. Summary of Significant Accounting Policies – continued

Property and Equipment and Depreciation

DSCS capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, DSCS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. DSCS reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

No amounts have been reflected in the financial statements for donated services. DSCS pays for most services requiring specific expertise.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Comparative 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

DOLORES STREET COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2006

(Continued)

2. Summary of Significant Accounting Policies – continued

Income Taxes

The Agency is exempt from income taxes under Internal Revenue Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. The Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

3. Cash

The Agency maintains its cash in bank deposit accounts in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2006, the Agency's uninsured cash balances total approximately \$30,000.

4. Property and Equipment

Property and Equipment consist of the following:

Land	\$ 118,391
Building and Improvements	1,260,408
Furniture and Equipment	153,267
Leasehold Improvements	173,398
Vehicles	<u>9,000</u>
	1,714,464
Less: Accumulated Depreciation	<u>676,769</u>
Net Book Value	<u>\$ 1,037,695</u>

Property includes the Richard M. Cohen Residence. As discussed in notes 6 and 7, DSCS is required to continue to use the residence for low income persons with AIDS or disabling HIV for 50 years commencing in 1991 under the terms of a note payable and of a grant. This property is as follows:

Land	\$ 118,391
Building and Improvements	<u>1,260,408</u>
	1,378,799
Less: Accumulated Depreciation	<u>391,570</u>
Net Book Value	<u>\$ 987,229</u>

DOLORES STREET COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2006

(Continued)

5. Line of Credit

Unsecured bank line of credit in the amount of \$100,000 maturing in February 2007. Interest only at a variable rate, currently 11%, is payable monthly. There is no outstanding balance at June 30, 2006.

6. Notes Payable

Notes payable consist of the following:

Redevelopment Agency of the City and County of San Francisco under the Housing Opportunities for Persons with AIDS (HOPWA) grant agreement with the United States Department of Housing and Urban Development, non-interest bearing, matures in 2044. If DSCS operates the building under the terms of the agreement for fifty years, the loan will be forgiven. The face value of the note is \$372,477, which has been reduced to its present value using a discount rate of 8%. The terms of the loan require that the property be used for low income persons with AIDS or disabling HIV for a period of 10 years, at which time, if the organization provides evidence that there is no longer sufficient need or that the organization is unable to obtain sufficient funds to operate the property solely for persons with HIV/AIDS, the organization may rent to any person or family earning 50% or less of Median income. The terms of the loan provide that, in the event of a default that is not cured, principal and interest at 10% per annum from inception of the loan will be due (See Note 8).

\$ 18,517

Maturities are as follows:

Year Ending June 30,

2006

\$ -0-

Thereafter

18,517

\$ 18,517

7. Operating Leases

The Organization leases facilities under operating leases expiring in various years through 2008. Minimum future rental payments under these noncancelable leases are as follows:

Year Ending June 30,

2007

\$ 49,730

2008

6,800

\$ 56,530

Expenses under noncancelable operating leases for the year ended June 30, 2006 totaled \$74,045.

DOLORES STREET COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2006

(Continued)

8. Temporarily Restricted Net Assets

Temporarily Restricted Net Assets are comprised of the following:

<u>Restriction</u>	<u>Amount</u>
Program Expenditures:	
Dolores Housing	\$ 10,000
Fiscal year ending June 30, 2007	25,000
Business Plan – Dolores Housing	14,000
Capital Improvements and Repairs	15,000
Richard M. Cohen Residence*	614,752
Discounts on Interest Free Notes	<u>354,048</u>
	<u>\$ 1,032,800</u>

* Richard M. Cohen Residence - Under the terms of a 1991 grant from the Redevelopment Agency, DSCS must use the Richard M. Cohen Residence for housing for low-income persons with AIDS or disabling HIV for 50 years. If DSCS does not comply with these restrictions, the Redevelopment Agency reserves the right to purchase the property, subject to outstanding liens and encumbrances for \$1. The amount included in Temporarily Restricted Net Assets is calculated as follows:

Net book value of property	\$ 987,229
Less: Mortgages and notes payable at face value	<u>(372,477)</u>
Temporarily Restricted	<u>\$ 614,752</u>

9. Contingencies

Accrued Interest

As discussed in Note 6, the terms of the notes payable from the Redevelopment Agency require that the properties purchased with note proceeds be used for specified purposes for fifty years following disbursement of the note funds. If DSCS is in noncompliance with these terms, the face value of the notes and accrued interest at 10% become due.

Contracts and Grants

The Agency's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Agency has no provision for the possible disallowance of program costs on their financial statements.

**DOLORES STREET
COMMUNITY SERVICES, INC.**

Supplemental Schedules

June 30, 2006

Dolores Street Community Services, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

<u>Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
San Francisco Redevelopment Agency Housing Opportunities for People with AIDS	14.241	\$ 423,238
San Francisco Mayor's Office of Community Development Emergency Shelter Grant Program	14.213	48,000
U.S. Department of Health and Human Services		
City and County of San Francisco Department of Public Health HIV Emergency Relief Project Grant	93.914	177,958
		<u>\$ 649,196</u>

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Antoinette G. Nies

Certified Public Accountant

61 Prince Royal Drive
Corte Madera, CA 94925
agn.cpa@att.net
415-927-9475 voice
415-924-6960 fax

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of Directors
Dolores Street Community Services, Inc.

I have audited the financial statements of Dolores Street Community Services, Inc. (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued my report thereon dated October 6, 2006. I conducted my audit in accordance with auditing standards generally accepted auditing in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Dolores Street Community Services' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of Dolores Street Community Services, Inc. in a separate letter dated October 6, 2006.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dolores Street Community Services, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Antoinette G. Nies, CPA

October 6, 2006

Antoinette G. Nies

Certified Public Accountant

61 Prince Royal Drive
Corte Madera, CA 94925
agn.cpa@att.net
415-927-9475 voice
415-924-6960 fax

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Dolores Street Community Services, Inc.

Compliance

I have audited the compliance of Dolores Street Community Services, Inc. with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Dolores Street Community Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dolores Street Community Services, Inc.'s management. My responsibility is to express an opinion on Dolores Street Community Services, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dolores Street Community Services, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Dolores Street Community Services, Inc.'s compliance with those requirements.

In my opinion, Dolores Street Community Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(continued)**

Internal Control Over Compliance

The management of Dolores Street Community Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Dolores Street Community Services, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information of the audit committee, management, Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Antoinette G. Nies, CPA

October 6, 2006

DOLORES STREET COMMUNITY SERVICES, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section I
Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<i>Unqualified</i>
Internal control over financial reporting:	
• Material weaknesses identified?	<i>No</i>
• Reportable conditions identified that are not considered to be material weaknesses?	<i>No</i>
Noncompliance material to financial statements noted	<i>No</i>

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	<i>No</i>
• Reportable conditions identified that are not considered to be material weaknesses?	<i>No</i>
Type of auditor's report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<i>Yes</i>
Identification of major programs:	
<i>Department of Housing and Urban Development:</i>	
<i>Housing Opportunities for People with AIDS</i>	<i>14.241</i>
Dollar threshold used to distinguish between Type A and Type B programs	<i>\$300,000.</i>
Auditee qualified as low risk?	<i>No</i>

Section II
Financial Statement Findings

None

DOLORES STREET COMMUNITY SERVICES, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section II
Financial Statement Findings

None

Section III
Federal Award Findings and Questioned Costs

None

Section IV
Status of Prior Year Findings

Finding 05-1:

Condition: While actual total costs exceeded amounts reimbursed, individual line items in some cost reports were based on available budget rather than on actual corresponding costs.

Questioned cost: None

Status: The Organization has instituted a program of training and supervision to prevent recurrence. For the year ended June 30, 2006, actual costs were claimed for reimbursement.

FY 2007 BUDGET: Dolores Street Community Services

July 1, 2006 - June 30, 2007 (Revised February 2007)

OPERATING

Revenue		Agency	ADMIN	DEV	DHP	COHEN	SRO	SFILEN
GOVERNMENT								
3110	HSA (formerly DHS)	599,507	47,847	0	551,660	0	0	0
3154	FEMA	7,675	0	0	7,675	0	0	0
3122	MOCOD	886,820	36,947	0	0	0	0	849,873
3152	SFRA/HOPWA	479,350	33,555	0	0	445,796	0	0
3150	DPH/CARE	162,400	14,616	0	0	147,784	0	0
	DPH/HUH	127,500	12,561	0	0	0	114,939	0
3156	RALF	38,070	3,461	0	0	34,609	0	0
4101	SFHA - Section 8	48,375	2,000	20,000	7,000	19,375		
EARNED INCOME								
4100	Rent - Cohen	23,827	0	0	0	26,680	0	0
4100	Rent - VCC	10,000	10,000	0	0	0	0	0
	Cable Payments from Tenants	3,668	0	0	0	3,668	0	0
PRIVATE								
3300	Foundations	120,000	38,200	0	36,900	39,900	5,000	0
3500	Individuals	30,000	0	25,000	2,500	2,500	0	0
3690	Organizations/ Investments	25,000	4,500	0	15,000	5,500	0	0
3310	Corporations	5,000	5,000	0	0	0	0	0
TOTAL REVENUE		2,567,392	208,687	45,000	620,735	726,012	119,939	849,873

Expenses		Agency	ADMIN	DEV	DHP	COHEN	SRO	SFILEN
PERSONNEL								
5000	Salaries	858,182	94,108	31,301	331,990	370,490	20,860	9,433
5550	Fringe Benefits	326,257	33,754	11,270	132,529	135,229	10,225	3,251
EMPLOYEE EXPENSES								
6750	Membership & Dues	1,200	200	200	400	400		
6600	Staff Development	7,058	500	500	2,500	2,500	58	1,000
6060	Recruiting & Screening	1,900	0	0	750	1,000	150	
OUTSIDE LABOR								
6135	Consultant - Accounting	16,640	16,640	0	0	0	0	0
6136	Consultant - Nursing	6,840	0	0	0	6,840	0	0
6137	Consultant - IT	11,000	572	202	4,344	4,882	0	1,000
6051	Outside Services - Janitorial	8,800	0	0	0	8,800	0	0
6052	Outside Services - Human Resources	6,000	466	159	2,920	2,057	364	34
6110	Audit/Legal	12,500	0	0	5,000	7,500	0	0
6105	Temporary Labor	5,500	250	250	500	500	0	4,000
	Tenant Stipend	4,800	0	0	0	0	4,800	0
	Subcontracting	852,093	0	0	0	0	66,167	785,926
FACILITIES								
7000	Rent - VCC	34,000	6,600	1,650	16,500	3,632	1,418	4,200
7020	Rent - Shelters	40,280	0	0	40,280	0	0	0
	Utilities	76,880	10,210	1,683	24,694	37,518	375	2,400
7431	Hazardous Waste Removal	2,173	0	0	0	2,173	0	0
8200	Building Repairs & Maintenance	14,950	600	100	4,000	9,000	1,250	
8510	Equipment Repairs/Leasing/Purchase	5,500	0	0	500	5,000		
6325	Networking/IT Supplies	7,000	344	121	2,606	2,929	1,000	
PROGRAMS								
8100	Food	48,000	0	0	18,000	30,000		
6200	Office Supplies/Equipment	25,997	715	253	5,429	6,103	7,497	6,000
8400	Household Supplies	12,500	500	0	3,000	9,000		
8115	Medical/First Aid Supplies	2,500	100	50	250	2,100		
6700	Transportation	4,100	100	100	2,500	1,000		400
8513	Van Maintenance & Repair	3,000	0	0	1,500	1,500		
6900	Program Activities	34,344	0	0	3,500	3,500	4,297	23,047
OUTREACH & PROMOTION								
6400	Printing & Copying	10,168	400	142	3,040	3,418	1,168	2,000
6570	Fundraising, Marketing & Outreach	5,000	0	4,000	500	500		
6210	Special Events	7,500	250	250	1,000	1,000		5,000
6500	Community Relations	1,000	250	250	250	250		
6250	Postage	2,560	500	1,000	500	500	60	
6610	Volunteer/Board Development	1,200	100	100	500	500		
MISCELLANEOUS								
7801	Insurance - GLU/D&O/B	28,871	1,511	535	11,487	12,912	626	1,800
9100	Property Tax	150	0	0	0	150	0	0
6350	Banking & Finance Fees	1,500	116	40	730	514	91	9
9130	Interest Expense	1,120	87	30	545	384	68	6
8900	Miscellaneous Expense	3,700	500	0	1,000	1,000	0	1,200
6525	Under One Roof Investment	2,500	0	0	0	2,500	0	0
8980	Depreciation	48,906	335	1,874	10,253	36,443		
TOTAL OPEX		2,544,168	169,708	56,060	633,497	713,723	120,473	850,706
OPERATING SURPLUS/DEFECIT		23,224	38,979	-11,060	-12,762	12,288	-534	-833

