

**SOLANO COMMUNITY FOUNDATION**

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**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**Independent Auditor's Report**

Board of Directors  
Solano Community Foundation  
Fairfield, California

I have audited the accompanying statement of financial position of the SOLANO COMMUNITY FOUNDATION (a nonprofit corporation) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the year then ended. The financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 the SOLANO COMMUNITY FOUNDATION as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of operating expenses for the years ended December 31, 2008 and 2007 on pages 12 and 13 are presented for purposes of additional analysis and are 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.

*Brenda W. Perry, CPA*

Napa, California  
June 23, 2009

# SOLANO COMMUNITY FOUNDATION

## STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007 (Summarized Totals for 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 138,876	\$ 148,358
Grants receivable		23,750
Prepaid expenses		3,595
Investment securities	5,185,867	7,309,978
Furniture and equipment, net	<u>18,558</u>	<u>30,344</u>
<b>Total Assets</b>	<u>\$ 5,343,301</u>	<u>\$ 7,516,025</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 10,428	\$ 7,460
Grants payable	57,000	23,750
Funds held as agent	<u>704,805</u>	<u>1,010,156</u>
<b>Total Liabilities</b>	<u>772,233</u>	<u>1,041,366</u>
 <b>Net Assets</b>		
Unrestricted	1,745,124	3,554,467
Temporarily restricted	36,465	173,753
Permanently restricted	<u>2,789,479</u>	<u>2,746,439</u>
<b>Total Net Assets</b>	<u>4,571,068</u>	<u>6,474,659</u>
 <b>Total Liabilities And Net Assets</b>	 <u>\$ 5,343,301</u>	 <u>\$ 7,516,025</u>

The accompanying notes are an integral part of these financial statements.

## SOLANO COMMUNITY FOUNDATION

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007 (Summarized Totals for 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Totals</u>	<u>2007 Totals</u>
<b>Revenue And Support</b>					
Contribution revenue	\$ 566,858	\$ 0	\$ 43,040	\$ 609,898	3,230,967
Interest and dividend income	163,091	4,673		167,764	202,507
Net realized and unrealized investment gains and losses	(1,251,377)	(52,494)		(1,303,871)	63,557
In-kind contributed services	29,800			29,800	28,000
Administrative fees	16,800			16,800	13,165
Net assets released from restrictions	89,467	(89,467)			
<b>Total Revenue And Support</b>	<u>(385,361)</u>	<u>(137,288)</u>	<u>43,040</u>	<u>(479,609)</u>	<u>3,538,196</u>
<b>Expenses</b>					
Grant disbursements	984,907			984,907	779,015
Other program expenses	277,700			277,700	333,170
Management and general	84,777			84,777	84,656
Fundraising	76,598			76,598	62,099
<b>Total Expenses</b>	<u>1,423,982</u>	<u></u>	<u></u>	<u>1,423,982</u>	<u>1,258,940</u>
<b>Change In Net Assets</b>	<u>(1,809,343)</u>	<u>(137,288)</u>	<u>43,040</u>	<u>(1,903,591)</u>	<u>2,279,256</u>
Net assets, beginning of the year as previously stated	3,554,467	173,753	2,746,439	6,474,659	2,767,791
Prior period adjustment					1,431,501
Net Assets, beginning of the year, restated	<u>3,554,467</u>	<u>173,753</u>	<u>2,746,439</u>	<u>6,474,659</u>	<u>4,199,292</u>
<b>Net Assets, End Of The Year</b>	<u>\$ 1,745,124</u>	<u>\$ 36,465</u>	<u>\$ 2,789,479</u>	<u>\$ 4,571,068</u>	<u>\$ 6,478,548</u>

The accompanying notes are an integral part of these financial statements.

## SOLANO COMMUNITY FOUNDATION

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007 (Summarized Totals for 2007)

	2008	2007
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ (1,903,591)	\$ 2,275,367
Adjustments To Reconcile Change in Net Assets To Net Cash Provided By Operating Activities		
Depreciation expense	13,375	14,790
Donated securities	(74,942)	(2,352,124)
Net realized and unrealized investment income	1,303,871	(63,557)
Decrease in		
Grants receivable	23,750	131,250
Prepaid expenses	3,595	4,433
Increase (Decrease) in		
Accrued expenses	2,968	7,122
Grant payable	33,250	(66,250)
Deferred revenue		(65,000)
Funds held as agent	(305,351)	1,010,156
<b>Net Cash Provided (Used In) By Operating Activities</b>	<b>(903,075)</b>	<b>896,187</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(189,695)	(3,088,816)
Proceeds from sales of investments	1,084,877	1,833,528
Purchase of property and equipment	(1,589)	(16,616)
<b>Net Cash (Provided By) Used In Investing Activities</b>	<b>893,593</b>	<b>(1,271,904)</b>
<b>Net Decrease In Cash And Cash Equivalents</b>	<b>(9,482)</b>	<b>(375,717)</b>
Cash And Cash Equivalents, Beginning Of The Year	148,358	524,075
<b>Cash And Cash Equivalents, End Of The Year</b>	<b>\$ 138,876</b>	<b>\$ 148,358</b>
<b>Supplemental Disclosures Of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 0	\$ 0
Cash paid during the year for income taxes	\$ 0	\$ 0

The accompanying notes are an integral part of these financial statements.

# SOLANO COMMUNITY FOUNDATION

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## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### Purpose

The Solano Community Foundation (“Foundation”) is a nonprofit corporation organized in 1994 under the laws of the State of California. The Foundation is a community charitable foundation dedicated to encouraging philanthropy in the Solano County area to the benefit of charitable organizations, to improving the quality and scope of charitable efforts and to facilitating collaboration among donors and various local nonprofit organizations.

#### Basis of Accounting

The Foundation prepares its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

GAAP requires that the Foundation present information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. When a donor-imposed restriction expires, that is, when the time restriction ends or the purpose restriction is accomplished, then temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Any restricted revenues whose restrictions are met in the same reporting period are shown as unrestricted support.

GAAP also provides that if the governing body of an organization has the unilateral power to redirect the use of a donor’s contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Foundation’s agreements with donors include a variance power provision giving the Board of Directors of the Foundation this ability. The Board of Directors may only exercise variance power and modify the restrictions or conditions on a distribution from a component fund if the restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs designated. Accordingly, the Foundation’s financial statements classify the majority of funds as unrestricted net assets.

# SOLANO COMMUNITY FOUNDATION

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## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies - continued

#### Use of Estimates

The preparation of financial statements in conformity with GAAP 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 be different from those estimates.

#### Cash and Cash Equivalents and Change in Accounting Policy

During the year ended December 31, 2007, the Foundation revised its accounting policy with respect to the definition of cash and cash equivalents. As of December 31, 2008, cash and cash equivalents includes all cash balances and highly liquid investments with original maturities of three months or less at acquisition which are not managed as part of long-term investment strategies and are not legally restricted.

As of December 31, 2006, the cash and cash equivalents balance of \$1,528,151 included highly liquid investments with original maturities of three months or less at acquisition which were managed as part of long-term investment strategies. The Statement of Cash Flows 2006 beginning of year cash balance of \$524,075 includes an adjustment of \$1,004,076 accordingly to reflect the change in accounting policy.

Cash and equivalents are held in major financial institutions. Balances in such accounts may exceed federally insured limits at times. The Foundation has not experienced any losses in such accounts and management believes that the Foundation is not exposed to any significant credit risk.

#### Grants Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional.

# SOLANO COMMUNITY FOUNDATION

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## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies - continued

#### Investments

In accordance with GAAP, investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as an increase in unrestricted net assets if the restrictions are met (either by passage of time or by purpose) in the reporting period in which the income and gains are recognized.

#### Furniture and Equipment

Property and equipment are stated at cost. All assets with a cost of \$500 or more are capitalized. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to seven years. Depreciation expense for the years ended December 31, 2008 was \$13,375.

#### Grants Payable

Grants are made from available funds in accordance with the designation of donors. Grants are recorded at the date of approval by the Board or when a donor advised grant award is communicated to the grantee. All grants payable are expected to be disbursed during 2009.

#### Funds Held as Agent

The Foundation receives and distributes assets under certain agency and intermediary arrangements. The Foundation refers to such funds as Funds Held as Agent. SFAS No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others, establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. SFAS No. 136 specifically requires that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. This liability has been recorded at fair market value of the assets included under Funds Held as Agent. The related net amounts received or distributed, including investment income or losses and expenses are included in the accompanying statement of activities.

# SOLANO COMMUNITY FOUNDATION

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## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies - continued

#### Comparative Information

The financial statements include certain summarized comparative information from the prior year. This information is presented in total and not by net asset class and does not include sufficient detail to be in conformity with generally accepted accounting principles. Such information should be read together with the Organization's financial statements for the year ended December 31, 2007 from which the summarized information was extracted.

#### Income Taxes

The Foundation was accepted as a tax-exempt Foundation under Section 501(c) (3) of the Internal Revenue Code and corresponding provisions of California law, and accordingly is not subject to federal or state income taxes.

#### Operating Expenses

The costs of providing the various programs and other activities have been allocated between grants, direct charitable, and program and administrative expenses in the accompanying statement of activities based on management's estimates. Grants and direct charitable expenses are charitable costs expended for the benefit of others. Program and administrative expense relate to activities which support the grant-making process as well as administrative operating costs.

### 2. Investments

Investments consist of equity and debt securities that are held by a major brokerage company and are stated at current market value in accordance with GAAP. The cost and fair market value of investments as of December 31, 2008 and 2007 are as follows:

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money market	\$ 1,080,855	\$ 1,080,855	\$ 1,518,128	\$ 1,518,128
Equity securities	3,989,231	2,568,754	3,505,053	3,722,186
Debt securities	<u>1,518,809</u>	<u>1,536,258</u>	<u>2,043,589</u>	<u>2,069,664</u>
	<u>\$ 6,588,895</u>	<u>\$ 5,185,867</u>	<u>\$ 7,066,770</u>	<u>\$ 7,309,978</u>

# SOLANO COMMUNITY FOUNDATION

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## NOTES TO FINANCIAL STATEMENTS

### 3. Furniture and Equipment

Net furniture and equipment as of December 31, 2008 and 2007 consists of the following:

Furniture	\$ 7,434	\$ 8,259
Equipment	14,980	14,186
Software	<u>38,204</u>	<u>38,204</u>
	60,618	60,649
Less accumulated depreciation and amortization	<u>(42,060)</u>	<u>(30,305)</u>
	<u>\$ 18,558</u>	<u>\$ 30,344</u>

### 4. Funds Held as Agent

During the year ended December 31, 2007, the Foundation received one asset transfer in the amount of \$1,000,000 from a nonprofit organization that named itself as the beneficiary. Consistent with GAAP, the balance of \$704,805 as of December 31, 2008 is reported as a liability under Funds Held as Agent; this balance includes investment gains and losses net of administrative fees.

### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$36,465 as of December 31, 2008 are restricted for the purpose of qualifying donor-advised grants. The Foundation does not have variance power for these funds.

### 6. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. The balance of \$2,789,479 as of December 31, 2008, represents contributions of cash and other assets in 15 funds restricted by donors. Net earnings from these funds are available for unrestricted purposes including donor-advised grants.

### 7. Investment Income

Investment income includes the following:

Interest and dividends	\$ 167,764
Realized gains	11,089
Unrealized losses	<u>(1,314,960)</u>
	<u>\$ (1,136,107)</u>

# SOLANO COMMUNITY FOUNDATION

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## NOTES TO FINANCIAL STATEMENTS

### 8. Lease Commitment

The Organization entered into a lease agreement for office space beginning February 1, 2006. The lease term is five years, and the rent will be adjusted annually based on the Consumers Price Index. As of December 31, 2008, the monthly lease payment was \$3,523 per month and total rent expense for the 2008 was \$49,464. Future minimum lease payments as of December 31, 2008 are as follows:

2009	42,276
2010	42,276
2011	<u>3,523</u>
	<u>\$ 88,075</u>

### 9. Concentrations

The majority of the Foundation's contributions are derived from local individuals, families, and organizations. A total of \$2,679,573 or 76% of total revenue was received from three donors during the year ended December 31, 2007. One contribution in the amount of \$2,314,786, was received from a donor organization during 2007 whose trustees also included a board member of the Foundation.

### 10. In-Kind Contributed Services

The Foundation received financial advisory services at no cost from one board member. The value of these services has been estimated by management at \$28,000 for each of the years ended December 31, 2008 and 2007, and has been recorded as in-kind contribution revenue and investment fee expense accordingly.

# SOLANO COMMUNITY FOUNDATION

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## NOTES TO FINANCIAL STATEMENTS

### 11. Prior Period Adjustments

During the year ended December 31, 2007, the Foundation discovered and corrected three errors in prior year financial statements. First, unrestricted net assets from United Way in the amount of \$1,431,501 were misclassified as Funds Held as Agent at December 31, 2006. Second, unrestricted net assets in the amount of \$1,571,717 were reported as temporarily restricted net assets. Third, a total of \$194,537 in historical net earnings on permanently restricted net assets was reported as permanently restricted net assets instead of as unrestricted net assets.

The correction of these errors had no effect on prior period net income. The following financial statement line items on and for the year ended December 31, 2006 were affected by these error corrections as follows:

	As Previously <u>Stated</u>	<u>As Restated</u>	Effect of <u>Correction</u>
Statement of Financial Position at December 31, 2006:			
Funds held as agent	\$ 1,431,501	\$ 0	\$ (1,431,501)
Unrestricted net assets	\$ 349,588	\$ 3,547,343	\$ 3,197,755
Temporarily restricted net assets	1,571,717	0	(1,571,717)
Permanently restricted net assets	<u>846,486</u>	<u>651,949</u>	<u>(194,537)</u>
Total net assets	<u>\$ 2,767,791</u>	<u>\$ 4,199,292</u>	<u>\$ 1,431,501</u>

### 12. Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation. These adjustments had no effect on the change in net assets reported for the year ended December 31, 2007.

**SUPPLEMENTARY INFORMATION**

## SOLANO COMMUNITY FOUNDATION

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### SCHEDULE OF OPERATING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 145,921	\$ 46,324	\$ 39,375	\$ 231,620
Accounting fees	12,256	3,891	3,307	19,454
Rent	31,162	9,893	8,409	49,464
Investment management fees	19,440	5,600	4,760	29,800
Conferences and meetings	879	279	237	1,395
Advertising and promotion	3,969	1,511	2,077	7,557
Supplies and other	11,590	2,475	2,805	16,870
Payroll taxes	12,140	3,854	3,276	19,270
Depreciation	8,630	2,252	2,493	13,375
Consulting	8,500			8,500
Professional fees	10,887	4,785	6,532	22,204
Printing and copying	1,432	455	387	2,274
Insurance	5,723	1,817	1,544	9,084
Membership and dues	1,206	383	325	1,914
Travel	2,909	923	785	4,617
Telephone and internet	1,056	335	286	1,677
Total	<u>\$ 277,700</u>	<u>\$ 84,777</u>	<u>\$ 76,598</u>	<u>\$ 439,075</u>

## SOLANO COMMUNITY FOUNDATION

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### SCHEDULE OF OPERATING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 148,933	\$ 38,852	\$ 28,060	\$ 215,845
Accounting fees	31,974	8,294	5,809	46,077
Rent	31,394	8,190	5,914	45,498
Investment management fees	19,320	5,040	3,640	28,000
Conferences and meetings	17,285	4,509	3,256	25,050
Advertising and promotion	15,352	4,005	2,892	22,249
Supplies and other	12,839	3,396	2,634	18,869
Payroll taxes	10,930	2,851	2,060	15,841
Depreciation	9,543	2,490	2,757	14,790
Consulting	8,656			12,545
Professional fees	8,633	2,252	1,627	12,512
Printing and copying	5,054	1,319	952	7,325
Insurance	4,458	1,163	840	6,461
Membership and dues	4,052	1,057	764	5,873
Travel	3,360	876	633	4,869
Telephone and internet	1,387	362	261	2,010
Total	<u>\$ 333,170</u>	<u>\$ 84,656</u>	<u>\$ 62,099</u>	<u>\$ 483,814</u>