

The Twenty-First Century Foundation

Financial Statements
Year Ended December 31, 2007

The Twenty-First Century Foundation

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The Twenty-First Century Foundation

Contents

Independent auditors' report	3
Financial statements:	
Statement of financial position	4
Statement of activities	5
Statement of functional expenses	6
Statement of cash flows	7
Notes to financial statements	8-13



Independent Auditors' Report

Board of Directors of
The Twenty-First Century Foundation
New York, New York

We have audited the accompanying statement of financial position of The Twenty-First Century Foundation (the "Foundation") as of December 31, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 The Twenty-First Century 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.

Information for the year ended December 31, 2006 is presented for comparative purposes only and was extracted from the financial statements of The Twenty-First Century Foundation for that year, on which we expressed an unqualified opinion, dated December 5, 2007.

BDO Seidman, LLP

May 5, 2008

The Twenty-First Century Foundation

Statement of Financial Position (with comparative totals for 2006)

<i>December 31,</i>	2007	2006
Assets		
Cash and cash equivalents (Note 2)	\$1,378,482	\$2,174,462
Investments at fair value (Notes 2 and 3)	1,369,997	1,127,291
Contributions receivable	734,764	347,948
Prepaid expenses	54,039	956
Fixed assets (Notes 2 and 4)	195,427	-
	\$3,732,709	\$3,650,657
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 241,674	\$ 252,967
Grants payable	733,700	436,000
Deferred revenue	-	759,854
Total liabilities	975,374	1,448,821
Commitments (Note 5)		
Net assets (Notes 2, 6, 7, 8 and 9):		
Unrestricted	2,135,938	1,404,884
Temporarily restricted	413,923	665,900
Permanently restricted	207,474	131,052
Total net assets	2,757,335	2,201,836
	\$3,732,709	\$3,650,657

See accompanying notes to financial statements.

The Twenty-First Century Foundation

Statement of Activities (with comparative totals for 2006)

Year ended December 31,

	Unrestricted	Temporarily restricted	Permanently restricted	Total	
				2007	2006
Revenue, gains and support:					
Contributions:					
Foundations	\$ 916,300	\$ 2,495,283	\$ 50,000	\$3,461,583	\$2,507,091
Corporations	128,294	373,790	-	502,084	444,044
Government	-	205,000	-	205,000	-
Individuals	29,236	714,316	29,693	773,245	595,966
Investment returns:					
Dividend income	42,056	-	-	42,056	12,324
Net realized and unrealized gains (losses) on investments	(7,241)	-	-	(7,241)	24,356
Interest income	31,330	-	-	31,330	21,124
Other income	54,687	-	-	54,687	162,245
Net assets released from restrictions (Note 7)	4,043,637	(4,040,366)	(3,271)	-	-
Total revenue, gains and support	5,238,299	(251,977)	76,422	5,062,744	3,767,150
Expenses:					
Program services:					
Black Men & Boys	982,623	-	-	982,623	700,942
Hurricane Katrina Relief	2,166,984	-	-	2,166,984	1,469,563
Other programs	1,003,788	-	-	1,003,788	599,785
Total program services	4,153,395	-	-	4,153,395	2,770,290
Supporting services:					
Fundraising	122,248	-	-	122,248	152,087
Management and general	231,602	-	-	231,602	208,149
Total supporting services	353,850	-	-	353,850	360,236
Total expenses	4,507,245	-	-	4,507,245	3,130,526
Change in net assets	731,054	(251,977)	76,422	555,499	636,624
Net assets, beginning of year	1,404,884	665,900	131,052	2,201,836	1,565,212
Net assets, end of year	\$2,135,938	\$ 413,923	\$207,474	\$2,757,335	\$2,201,836

See accompanying notes to financial statements.

The Twenty-First Century Foundation

Statement of Functional Expenses (with comparative totals for 2006)

Year ended December 31,

	Program services			Total program services	Supporting services			Total	
	Black Men & Boys	Hurricane Katrina Relief	Other programs		Fundraising	Management and general	Total supporting services	2007	2006
Grants awarded	\$171,500	\$1,545,365	\$ 527,230	\$2,244,095	\$ -	\$ 4,750	\$ 4,750	\$2,248,845	\$1,495,045
Salaries, benefits and taxes	303,907	250,122	78,599	632,628	66,379	93,494	159,873	792,501	550,972
Consultants: program development and research	75,813	56,237	66,354	198,404	5,731	8,072	13,803	212,207	254,267
Consultants: IT and admin. support	164,049	100,778	152,385	417,212	20,491	28,862	49,353	466,565	35,198
Other professional fees	60,792	46,737	20,236	127,765	12,404	17,470	29,874	157,639	165,059
Printing, production and publicity	66,610	6,801	630	74,041	534	752	1,286	75,327	169,101
Fees to fiscal agents	-	-	-	-	-	54,669	54,669	54,669	137,271
Travel	43,944	56,438	77,996	178,378	-	-	-	178,378	107,745
Meeting expenses	10,260	16,007	13,429	39,696	-	-	-	39,696	67,637
Bank fees and office expenses	-	-	-	-	-	-	-	-	27,630
Equipment rental and maintenance	18,661	9,365	2,943	30,969	2,485	3,501	5,986	36,955	26,346
Occupancy	41,104	33,829	15,484	90,417	8,978	12,645	21,623	112,040	26,298
Telephone	9,117	7,123	5,177	21,417	1,877	2,643	4,520	25,937	18,362
Postage	2,702	2,224	700	5,626	590	831	1,421	7,047	10,784
Insurance	450	1,748	3,205	5,403	382	537	919	6,322	3,952
Other expenses	13,714	34,210	39,420	87,344	2,397	3,376	5,773	93,117	34,859
Total expenses	\$982,623	\$2,166,984	\$1,003,788	\$4,153,395	\$122,248	\$231,602	\$353,850	\$4,507,245	\$3,130,526

See accompanying notes to financial statements.

The Twenty-First Century Foundation

Statement of Cash Flows (with comparative totals for 2006)

<i>Year ended December 31,</i>	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ 555,499	\$ 636,624
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,583	-
Net realized and unrealized gains on investments	7,241	(24,356)
Donated stock	(140,516)	(26,589)
Increase in:		
Contributions receivable	(386,816)	(274,749)
Prepaid expenses	(53,083)	(956)
Increase (decrease) in:		
Accounts payable and other liabilities	(11,293)	224,441
Grants payable	297,700	168,940
Deferred revenue	(759,854)	759,854
Net cash provided by (used in) operating activities	(475,539)	1,463,209
Cash flows from investing activities:		
Proceeds from sale of investments	310,653	217,632
Purchase of investments	(420,084)	(232,939)
Purchases of fixed assets	(211,010)	-
Net cash used in investing activities	(320,441)	(15,307)
Net increase (decrease) in cash and cash equivalents	(795,980)	1,447,902
Cash and cash equivalents, beginning of year	2,174,462	726,560
Cash and cash equivalents, end of year	\$1,378,482	\$2,174,462

See accompanying notes to financial statements.

The Twenty-First Century Foundation

Notes to Financial Statements

- 1. Description of Organization**

The Twenty-First Century Foundation (the “Foundation”) is a nonprofit organization incorporated in the State of Delaware on April 1, 1970, domiciled in the State of New York. The Foundation is a national foundation and public charity that makes grants to advance African-American community revitalization and youth development.

- 2. Summary of Significant Accounting Policies**

 - (a) Basis of Presentation*

The financial statements of the Foundation are prepared on the accrual basis.

 - (b) Financial Statement Presentation*

The classification of an organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments should be reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.

The classes of net assets are defined as follows:

 - Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

The Twenty-First Century Foundation

Notes to Financial Statements

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) *Cash and Cash Equivalents*

The Foundation considers all cash and money market accounts and certificates of deposit purchased with a maturity of three months or less to be cash equivalents.

(d) *Investments*

Investments primarily consist of index mutual funds and government securities.

Investments in marketable debt and equity securities are adjusted to their fair market value at the statement of financial position date, resulting in either an unrealized gain or loss.

(e) *Fixed Assets*

Fixed assets are stated at cost or, if donated, at fair market value as of the date of the gift. The cost of fixed assets is depreciated over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of the assets are as follows:

	Years
Leasehold improvements	10
Furniture and fixtures	5

The Twenty-First Century Foundation

Notes to Financial Statements

(f) *Contributions*

Contributions are recorded as revenue when either unsolicited cash is received or when donors make an unconditional promise to give. Promises to give are recorded as revenue when signed pledges are made.

Contributions are classified as either unrestricted, temporarily restricted, or permanently restricted support. Contributions of investments, property and equipment, and works of art are recorded at the fair market value at the time of contribution.

(g) *Expenses*

Operating costs are recorded as expenses when incurred. Grants and related costs are treated as expenses when approved by the Board of Directors.

(h) *Income Taxes*

The Foundation is a charitable organization that is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Code, and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2007.

(i) *Use of Estimates*

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Twenty-First Century Foundation

Notes to Financial Statements

(j) *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. Investments, at Fair Value

Investments, at fair value consist of marketable securities as of December 31, 2007 that are diversified into the following categories.

December 31, 2007

	Cost	Fair value
Calvert Fund:		
Money market social investment fund	\$ 67,109	\$ 67,109
T.D. Waterhouse:		
Money funds	423,804	423,804
Stocks	7,097	6,984
Mutual funds	661,800	733,959
Fixed income	129,000	138,141
Total	\$1,288,810	\$1,369,997

Net unrealized and realized losses of marketable securities valuation were \$(7,241) for the year ended December 31, 2007.

The investments are managed by professional investment advisors and managers.

The Twenty-First Century Foundation

Notes to Financial Statements

4. **Fixed Assets** Fixed assets consisted of the following at December 31, 2007:

Furniture and fixtures	\$ 16,535
Leasehold improvements	194,475
	211,010
Less: Accumulated depreciation	(15,583)
	<u>\$195,427</u>

5. **Lease Commitments**

The Foundation entered into a new agreement for rental of office space at 132 West 112th Street, New York, New York under a lease commencing February 1, 2007 and expiring January 31, 2017. In addition, the Foundation has lease commitments for various pieces of equipment. The equipment lease expires in October 2010. Rent and equipment expense, related to the above leases, for the year ended December 31, 2007 was \$94,963.

December 31,

2008	\$ 130,730
2009	134,360
2010	137,895
2011	139,869
2012	144,065
Thereafter	840,899
Total	<u>\$1,527,818</u>

6. **Concentration of Credit Risk**

The financial instruments that potentially subject the Foundation's concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions which, from time to time, exceed the Federal Depository Insurance Coverage ("FDIC") limit. Cash exceeding Federally issued limits totaled \$100,000 as of December 31, 2007.

The Twenty-First Century Foundation

Notes to Financial Statements

7. Net Assets Released from Restrictions

Temporarily and permanently restricted net assets that were released from donor-imposed restrictions are as follows.

	Temporarily restricted	Permanently restricted
Donor-advised funds	\$ 373,861	\$3,271
Fiscal sponsorships	514,492	-
Giving circles	1,418	-
Special initiative	3,150,595	-
	<u>\$4,040,366</u>	<u>\$3,271</u>

8. Temporarily Restricted Net Assets

At December 31, 2007, temporarily restricted net assets consist of the following:

Donor-advised funds	\$225,801
Fiscal sponsorships	134,559
Giving circles	29,142
Special initiatives	24,421
	<u>\$413,923</u>

9. Permanently Restricted Net Assets

Donor restricted contributions held in perpetuity, the income from which is expendable, are as follows:

Robert E. Browne Family Fund	\$ 63,272
Wall Street Friends Family Fund	94,221
Progress Investment Management Charitable Contribution Fund	49,981
	<u>\$207,474</u>