

**SAN DIEGO FUTURES FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

**SAN DIEGO FUTURES FOUNDATION**

**TABLE OF CONTENTS**

|   | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report .....                      | 1           |
| Statement of Financial Position .....                   | 2           |
| Statement of Activities and Changes in Net Assets ..... | 3           |
| Statement of Functional Expenses .....                  | 4           |
| Statement of Cash Flows .....                           | 5           |
| Notes to the Financial Statements .....                 | 6-10        |



**DEBORAH BRENNAN & ASSOCIATES**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

To The Board of Directors  
San Diego Futures Foundation

We have audited the accompanying statement of financial position of the San Diego Futures Foundation as of December 31, 2007 and the related statements of activity and changes in net assets and cash flows for the year 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 the 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 in the first paragraph present fairly, in all material respects, the financial position of San Diego Futures Foundation as of December 31, 2007, 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.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

*Deborah M. Brennan*

Deborah M. Brennan  
Certified Public Accountant  
July 15, 2008

**SAN DIEGO FUTURES FOUNDATION  
STATEMENT OF FINANCIAL POSITION**

**As of December 31, 2007**

**(With Summarized Financial Information For the Year Ended December 31, 2006)**

**ASSETS**

|                                      | 2007           | 2006           |
|--------------------------------------|----------------|----------------|
| <b>Assets</b>                        |                |                |
| Cash and cash equivalents            | \$ 630,855     | \$ 513,036     |
| Accounts and pledges receivable      | 96,807         | 3,296          |
| Accrued interest receivable          | 3,299          | -              |
| Computer equipment to be distributed | 248,975        | 56,352         |
| Prepaid expenses                     | 4,645          | 5,807          |
| <br>Total assets                     | <br>\$ 984,581 | <br>\$ 578,491 |

**LIABILITIES AND NET ASSETS**

|                                      |                |                |
|--------------------------------------|----------------|----------------|
| <b>Liabilities</b>                   |                |                |
| Due to bank                          | \$ -           | \$ 9,413       |
| Accounts payable                     | 24,835         | -              |
| Accrued expenses                     | 10,738         | 9,017          |
| Deferred revenue                     | 614            | -              |
| Computer equipment to be distributed | 248,975        | 56,352         |
| Total liabilities                    | 285,162        | 74,782         |
| <br><b>Net Assets</b>                |                |                |
| Unrestricted net assets              | 530,874        | 450,508        |
| Temporarily restricted net assets    | 168,545        | 53,201         |
| Total net assets                     | 699,419        | 503,709        |
| <br>Total liabilities and net assets | <br>\$ 984,581 | <br>\$ 578,491 |

See accountant's audit report and notes to the financial statements.

**SAN DIEGO FUTURES FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2007**  
**(With Summarized Financial Information For the Year Ended December 31, 2006)**

|                                       | 2007              |                           |                   | 2006              |
|---------------------------------------|-------------------|---------------------------|-------------------|-------------------|
|                                       | Unrestricted      | Temporarily<br>Restricted | Total             | Total             |
| <b>Support and revenue</b>            |                   |                           |                   |                   |
| Grants                                | \$ 500,000        | \$ 251,214                | \$ 751,214        | \$ 320,250        |
| Salvage income                        | 61,285            | -                         | 61,285            | 32,044            |
| Fees for services                     | 58,042            | -                         | 58,042            | 44,662            |
| Interest income                       | 25,045            | -                         | 25,045            | 11,600            |
| Contributions                         | 13,539            | -                         | 13,539            | 3,264             |
| Fundraising event - net               | 3,875             | -                         | 3,875             | 16,509            |
| Unrealized (loss) on investments      | 282               | -                         | 282               | (301)             |
| In-kind donations                     | -                 | -                         | -                 | 183,413           |
| Total support and revenue             | <u>662,068</u>    | <u>251,214</u>            | <u>913,282</u>    | <u>611,441</u>    |
| Net assets released from restrictions | <u>135,870</u>    | <u>(135,870)</u>          | <u>-</u>          | <u>-</u>          |
| <b>Expenses</b>                       |                   |                           |                   |                   |
| Program services                      |                   |                           |                   |                   |
| Fees for services expenses            | 148,981           | -                         | 148,981           | 73,022            |
| Education programs                    | 110,702           | -                         | 110,702           | -                 |
| Computer donation program             | 100,024           | -                         | 100,024           | 195,935           |
| Other community technology programs   | 53,219            | -                         | 53,219            | -                 |
| Foster family program                 | -                 | -                         | -                 | 16,239            |
| Other                                 | -                 | -                         | -                 | 12,922            |
| Total program services                | <u>412,926</u>    | <u>-</u>                  | <u>412,926</u>    | <u>298,118</u>    |
| Management and general                | 112,270           | -                         | 112,270           | 239,085           |
| Fundraising                           | 192,376           | -                         | 192,376           | 36,663            |
| Total expenses                        | <u>717,572</u>    | <u>-</u>                  | <u>717,572</u>    | <u>573,866</u>    |
| Increase in net assets                | 80,366            | 115,344                   | 195,710           | 37,575            |
| <b>Net Assets - Beginning of Year</b> | <u>450,508</u>    | <u>53,201</u>             | <u>503,709</u>    | <u>466,134</u>    |
| <b>Net Assets - End of Year</b>       | <u>\$ 530,874</u> | <u>\$ 168,545</u>         | <u>\$ 699,419</u> | <u>\$ 503,709</u> |

See accountant's audit report and notes to the financial statements.

**SAN DIEGO FUTURES FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2007**  
**(With Summarized Financial Information For the Year Ended December 31, 2006)**

|                                | 2007              |                         |                   | 2006                            |                                 |
|--------------------------------|-------------------|-------------------------|-------------------|---------------------------------|---------------------------------|
|                                | Program           | Management<br>& General | Fundraising       | Total<br>Functional<br>Expenses | Total<br>Functional<br>Expenses |
| Labor                          | \$ 338,401        | \$ 50,399               | \$ 148,515        | \$ 537,315                      | \$ 478,638                      |
| Insurance - medical            | 17,332            | 5,373                   | 7,610             | 30,315                          | 12,937                          |
| Professional services          | 9,640             | 19,409                  | -                 | 29,049                          | 16,471                          |
| Rent                           | 16,931            | 2,747                   | 7,235             | 26,913                          | 20,139                          |
| Travel and meetings            | 5,174             | 7,557                   | 14,150            | 26,881                          | 10,048                          |
| Contract services              | 11,510            | 2,682                   | 90                | 14,282                          | -                               |
| Marketing                      | 2,349             | 6,542                   | 4,141             | 13,032                          | -                               |
| Telephone                      | 5,980             | 997                     | 2,625             | 9,602                           | 2,020                           |
| Insurance - liability          | -                 | 2,938                   | 3,737             | 6,675                           | 3,239                           |
| Supplies                       | 2,603             | 2,037                   | 360               | 5,000                           | 7,508                           |
| Printing                       | 115               | 3,840                   | -                 | 3,955                           | 150                             |
| Equipment                      | 2,098             | 350                     | 920               | 3,368                           | 1,991                           |
| Computer hardware and software | 1,864             | 1,375                   | -                 | 3,239                           | 4,512                           |
| Program events                 | 52                | -                       | 2,522             | 2,574                           | 7,111                           |
| Web hosting                    | 1,272             | -                       | 1,272             | 2,544                           | 1,948                           |
| Dues and subscriptions         | 65                | 1,027                   | 207               | 1,299                           | 594                             |
| Administrative                 | -                 | 849                     | -                 | 849                             | 3,093                           |
| Postage                        | 320               | 247                     | 28                | 595                             | 2,226                           |
| Taxes and fees                 | -                 | 85                      | -                 | 85                              | 160                             |
| Utilities                      | -                 | -                       | -                 | -                               | 1,081                           |
| <b>Total</b>                   | <b>\$ 415,706</b> | <b>\$ 108,454</b>       | <b>\$ 193,412</b> | <b>\$ 717,572</b>               | <b>\$ 573,866</b>               |

See accountant's audit report and notes to the financial statements.

**SAN DIEGO FUTURES FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2007**  
**(With Summarized Financial Information For the Year Ended December 31, 2006)**

|   | 2007       | 2006       |
|---|------------|------------|
| <b>Cash Flows from Operating Activities</b>   |            |            |
| Increase in net assets  | \$ 195,710 | \$ 37,575  |
| Adjustments to reconcile change in net assets to cash provided by operating activities: |            |            |
| (Increase) decrease in operating assets:  |            |            |
| Accounts and pledges receivable   | (93,511)   | 6,169      |
| Accrued interest receivable   | (3,299)    | -          |
| Prepaid expenses  | 1,162      | (3,927)    |
| Increase in operating liabilities:  |            |            |
| Accounts payable and accrued expenses   | 17,143     | -          |
| Deferred revenue  | 614        | 7,353      |
| Net cash provided by operating activities   | 117,819    | 47,170     |
| Increase in cash and cash equivalents   | 117,819    | 47,170     |
| <b>Cash - Beginning of Year</b>   | 513,036    | 465,866    |
| <b>Cash - End of Year</b>   | \$ 630,855 | \$ 513,036 |

**Supplemental Disclosures**

|                   |      |      |
|-------------------|------|------|
| Income taxes paid | \$ - | \$ - |
| Interest paid     | -    | -    |

See accountant's audit report and notes to the financial statements.

## **SAN DIEGO FUTURES FOUNDATION NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - ORGANIZATION**

San Diego Futures Foundation was incorporated on December 3, 1999 under the Nonprofit Public Benefit Corporation Law of the State of California. The organization's purpose is to provide economic development in and educational opportunities to residents of San Diego County, California and to help equalize the disparity between residents of San Diego County who have access to computer technology and those who do not.

The organization was originally founded by the Pennant Alliance, a consortium of high technology companies. Two of those companies, Computer Sciences Corporation and Science Applications International Corporation, provided funding and three employees. In August 2006, the County of San Diego's contract with Computer Sciences Corporation and Science Applications International Corporation expired. A new contract between the County of San Diego and Northrup Grumman Information Technology, Inc. became effective. This new contract includes a provision to provide the foundation with annual funding of \$500,000. The additional funding is designed to cover all payroll and related costs now paid by the organization that was previously provided by the Pennant Alliance.

The organization's principle office is located at 4275 El Cajon Blvd, #200, San Diego, California. This location also provides space for computer repair and training. The organization is governed by a fifteen member appointed board of directors: five appointed by the San Diego County Supervisors; five appointed by the corporation holding the County's Information Technology and Telecommunications Service contract; the County Chief Information Officer; and four community members-at-large.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The organization maintains its financial records on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred. The accompanying financial statements have also been prepared on the accrual method of accounting in accordance with the accounting principles generally accepted in the United States of America. Certain items from prior year information have been reclassified for comparative purposes.

#### **Cash and Cash Equivalents**

According to accounting principles generally accepted in the United States of America, certificates of deposit and securities with original maturities of three months or less should be classified as cash equivalents. Certificates of deposit and securities with original maturities over three months are considered short-term investments. The organization considers its certificates of deposit to be cash equivalents.

#### **Property and equipment**

The organization's policy is to capitalize items costing \$3,000 or more with an estimated life greater than one year. San Diego Futures Foundation did not own any capitalized property or equipment during the audit period.

## **SAN DIEGO FUTURES FOUNDATION NOTES TO FINANCIAL STATEMENTS**

### Income taxes

The organization is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and 23701d of the California Bank and Corporation tax law. Based on its sources of revenue it has operated as a private foundation under the Internal Revenue Code. In October 2004 it notified the Internal Revenue Service that it wished to terminate as a private foundation and seek to qualify as a public charity beginning January 1, 2005. The Internal Revenue Service has notified the foundation that it can reasonably expect to terminate its private foundation status after their 60 month termination period ends, which began January 1, 2005. No provision for income taxes has been provided in the accompanying financial statements.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Contributions

Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted support based on donor intent. Donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires because of a time restriction or because the restricted purpose 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.

There were no donated services requiring specialize skills and or donated facilities during 2007.

### Agency Transactions

The receipt of computer equipment by San Diego Futures Foundation, to be passed on to third party recipients, has been recorded as an agency transaction rather than as a contribution. The estimated market value of the equipment not distributed at year-end is shown on the balance sheet.

### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized and allocated on a functional basis in the statement of functional expenses. Certain indirect costs have been allocated to program and fundraising activities based on management's estimates of the time devoted to these functions.

**SAN DIEGO FUTURES FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - ACCOUNTS AND GRANTS RECEIVABLE**

Accounts receivable includes fees for services totaling \$21,807 and \$3,296 in 2007 and 2006 respectively. Management believes it is fully collectible and therefore, no allowance for doubtful accounts has been recorded.

Grants receivable were \$75,000 as of December 31, 2007.

**NOTE 4 - COMPUTER EQUIPMENT TO BE DISTRIBUTED**

During the year ended December 31, 2007, San Diego Futures Foundation received 3,883 used desktops and monitors, 195 used laptop computers and 72 tablet PCs. Estimated average values were \$375 for desktops and monitors, \$350 for laptops, and \$1,000 for tablet PCs for a total of \$1,596,375. During the year ended December 31, 2006, 2,563 used computers and monitors and 27 used laptops were received with an estimated value of \$603,470. All computers were designated to be given to various other organizations. They are not included in the financial statements of San Diego Futures Foundation because it acts as a pass-through agency. As of December 31, 2007 and 2006, approximately 548 and 349 computers and monitors respectively were not yet distributed.

**NOTE 5 - IN-KIND DONATIONS**

The financial statements for the year ended December 31, 2006 included in-kind donations for fully burdened labor costs of three employees of \$183,413. Donated services of various unpaid volunteers in positions not requiring specialized skills are not reflected in these financial statements.

**NOTE 6 - CONCENTRATION OF DONOR CONTRIBUTIONS**

The organization has received significant grants and in-kind donations from one donor corporation in 2007 and three in 2006 (See Note 5):

| <u>2007</u>                                    | <u>Grants</u>    | <u>In-Kind</u>    | <u>Total</u>      | <u>% Total<br/>Income</u> |
|--|------------------|-------------------|-------------------|---------------------------|
| Northrup Grumman                               | \$ 500,000       |                   | \$ 500,000        | 54%                       |
|  |                  |                   |                   |                           |
| <u>2006</u>                                    | <u>Grants</u>    | <u>In-Kind</u>    | <u>Total</u>      | <u>% Total<br/>Income</u> |
| Science Applications International Corporation | \$ 40,751        | \$ 91,707         | \$ 132,458        | 22%                       |
| Computer Sciences Corporation                  | 40,751           | 91,706            | 132,457           | 22%                       |
| Northrup Grumman                               | <u>180,000</u>   | -                 | <u>180,000</u>    | <u>29%</u>                |
| Total  | <u>\$ 81,502</u> | <u>\$ 183,413</u> | <u>\$ 444,915</u> | <u>73%</u>                |

**NOTE 7 - FEE FOR SERVICES**

The organization periodically enters into contracts to provide computer services to other organizations. During the years ended December 31, 2007 and 2006, the organization received revenue of \$58,042 and \$44,662 respectively for these services.

**SAN DIEGO FUTURES FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses that satisfied the restricted purposes or by occurrence of other events specified by donors.

|                                  | <u>2007</u>       | <u>2006</u>      |
|----------------------------------|-------------------|------------------|
| Staff support                    | \$ 41,214         | \$ -             |
| Youth technology rewards program | 29,328            | -                |
| Intern program                   | 26,170            | 18,798           |
| Workshops                        | 15,117            | 14,769           |
| Student leaders                  | 10,000            | -                |
| Technology services              | 8,529             | -                |
| Other                            | <u>5,512</u>      | <u>-</u>         |
| Total                            | <u>\$ 135,870</u> | <u>\$ 33,567</u> |

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available at year-end for the following purposes:

|  | <u>2007</u>       | <u>2006</u>      |
|--|-------------------|------------------|
| Whiz Kidz  | \$ 59,488         | \$ -             |
| Youth technology rewards program                         | 55,672            | -                |
| Intern program   | 21,830            | 8,000            |
| Technology services for non-profit organizations         | 11,471            | 20,000           |
| Technology upgrades for certain non-profit organizations | 10,000            | -                |
| Workshops  | 5,084             | 20,201           |
| Other  | 5,000             | -                |
| Student leaders  | <u>-</u>          | <u>5,000</u>     |
| Total  | <u>\$ 168,545</u> | <u>\$ 53,201</u> |

**NOTE 10 - LEASES**

On April 13, 2007, the organization extended its prior lease agreement for one year for two office spaces with San Diego State University Research Foundation (previously known as the San Diego State University Foundation). A combined lease agreement was signed effective December 2007 for suites 130, 135, 140 and warehouse space. The organization paid \$19,096 in rent for January through November 2007 and \$19,988 in rent for January through December 2006.

On October 23, 2006, the organization entered into an eight month lease for a third office space with San Diego State University Research Foundation. The lease includes a 3% annual cost of living adjustment. On June 27, 2007, the organization extended this lease for six months. The organization paid \$1,650 in rent for January through November 2007 and \$150 for December 2006.

**SAN DIEGO FUTURES FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

On November 9, 2007, the organization consolidated their three leases with the San Diego State University Research Foundation and added warehouse space. The month to month lease includes a 3% annual cost of living adjustment. The combined rent for December 2007 was \$4,047.

**NOTE 11 - FUNDRAISING EVENT**

For the year ended December 31, 2006, one fundraising event grossed \$44,523. Related costs were \$28,014, resulting in net proceeds of \$16,509. Additional contributions of \$3,875 were received in 2007 for this fundraiser.

**NOTE 12 - OUTSOURCED PAYROLL AND BENEFITS**

San Diego Futures Foundation has outsourced its payroll with Innovative Employee Solutions. Employees participate in a 401(k) retirement plan after a designated waiting period. The plan is managed by MFS Investment Management.