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Leonard C. Sonnenberg, CPA

San Diego Foundation for Change Reviewed Financial Statements Year Ended December 31, 2013

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
San Diego Foundation for Change

We have reviewed the accompanying statement of financial position of San Diego Foundation for Change (a nonprofit organization) as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2012, we audited by us and we expressed an unmodified opinion of them in our report dated March 28, 2013, but have not performed any auditing procedures since that date.

May 7, 2014

Sonnenberg & Company, CPAs

San Diego Foundation for Change
Statement of Financial Position
December 31, 2013
(With Comparative Totals for 2012)

	<u>Reviewed</u> 2013	<u>Audited</u> 2012
ASSETS:		
Cash	\$ 130,391	\$ 22,065
Contributions Receivable		262,820
Prepaid Expenses		3,600
Security Deposits	900	900
Beneficial Interest - San Diego Foundation Endowment	12,312	11,063
Office Furniture & Equipment	12,835	12,835
Less: Accumulated Depreciation	<u>(12,198)</u>	<u>(11,258)</u>
TOTAL ASSETS	<u>\$ 144,240</u>	<u>\$ 302,025</u>
LIABILITIES:		
Accounts Payable and Accrued Liabilities	<u>\$ 5,164</u>	<u>\$ 8,697</u>
TOTAL LIABILITIES	5,164	8,697
NET ASSETS:		
Unrestricted	8,511	10,855
Temporarily Restricted	120,565	272,473
Permanently Restricted	<u>10,000</u>	<u>10,000</u>
TOTAL NET ASSETS	<u>139,076</u>	<u>293,328</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 144,240</u>	<u>\$ 302,025</u>

See Accompanying Notes and Independent Accountant's Review Report

San Diego Foundation for Change
Statement of Activities
For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Reviewed 2013 Total</u>	<u>Audited 2012 Total</u>
SUPPORT & REVENUES:					
Grants & Contributions	\$ 146,828	\$ 1,000	\$ -	\$ 147,828	\$ 576,513
In-Kind Donations	1,800			1,800	3,100
Realized & Unrealized Gain/(Loss)	3	1,249		1,252	1,281
Net Assets Released from Restrictions - Satisfaction of Donor Restrictions	<u>154,157</u>	<u>(154,157)</u>	<u> </u>	<u> </u>	<u> </u>
 Total Support & Revenues	 302,788	 (151,908)	 -	 150,880	 580,894
 EXPENSES:					
Program Expenses	170,122			170,122	556,314
Management & General	20,934			20,934	60,910
Fund-Raising	<u>114,076</u>	<u> </u>	<u> </u>	<u>114,076</u>	<u>49,267</u>
 Total Expenses	 <u>305,132</u>	 <u> </u>	 <u> </u>	 <u>305,132</u>	 <u>666,491</u>
 Change In Net Assets	 \$ (2,344)	 \$ (151,908)	 \$ -	 \$ (154,252)	 \$ (85,597)
 Beginning Net Assets	 <u>10,855</u>	 <u>272,473</u>	 <u>10,000</u>	 <u>293,328</u>	 <u>379,125</u>
 Ending Net Assets	 <u>\$ 8,511</u>	 <u>\$ 120,565</u>	 <u>\$ 10,000</u>	 <u>\$ 139,076</u>	 <u>\$ 293,528</u>

See Accompanying Notes and Independent Accountant's Review Report

San Diego Foundation for Change
Statement Of Functional Expenses
For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

	Program Services	Management & General	Fund- Raising	Reviewed 2013 Total	Audited 2012 Total
EXPENSES					
Personnel & Related					
Salaries	\$ 81,024	\$ 3,936	\$ 66,667	\$ 151,627	\$ 192,749
Payroll Taxes	6,994	634	5,447	13,075	16,826
Employee Benefits	10,710	1,069	7,596	19,375	24,791
Insurance - Workers Comp	950	95	853	1,898	2,532
Payroll Processing Fees	53	8	35	96	134
Total Personnel & Related	<u>99,731</u>	<u>5,742</u>	<u>80,598</u>	<u>186,071</u>	<u>237,032</u>
Non-Personnel					
Advertising & Promotion		428		428	3,020
Automobile				-	208
Bank Fees	576	406		982	1,590
Contributions			100	100	900
Dues & Subscriptions			1,171	1,171	3,516
Equipment and Site Rental	392		945	1,337	18,805
Grantmaking	53,450			53,450	274,620
Insurance	1,279	1,004	1,213	3,496	4,037
Meals/Travel/Entertainment	1,367	139	2,523	4,029	22,352
Miscellaneous	50	50	3,996	4,096	1,466
Postage & Delivery		5	704	709	1,018
Printing & Reproduction			469	469	2,521
Professional Fees	5,546	10,804	18,805	35,155	70,224
Rent	4,831	375	1,125	6,331	9,000
Repairs & Maintenance				-	1,362
Staff/Volunteer Education			125	125	1,450
Supplies	423	311	349	1,083	2,926
Utilities	2,477	281	603	3,361	4,687
Total Non-Personnel	<u>70,391</u>	<u>13,803</u>	<u>32,128</u>	<u>116,322</u>	<u>423,702</u>
Non-Cash					
Depreciation		789	150	939	2,657
In-Kind Donations		600	1,200	1,800	3,100
Total Non-Cash	<u>-</u>	<u>1,389</u>	<u>1,350</u>	<u>2,739</u>	<u>5,757</u>
Total Expenses	<u>\$ 170,122</u>	<u>\$ 20,934</u>	<u>\$ 114,076</u>	<u>\$ 305,132</u>	<u>\$ 666,491</u>

See Accompanying Notes and Independent Accountant's Review Report

San Diego Foundation for Change
Statement Of Cash Flows
For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

	<u>Reviewed</u> 2013	<u>Audited</u> 2012
CASH FLOWS FROM -		
OPERATING ACTIVITIES:		
Change In Net Assets	\$ (154,252)	\$ (85,797)
Adjustments to Reconcile Change in Net Assets		
To Net Cash Provided by Operating Activities:		
Depreciation	939	2,657
Realized & Unrealized Loss on Investments	(1,249)	(1,266)
(Increase) Decrease in:		
Contributions Receivable	262,820	(103,824)
Prepays	3,600	
Increase (Decrease) in:		
Accounts Payable	(3,533)	(36,141)
Deferred Revenue		(50,367)
Grants Payable		<u>(15,000)</u>
Net Cash Provided (Used) by Operating Activities	108,326	(289,738)
Cash and Cash Equivalents at:		
Beginning of Year	<u>22,065</u>	<u>311,803</u>
End of Year	<u>\$ 130,391</u>	<u>\$ 22,065</u>

See Accompanying Notes and Independent Accountant's Review Reportt

San Diego Foundation for Change
Notes to Financial Statements
Year Ended December 31, 2013

Note 1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

San Diego Foundation for Change (SDFC) is a nonprofit public benefit corporation. SDFC was founded in 1983 as a chapter of the Liberty Hill Foundation, and was incorporated in 1994. The mission of SDFC is to fund, train and support community-led efforts which promote social equality, economic justice, and environmental sustainability in San Diego County and the Tijuana (Mexico) border region.

SDFC offers grantwriting workshops as well as awards grants to groups which meet the SDFC's criteria as determined by an application process. Applications are reviewed by the SDFC's Grantmaking Committee. The Committee makes site visits and makes funding recommendations to the SDFC's Board of Directors. For the year ended December 31, 2013, SDFC awarded 7 grants for a total of \$53,450 to local non-profit groups.

Basis of Presentation

The SDFC's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the AICPA Accounting and Auditing Guide for Non Profit Entities.

Contributions received are reported according to three classes: unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions are considered available for unrestricted use unless specifically restricted by the donor. It is the SDFC's policy to treat donor restricted contributions whose restrictions are met in the same reporting period as unrestricted.

SDFC 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. As of December 31, 2013, there are temporarily restricted net assets of \$120,565 and permanently restricted net assets of \$10,000.

Use of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

San Diego Foundation for Change
Notes to Financial Statements
Year Ended December 31, 2013

Note 1. Organization and Summary of Significant Accounting Policies (continued)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses.

Income Taxes

SDFC is a California not-for-profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California State Tax Code 23701(d). SDFC has reviewed its position for all open tax years and believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

SDFC's federal and state exempt tax returns are subject to examination, generally for three years after they are filed.

Cash and Cash Equivalents

In accordance with accounting principles generally accepted in the United States of America, cash equivalents consist primarily of certificates of deposits and other securities with original maturities of 90 days or less. Securities with original maturities over 90 days are generally classified as short-term investments.

Adoption of Accounting Standard

The Financial Accounting Standard Board (FASB) issued FASB Staff Position (FSP) FAS 117-1 "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds". FSP FAS 117-1 provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds.

FSP FAS 117-1 also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

The State of California enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date. SDFC has adopted FSP FAS 117-1.

San Diego Foundation for Change
Notes to Financial Statements
Year Ended December 31, 2013

Note 2. Contributions Receivable

	12/31/13	12/31/12
California Wellness - 2013	\$ -	\$ 128,681
California Wellness - 2014		116,319
Other – 2013		17,820
Total	\$ -	\$ 262,820

Management believes that all amounts are collectible, therefore an allowance for doubtful accounts is not deemed necessary.

Note 3. Property and Equipment

Equipment, furniture and fixtures acquired by SDFC with the use of unrestricted funds are owned by SDFC and recorded at cost. If the equipment is donated to SDFC, it is recorded at fair market value. Property and equipment over \$1,000 are capitalized and depreciated using the straight-line method over a five to seven year estimated useful life.

Note 4. Temporarily Restricted Net Assets

Temporarily Restricted net assets are as follows:

	Balance 12/31/12	Received 2013	Used 2013	Balance 12/31/13
Health	\$ 245,000	\$ 1,000	\$ (128,704)	\$ 117,296
Democracy – Census	24,399		(23,442)	957
Leadership Development and Support	2,011		(2,011)	-
Time Restrictions	1,063	1,249	-	2,312
Total	\$ 273,473	\$ 2,249	\$ (154,157)	\$ 120,565

Note 5. Use of Facilities

SDFC leases its office space at 3758 30th Street, San Diego. The original lease term ran from June 1, 2001 through May 31, 2002. SDFC continues to rent on a month to month basis. The value of the rent is \$900 per month. SDFC pays \$750 month to month. During August, SDFC subleased the space from another nonprofit organization. The agreement is to rent monthly at approximately \$300 per month.

The rent expense for the year ended December 31, 2013, was \$6,331.

San Diego Foundation for Change
Notes to Financial Statements
Year Ended December 31, 2013

Note 6. Donated Services

The estimated fair value of donated professional services is recorded in the financial statements. The donated services are recognized in the financial statements because the services require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of donated services was estimated at \$1,800.

Note 7. Employee Benefits

SDFC sponsors a Simplified Employee Pension – Individual Retirement Plan (SEP-IRA) plan that qualifies under Section 408(k) of the Internal Revenue Code. SDFC provides discretionary contributions each year to all full time employees with a service period greater than one year. During fiscal year ended December 31, 2013, SDFC made contributions totaling \$13,939 to the SEP-IRA.

On April 1, 2009, SDFC adopted a Flexible Benefits Plan for all full time employees. Under this plan, SDFC will reimburse an employee up to \$3,000 in medical expenses annually.

Note 8. Beneficial Interest in Endowment Fund

In September 2007, SDFC established an Endowment Fund at the San Diego Foundation (SDF) known as the Fund for Progressive Social Change (the “Fund”). The fund was created by an irrevocable transfer of \$10,000 from SDFC’s accounts to establish the Endowment. SDF may receive additional irrevocable gifts of property acceptable to SDF from time to time from SDFC and from any other source to be added to the Fund. The funds are transferred irrevocably to SDF.

Each year, the SDF will reinvest any earnings on the fund. The money in the Fund shall be assets of SDF, and not a separate trust. SDF charges an administrative fee, based on a published fee policy. On December 31, 2013, the balance at SDFC is \$12,312.

Note 9. Endowment Restricted Net Assets

The endowment fund is held by SDF and managed in accordance with UPMIFA. The investment objectives are to underwrite the grantmaking programs of SDFC. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the original value of gifts donated to the fund. SDFC’s permanently restricted net assets held by SDF as:

1. The original value of gifts donated to the fund
2. The original value of SDFC funds transferred to the fund
3. The original value of subsequent gifts donated to the fund
4. Investment income and realized and unrealized gains and losses on investments

San Diego Foundation for Change
Notes to Financial Statements
Year Ended December 31, 2013

Note 9. Endowment Restricted Net Assets (continued)

SDF has adopted investment and spending policies for endowment funds that:

1. Protect the invested assets
2. Preserve spending capacity of the fund income
3. Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a moderate level
4. Comply with applicable laws

Changes in Endowment Net Assets for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Balance, Beginning of Year	\$ 11,063	\$ 9,797
Contributions	-	-
Interest	-	-
Investment Gain/(Loss)	1,307	1,319
Foundation Support Fee	(58)	(53)
Distributions	-	-
Total Endowment Net Assets, End of Year	<u>\$ 12,312</u>	<u>\$ 11,063</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Donor restricted funds	\$ -	\$ -	\$ 10,000	\$ 10,000
Board restricted funds	-	2,312	-	2,312
Total Endowment Assets	<u>\$ -</u>	<u>\$ 2,312</u>	<u>\$ 10,000</u>	<u>\$ 12,312</u>

Note 10. Date of Management's Review

SDFC has evaluated subsequent events through May 7, 2014, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.