

**SAN DIEGO FUTURES FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**

**SAN DIEGO FUTURES FOUNDATION**

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# 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, 2006 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, 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.

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, 2005, from which the summarized information was derived.

Deborah M. Brennan  
Certified Public Accountant  
July 24, 2007

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

**As of December 31, 2006**

**(With Summarized Financial Information For the Year Ended December 31, 2005)**

**ASSETS**

	2006	2005
<b>Assets</b>		
Cash and cash equivalents	\$ 513,036	\$ 465,866
Accounts receivable	3,296	9,465
Computer equipment to be distributed	56,352	26,762
Prepaid expenses	5,807	1,880
 Total assets	 \$ 578,491	 \$ 503,973

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Due to bank	\$ 9,413	\$ -
Accrued expenses	9,017	11,077
Computer equipment to be distributed	56,352	26,762
Total liabilities	74,782	37,839
 <b>Net Assets</b>		
Unrestricted net assets	450,508	409,366
Temporarily restricted net assets	53,201	56,768
Total net assets	503,709	466,134
 Total liabilities and net assets	 \$ 578,491	 \$ 503,973

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, 2006**  
**(With Summarized Financial Information For the Year Ended December 31, 2005)**

	2006			2005
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and revenue</b>				
Grants	\$ 290,250	\$ 30,000	\$ 320,250	\$ 162,970
In-kind donations	183,413	-	183,413	346,701
Fees for services	44,662	-	44,662	30,821
Salvage income	32,044	-	32,044	79,299
Fundraising event - net	16,509	-	16,509	32,968
Interest income	11,600	-	11,600	4,246
Contributions	3,264	-	3,264	4,579
Unrealized (loss) on investments	(301)	-	(301)	-
Total support and revenue	<u>581,441</u>	<u>30,000</u>	<u>611,441</u>	<u>661,584</u>
Net assets released from restrictions	<u>33,567</u>	<u>(33,567)</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>				
Program services				
Computer donation program	195,935	-	195,935	308,151
Fees for services expenses	73,022	-	73,022	5,134
Foster family program	16,239	-	16,239	-
Other	12,922	-	12,922	13,532
Total program services	<u>298,118</u>	<u>-</u>	<u>298,118</u>	<u>326,817</u>
Management and general	239,085	-	239,085	106,985
Fundraising	36,663	-	36,663	79,548
Total expenses	<u>573,866</u>	<u>-</u>	<u>573,866</u>	<u>513,350</u>
Increase (decrease) in net assets	41,142	(3,567)	37,575	148,234
<b>Net Assets - Beginning of Year</b>	<u>409,366</u>	<u>56,768</u>	<u>466,134</u>	<u>317,900</u>
<b>Net Assets - End of Year</b>	<u>\$ 450,508</u>	<u>\$ 53,201</u>	<u>\$ 503,709</u>	<u>\$ 466,134</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, 2006**

**(With Summarized Financial Information For the Year Ended December 31, 2005)**

	2006			2005	
	Program	Management & General	Fundraising	Total Functional Expenses	Total Functional Expenses
Labor	\$ 253,807	\$ 191,168	\$ 33,663	\$ 478,638	\$ 421,927
Rent	16,111	4,028	-	20,139	30,237
Professional services	-	13,471	3,000	16,471	32,867
Insurance - medical	6,860	5,167	910	12,937	5,424
Travel and meetings	748	9,300	-	10,048	3,610
Supplies	5,169	2,339	-	7,508	5,456
Program events	7,111	-	-	7,111	-
Insurance - liability	-	3,239	-	3,239	3,585
Computer software	675	2,367	-	3,042	1,262
Postage	2,060	166	-	2,226	-
Telephone	1,129	891	-	2,020	923
Equipment	292	1,699	-	1,991	30
Web hosting	1,948	-	-	1,948	2,168
Administrative	408	2,685	-	3,093	1,703
Computer components	1,470	-	-	1,470	-
Utilities	-	1,081	-	1,081	-
Dues and subscriptions	-	594	-	594	725
Taxes and fees	-	160	-	160	919
Printing	150	-	-	150	1,594
Advertising	-	-	-	-	920
<b>Total</b>	<b>\$ 297,938</b>	<b>\$ 238,355</b>	<b>\$ 37,573</b>	<b>\$ 573,866</b>	<b>\$ 513,350</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, 2006**  
**(With Summarized Financial Information For the Year Ended December 31, 2005)**

	2006	2005
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 37,575	\$ 148,234
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in operating assets:		
Accounts receivable	6,169	(4,508)
Prepaid expenses	(3,927)	2,864
Increase in operating liabilities:		
Accounts payable	7,353	6,968
Net cash provided by operating activities	47,170	153,558
Increase in cash and cash equivalents	47,170	153,558
<b>Cash - Beginning of Year</b>	465,866	312,308
<b>Cash - End of Year</b>	\$ 513,036	\$ 465,866
 <b>Supplemental Disclosures</b>		
Income taxes paid	\$ -	\$ 19
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 founded by the Pennant Alliance, a consortium of high technology companies. Two of those companies, Computer Sciences Corporation and Science Applications International Corporation together provided annual cash funding of \$100,000. Other funding comes from private and government grants, contributions, computer salvage, fees for services and fundraising. Three full-time employees were provided by Science Applications International Corporation to oversee the management and program activities of the organization. The cost of these employees was shared by Computer Sciences Corporation and Science Applications International Corporation.

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 payroll and related costs now paid by the foundation.

The organization moved its principle office to 4283 El Cajon Blvd, #130, San Diego, California in 2006. This location also provides space for computer repair and training. The organization is governed by a fourteen member appointed board of directors: five appointed by the San Diego County Supervisors; the County Chief Information Officer; five appointed by the corporation holding the County's Information Technology and Telecommunications Service contract; and three community members-at-large.

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

#### **Basis of Accounting**

The organization maintains its financial records on the cash basis of accounting, which recognizes revenues when received and expenses when paid. The accompanying financial statements have been prepared on the accrual method of accounting in accordance with the accounting principles generally accepted in the United States of America, which recognizes revenues when earned and expenses when incurred. 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.

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

### 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.

### 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.

Donated services requiring specialize skills and facilities were recorded as in-kind donations as of December 31, 2006 and 2005. (See Note 7.)

### 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 RECEIVABLE**

Accounts receivable includes fees for services totaling \$3,296 and \$9,465 in 2006 and 2005. Management believes it is fully collectible and therefore, no allowance for doubtful accounts has been recorded.

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

During the year ended December 31, 2006, San Diego Futures Foundation received 2,563 used desktop and 27 used laptop computers with an estimated average value of \$233 each, for a total of \$603,470. During the year ended December 31, 2005, 1,684 used computers and 10 used laptops were received with an estimated value of \$393,372. 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 in a pass-through agency capacity. As of December 31, 2006 and 2005, approximately 219 and 114 computers respectively were not yet distributed.

**NOTE 5 - IN-KIND DONATIONS**

The financial statements include the following in-kind donations:

	<u>2006</u>	<u>2005</u>
Fully burdened labor costs of three employees	\$ 183,413	\$ 328,763
Pro bono legal services	-	7,938
Facilities use for administration	-	7,500
Facilities use for computer donation program (See Note 11.)	-	2,500
Total	<u>\$ 183,413</u>	<u>\$ 346,701</u>

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 three donor corporations in 2006 and two in 2005 (See Note 5):

	<u>2006</u>			% Total Income
	<u>Grants</u>	<u>In-Kind</u>	<u>Total</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>
	<u>2005</u>			
	<u>Grants</u>	<u>In-Kind</u>	<u>Total</u>	% Total Income
Science Applications International Corporation	\$ 50,000	\$ 172,635	\$ 222,635	34%
Total Computer Sciences Corporation	<u>50,000</u>	<u>180,134</u>	<u>230,134</u>	<u>35%</u>
Total	<u>\$ 100,000</u>	<u>\$ 352,769</u>	<u>\$ 452,769</u>	<u>69%</u>

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

**NOTE 7 - FEE FOR SERVICES**

The organization periodically enters into contracts to provide computer services to other organizations. During the years ended December 31, 2006 and 2005, the organization received revenue of \$44,662 and \$30,821 respectively for these services.

**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>2006</u>	<u>2005</u>
Intern program	\$ 18,798	\$ 8,366
Workshops	14,769	-
Girls' technology training	<u>-</u>	<u>5,000</u>
Total	<u>\$ 33,567</u>	<u>\$ 13,366</u>

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2006</u>	<u>2005</u>
Intern program	\$ 8,000	\$ 1,798
Student leaders	5,000	-
Tech services for non-profit organizations	20,000	-
Workshops	<u>20,201</u>	<u>34,970</u>
Total	<u>\$ 53,201</u>	<u>\$ 56,768</u>

**NOTE 10 - LEASES**

On November 28, 2002 the organization entered into a three-year lease for office space with San Diego State University Foundation. The lease for suite 140 includes a 3% annual cost of living adjustment. During 2006, the Suite 140 rent was \$642 per month for January through September and \$661 per month for October through December. The organization paid \$7,628 and \$8,237 for rent in 2006 and 2005 respectively. The San Diego State University Foundation made donations of \$2,500 toward this rent in 2005. (See Note 5.)

On June 1, 2004, the organization entered into a month-to-month lease for additional office space (Suite 130) with San Diego State University Foundation. During 2006, rent for this space was \$1,000 per month for January through April and \$1,040 per month for May through December. In 2005 they paid \$1,000 per month for March through December. The organization paid a total of \$12,360 and \$10,000 for rent in 2006 and 2005 respectively.

On October 23, 2006, the organization entered into an eight month lease for a third office space with San Diego State University Foundation. The lease includes a 3% annual cost of living adjustment. Suite 135 rent was \$150 per month for one month.

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

**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. For the year ended December 31, 2005, the same fundraising event grossed \$56,210 with \$23,242 in related costs, resulting in net proceeds of \$32,968.

**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.