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Leonard C. Sonnenberg, CPA

San Diego Foundation for Change Audited Financial Statements Year Ended December 31, 2008

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members
San Diego Foundation for Change

We have audited the accompanying statement of financial position of San Diego Foundation for Change (a nonprofit organization) as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of San Diego Foundation for Change's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's December 31, 2007 financial statements and, in our report dated July 7, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 San Diego Foundation for Change as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

August 12, 2009

Sonnenberg & Company, CPAs

San Diego Foundation for Change
Statement of Financial Position
December 31, 2008
(With Comparative Totals for 2007)

| ASSETS: | <u>2008</u> | <u>2007</u> |
|--|-------------------|-------------------|
| Cash | \$ 83,730 | \$ 103,277 |
| Contributions Receivable | | 21,000 |
| Prepaid Expenses | 1,500 | 1,540 |
| Security Deposits | 900 | 900 |
| Investments - San Diego Foundation Endowment | 7,232 | 10,000 |
| Video Production (net of amortization) | 10,567 | |
| Office Furniture & Equipment | 9,859 | 11,795 |
| Less: Accumulated Depreciation | <u>(2,192)</u> | <u>(9,215)</u> |
| TOTAL ASSETS | <u>\$ 111,596</u> | <u>\$ 139,297</u> |
| | | |
| LIABILITIES: | | |
| Accounts Payable | \$ 9,500 | \$ |
| Accrued Leave | <u>1,075</u> | <u>290</u> |
| TOTAL LIABILITIES | 10,575 | 290 |
| | | |
| NET ASSETS: | | |
| Unrestricted | (7,494) | (4,590) |
| Temporarily Restricted | <u>108,515</u> | <u>143,597</u> |
| TOTAL NET ASSETS | <u>101,021</u> | <u>139,007</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 111,596</u> | <u>\$ 139,297</u> |

The Accompanying Notes are an Integral Part of the Financial Statements

San Diego Foundation for Change
Statement of Activities
For the Year Ended December 31, 2008
(With Comparative Totals for 2007)

| SUPPORT & REVENUES: | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2008 Total</u> | <u>2007 Total</u> |
|---|---------------------|-----------------------------------|-----------------------|-----------------------|
| Grants & Contributions | \$ 235,673 | \$ 82,506 | \$ 318,179 | \$ 343,385 |
| In-Kind Donations - Goods & Services | 47,346 | | 47,346 | 5,705 |
| In-Kind Donations - Use of Facilities | 1,800 | | 1,800 | 1,800 |
| Realized & Unrealized (Loss) on Investments | (2,768) | | (2,768) | |
| Interest & Dividend Income | 737 | | 737 | 852 |
| Net Assets Released from Restrictions | | | | |
| Satisfaction of Donor Restrictions | <u>117,588</u> | <u>(117,588)</u> | <u>0</u> | <u>0</u> |
| Total Support & Revenues | 400,376 | (35,082) | 365,294 | 351,742 |
| EXPENSES: | | | | |
| Program Expenses | 329,606 | | 329,606 | 176,712 |
| Management & General | 31,219 | | 31,219 | 20,138 |
| Fund-Raising | <u>42,455</u> | | <u>42,455</u> | <u>43,176</u> |
| Total Expenses | <u>403,280</u> | <u>0</u> | <u>403,280</u> | <u>240,027</u> |
| Change In Net Assets | \$ (2,904) | \$ (35,082) | \$ (37,986) | \$ 111,715 |
| Beginning Net Assets | <u>(4,590)</u> | <u>143,597</u> | <u>139,007</u> | <u>27,292</u> |
| Ending Net Assets | <u>\$ (7,494)</u> | <u>\$ 108,515</u> | <u>\$ 101,021</u> | <u>\$ 139,007</u> |

The Accompanying Notes are an Integral Part of the Financial Statements

San Diego Foundation for Change
Statement Of Cash Flows
For the Year Ended December 31, 2008
(With Comparative Totals for 2007)

CASH FLOWS FROM -

| OPERATING ACTIVITIES: | 2008 | 2007 |
|--|-------------|------------|
| Change In Net Assets | \$ (37,986) | \$ 111,715 |
| Adjustments to Reconcile Change in Net Assets | | |
| To Net Cash Provided by Operating Activities: | | |
| Depreciation | 2,192 | 1,916 |
| Amortization | 3,523 | |
| Realized & Unrealized Loss on Investments | 2,768 | |
| In-Kind Donations - Equipment & Video Production | (13,724) | (2,300) |
| Decrease in: | | |
| Contributions Receivable | 21,000 | (21,000) |
| Prepaid Expenses | 40 | 947 |
| Increase in: | | |
| Accounts Payable | 9,500 | (15,000) |
| Accrued Leave | 785 | (438) |
| Net Cash Provided (Used) by Operating Activities | (11,902) | 75,840 |
| INVESTING ACTIVITIES: | | |
| Purchase of Equipment | (600) | |
| Video Production | (7,045) | |
| Purchase of Investments | | (10,000) |
| Cash (Used) by Investing Activities | (7,645) | (10,000) |
| Net Increase (Decrease) in Cash & Cash Equivalents | (19,547) | 65,840 |
| Cash and Cash Equivalents at: | | |
| Beginning of Year | 103,277 | 37,437 |
| End of Year | \$ 83,730 | \$ 103,277 |

The Accompanying Notes are an Integral Part of the Financial Statements

San Diego Foundation for Change
Statement Of Functional Expenses
For the Year Ended December 31, 2008
(With Comparative Totals for 2007)

| | <u>Program Services</u> | <u>Management & General</u> | <u>Fund- Raising</u> | <u>2008 Total</u> | <u>2007 Total</u> |
|--|-----------------------------|-------------------------------------|--------------------------|-----------------------|-----------------------|
| EXPENSES | | | | | |
| Personnel & Related | | | | | |
| Salaries | \$ 89,331 | \$ 11,911 | \$ 17,866 | \$ 119,108 | \$ 111,818 |
| Payroll Taxes | 7,413 | 988 | 1,483 | 9,884 | 9,200 |
| Employee Benefits | 341 | 45 | 68 | 454 | 9,251 |
| Insurance - Workers Comp | 1,225 | 163 | 245 | 1,633 | 1,518 |
| Payroll Processing Fees | 1,203 | 160 | 241 | 1,604 | 1,422 |
| Total Personnel & Related | <u>99,512</u> | <u>13,268</u> | <u>19,902</u> | <u>132,683</u> | <u>133,209</u> |
| Non-Personnel | | | | | |
| Advertising & Promotion | | | 1,600 | 1,600 | 624 |
| Automobile | 2,065 | | | 2,065 | 1,407 |
| Bank | 921 | 590 | 1,038 | 2,549 | 1,416 |
| Contributions | 6,595 | | | 6,595 | 2,575 |
| Database Management | 2,892 | | | 2,892 | 2,925 |
| Dues & Subscriptions | 3,601 | | | 3,601 | 860 |
| Grantmaking | 75,000 | | | 75,000 | 31,000 |
| Insurance | 1,868 | 1,000 | | 2,868 | 2,832 |
| Internet | 1,100 | | | 1,100 | 968 |
| Meals/Travel/Entertainment | 52,808 | 4,247 | | 57,055 | 11,197 |
| Miscellaneous | 2,361 | 281 | 8,838 | 11,480 | 2,024 |
| Postage & Delivery | 3,122 | 167 | 706 | 3,995 | 1,954 |
| Printing & Reproduction | 4,120 | 189 | 3,254 | 7,563 | 17,364 |
| Professional Fees | 23,505 | 6,973 | 5,000 | 35,478 | 6,993 |
| Rent | 8,100 | 1,080 | 1,620 | 10,800 | 10,800 |
| Staff/Volunteer Education | 446 | | | 446 | 848 |
| Supplies | 1,592 | 3,099 | 10 | 4,701 | 2,996 |
| Telephone | 2,241 | 191 | 287 | 2,718 | 1,503 |
| Utilities | 1,001 | 133 | 200 | 1,334 | 1,211 |
| Total Non-Personnel | <u>193,337</u> | <u>17,950</u> | <u>22,553</u> | <u>233,840</u> | <u>101,497</u> |
| Non-Cash | | | | | |
| Amortization-Video Production | 3,523 | | | 3,523 | 612 |
| Depreciation | 2,192 | | | 2,192 | 1,304 |
| In-Kind Donations - Supplies & Equipment | 21,122 | | | 21,122 | 2,990 |
| In-Kind Donations - Services | 9,920 | | | 9,920 | 415 |
| Total Non-Cash | <u>36,757</u> | <u>0</u> | <u>0</u> | <u>36,757</u> | <u>5,321</u> |
| Total Expenses | <u>\$ 329,606</u> | <u>\$ 31,219</u> | <u>\$ 42,455</u> | <u>\$ 403,280</u> | <u>\$ 240,027</u> |

The Accompanying Notes are an Integral Part of the Financial Statements

San Diego Foundation for Change
Notes to Financial Statements
Year Ended December 31, 2008

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, 2008, SDFC awarded 15 grants for a total of \$75,000 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 generally accepted accounting principles and the AICPA Accounting and Auditing Guide for Non Profit Organizations.

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, 2008, there are temporarily restricted net assets of \$108,515, but no permanently restricted net assets.

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).

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.

San Diego Foundation for Change
Notes to Financial Statements
Year Ended December 31, 2008

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Cash and Cash Equivalents

Per the provisions of FASB Statement No. 95, regarding "Statement of Cash Flows", 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.

Note 2. Property and Equipment

Equipment, furniture and fixtures acquired by SDFC with the use of unrestricted funds is owned by SDFC and is recorded at cost. If the equipment is donated to SDFC, it is recorded at fair market value. Property and equipment over \$500 are capitalized and depreciated using the straight-line method over a five to seven year estimated useful life.

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows:

| | Balance 31-Dec-07 | Received 2008 | Used 2008 | Balance 31-Dec-08 |
|-------------------------------|----------------------|------------------|---------------------|----------------------|
| The California Endowment | \$ 54,250 | \$ 42,188 | \$ (58,138) | \$ 38,300 |
| Fires-2007 | 37,397 | | (12,500) | 24,897 |
| Grant Making-Funding Exchange | 32,450 | 39,750 | (27,450) | 44,750 |
| Grant Making-LGBT Pride | 13,500 | | (13,500) | |
| Grant Making-Other | 6,000 | 568 | (6,000) | 568 |
| Total | \$ <u>143,597</u> | \$ <u>82,506</u> | \$ <u>(117,588)</u> | \$ <u>108,515</u> |

San Diego Foundation for Change
Notes to Financial Statements
Year Ended December 31, 2008

Note 4. 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 with \$150 being donated by the lessor.

The rent expense for the year ended December 31, 2008, was \$9,000 with \$1,800 recorded as in-kind donation-use of facilities in the accompanying financial statements.

Note 5. Donated goods and services

The estimated fair value of donated goods and professional services is recorded in the financial statements. The goods are estimated at fair value as if SDFC were to purchase the items themselves. 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. For the year ended December 31, 2008, management has estimated the value of the donated services at \$9,920. The value of donated goods was estimated at \$21,122.