

Twenty-First Century Foundation

Financial Statements
Year Ended December 31, 2008



Twenty-First Century Foundation

Financial Statements
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Twenty-First Century Foundation

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Twenty-First Century Foundation (the "Foundation") 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 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 Twenty-First Century Foundation as of December 31, 2008, 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, 2007 is presented for comparative purposes only and was extracted from the financial statements of Twenty-First Century Foundation for that year, on which we expressed an unqualified opinion, dated May 5, 2008.

BDO Seidman, LLP

April 15, 2009

Twenty-First Century Foundation

Statement of Financial Position (with comparative totals for 2007)

| <i>December 31,</i> | 2008 | 2007 |
|---|--------------------|--------------------|
| Assets | | |
| Cash and cash equivalents (Note 2) | \$1,331,370 | 1,869,396 |
| Investments at fair value (Notes 2 and 3) | 1,204,262 | 879,083 |
| Grants receivable | 2,499,689 | 734,764 |
| Prepaid expenses | 135,569 | 54,039 |
| Fixed assets (Notes 2 and 4) | 256,096 | 195,427 |
| | \$5,426,986 | 3,732,709 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 186,915 | \$ 241,674 |
| Grants payable | 730,750 | 733,700 |
| Total liabilities | 917,665 | 975,374 |
| Commitments (Note 5) | | |
| Net assets (Notes 2, 6, 7, 8 and 9): | | |
| Unrestricted | 2,830,648 | 2,135,938 |
| Temporarily restricted | 1,481,235 | 413,923 |
| Permanently restricted | 197,438 | 207,474 |
| Total net assets | 4,509,321 | 2,757,335 |
| | \$5,426,986 | \$3,732,709 |

See accompanying notes to financial statements.

Twenty-First Century Foundation

Statement of Activities (with comparative totals for 2007)

Year ended December 31,

| | Unrestricted | Temporarily restricted | Permanently restricted | Total | |
|---|--------------------|---------------------------|---------------------------|--------------------|--------------------|
| | | | | 2008 | 2007 |
| Revenue, gains and support: | | | | | |
| Contributions: | | | | | |
| Foundations | \$1,244,850 | \$ 5,074,508 | \$ - | \$6,319,358 | \$3,461,583 |
| Corporations | 1,209 | 15,850 | - | 17,059 | 502,084 |
| Government | - | 40,000 | - | 40,000 | 205,000 |
| Individuals | 247,794 | 552,238 | 2,700 | 802,732 | 773,245 |
| Investment returns: | | | | | |
| Dividend income | 36,547 | - | - | 36,547 | 42,056 |
| Net realized and unrealized losses on investments | (263,181) | (49) | - | (263,230) | (7,241) |
| Interest income | 22,878 | - | - | 22,878 | 31,330 |
| Other income | 19,047 | 50 | - | 19,097 | 54,687 |
| Net assets released from restrictions (Note 7) | 4,628,021 | (4,615,285) | (12,736) | - | - |
| Total revenue, gains and support | 5,937,165 | 1,067,312 | (10,036) | 6,994,441 | 5,062,744 |
| Expenses: | | | | | |
| Program services: | | | | | |
| Black Men & Boys | 2,279,625 | - | - | 2,279,625 | 982,623 |
| Gulf Organizing Advocacy Leadership | 1,947,827 | - | - | 1,947,827 | 2,166,984 |
| Other programs | 460,958 | - | - | 460,958 | 1,003,788 |
| Total program services | 4,688,410 | - | - | 4,688,410 | 4,153,395 |
| Supporting services: | | | | | |
| Fundraising | 214,204 | - | - | 214,204 | 122,248 |
| Management and general | 339,841 | - | - | 339,841 | 231,602 |
| Total supporting services | 554,045 | - | - | 554,045 | 353,850 |
| Total expenses | 5,242,455 | - | - | 5,242,455 | 4,507,245 |
| Change in net assets | 694,710 | 1,067,312 | (10,036) | 1,751,986 | 555,499 |
| Net assets, beginning of year | 2,135,938 | 413,923 | 207,474 | 2,757,335 | 2,201,836 |
| Net assets, end of year | \$2,830,648 | \$ 1,481,235 | \$197,438 | \$4,509,321 | \$2,757,335 |

See accompanying notes to financial statements.

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Statement of Functional Expenses (with comparative totals for 2007)

Year ended December 31,

| | Program services | | | | Supporting services | | | Total | |
|---|--------------------|-------------------------------------|------------------|------------------------|---------------------|------------------------|---------------------------|--------------------|-------------|
| | Black Men & Boys | Gulf Organizing Advocacy Leadership | Other programs | Total program services | Fundraising | Management and general | Total supporting services | 2008 | 2007 |
| Grants awarded | \$ 508,998 | \$1,094,470 | \$200,810 | \$1,804,278 | \$ - | \$ - | \$ - | \$1,804,278 | \$2,248,845 |
| Salaries, benefits and taxes | 439,763 | 440,450 | - | 880,213 | 101,736 | 276,297 | 378,033 | 1,258,246 | 792,501 |
| Consultants: program development and research | 376,326 | 92,295 | 73,220 | 541,841 | 89,472 | 164,602 | 254,074 | 795,915 | 442,473 |
| Consultants: IT and admin. support | 1,310 | 342 | 616 | 2,268 | 11,600 | 17,104 | 28,704 | 30,972 | 68,398 |
| Other professional fees | 21,995 | - | 750 | 22,745 | - | 133,757 | 133,757 | 156,502 | 366,384 |
| Printing, production and publicity | 2,811 | 3,846 | 230 | 6,887 | 190 | 10,707 | 10,897 | 17,784 | 25,320 |
| Fees to fiscal agents | - | - | - | - | - | 12,453 | 12,453 | 12,453 | 54,669 |
| Travel | 58,405 | 58,544 | 1,505 | 118,454 | 4,233 | 15,703 | 19,936 | 138,390 | 156,053 |
| Meeting expenses | 13,164 | 959 | - | 14,123 | - | 180 | 180 | 14,303 | 45,719 |
| Bank fees and office expenses | - | - | - | - | - | - | - | - | - |
| Equipment rental and maintenance | 580 | - | - | 580 | - | 26,518 | 26,518 | 27,098 | 20,799 |
| Occupancy | - | - | 2,837 | 2,837 | - | 141,789 | 141,789 | 144,626 | 100,487 |
| Telephone | 1,357 | - | 4,263 | 5,620 | 212 | 20,031 | 20,243 | 25,863 | 25,937 |
| Postage | 3,449 | 1,773 | 2,163 | 7,385 | 822 | 7,526 | 8,348 | 15,733 | 7,833 |
| Insurance | - | - | - | - | - | 8,083 | 8,083 | 8,083 | 6,322 |
| Post production : documentary | 592,995 | - | - | 592,995 | - | - | - | 592,995 | 63,915 |
| Other expenses | 258,472 | 255,148 | 174,564 | 688,184 | 5,939 | (494,909) | (488,970) | 199,214 | 81,590 |
| Total expenses | \$2,279,625 | \$1,947,827 | \$460,958 | \$4,688,410 | \$214,204 | \$ 339,841 | \$ 554,045 | \$5,242,455 | \$4,507,245 |

See accompanying notes to financial statements.

Twenty-First Century Foundation

Statement of Cash Flows (with comparative totals for 2007)

| <i>Year ended December 31,</i> | 2008 | 2007 |
|---|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,751,986 | \$ 555,499 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 26,758 | 15,583 |
| Net realized and unrealized (gains) losses on investments | 263,230 | 7,241 |
| Donated stock | (42,965) | (140,516) |
| Increase in: | | |
| Grants receivable | (1,764,925) | (386,816) |
| Prepaid expenses | (81,530) | (53,083) |
| Increase (decrease) in: | | |
| Accounts payable and other liabilities | (54,759) | (11,293) |
| Grants payable | (2,950) | 297,700 |
| Deferred revenue | - | (759,854) |
| Net cash provided by (used in) operating activities | 94,845 | (475,539) |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 97,212 | 801,567 |
| Purchase of investments | (642,656) | (420,084) |
| Purchases of fixed assets | (87,427) | (211,010) |
| Net cash provided by (used in) investing activities | (632,871) | 170,473 |
| Net decrease in cash and cash equivalents | (538,026) | (305,066) |
| Cash and cash equivalents, beginning of year | 1,869,396 | 2,174,462 |
| Cash and cash equivalents, end of year | \$ 1,331,370 | \$1,869,396 |

See accompanying notes to financial statements.

Twenty-First Century Foundation

Notes to Financial Statements

- 1. Description of Organization**

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.

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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 |
|-------------------------|-------|
| Furniture and fixtures | 5 |
| Leasehold improvements | 10 |
| Equipment and computers | 5 |

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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 2008.

(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.

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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.

(k) *Recently Adopted Accounting Pronouncements*

(i) *Fair Value Measurements*

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements”. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

(ii) *Net Asset Classification*

In August 2008, the FASB issued SFAS No. 117-1, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and Enhanced Disclosures for all Endowment Funds”. This statement is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. This statement provides guidance on classifying the net assets (equity) associated with donor restricted endowment funds held by organizations that are subject to an

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enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor restricted endowment funds. This statement is effective for all fiscal periods ending after December 15, 2008.

(1) *Reclassifications*

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation.

3. Investments, at Fair Value

Investments, at fair value consist of marketable securities as of December 31, 2008 that are diversified into the following categories.

December 31, 2008

| | Cost | Fair value |
|-------------------------|-------------|-------------|
| T.D. Ameritrade: | | |
| Stocks | \$ 6,566 | \$ 6,561 |
| Mutual funds | 690,301 | 500,381 |
| Fixed income | 83,000 | 97,320 |
| Certificates of deposit | 600,000 | 600,000 |
| Total | \$1,379,867 | \$1,204,262 |

Net unrealized and realized losses of marketable securities valuation were \$263,230 for the year ended December 31, 2008.

The investments are managed by professional investment advisors and managers.

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4. **Fixed Assets** Fixed assets consisted of the following at December 31, 2008:

| | |
|--------------------------------|-----------|
| Furniture and fixtures | \$ 16,535 |
| Leasehold improvements | 232,175 |
| Equipment and computers | 49,726 |
| | 298,436 |
| Less: Accumulated depreciation | (42,340) |
| | \$256,096 |

5. **Lease Commitments**

The Foundation entered into an 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, 2008 was \$158,618.

December 31,

| | |
|------------|-------------|
| 2009 | \$ 135,466 |
| 2010 | 139,530 |
| 2011 | 143,715 |
| 2012 | 157,194 |
| 2013 | 162,743 |
| Thereafter | 532,967 |
| Total | \$1,271,615 |

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 \$740,884 as of December 31, 2008.

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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 | \$ 146,138 | \$12,736 |
| Fiscal sponsorships | 236,309 | - |
| Giving circles | 5,386 | - |
| Special initiative | 4,227,452 | - |
| | <u>\$4,615,285</u> | <u>\$12,736</u> |

8. **Temporarily Restricted Net Assets** At December 31, 2008, temporarily restricted net assets consist of the following:

| | |
|---------------------|--------------------|
| Donor-advised funds | \$ 101,824 |
| Fiscal sponsorships | 49,685 |
| Giving circles | 27,256 |
| Special initiatives | 1,302,470 |
| | <u>\$1,481,235</u> |

9. **Endowment Fund** The Foundation maintains a donor-restricted endowment fund (the “Endowment Fund”) consisting of approximately 3 individual funds that has been established for various purposes and has been classified as permanently restricted net assets.

The Board of Directors of the Foundation has interpreted the State’s Prudent Management of Institutional Funds Act (“SPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Endowment Fund is classified as permanently restricted net assets and includes the following:

- the original value of gifts donated to the permanent endowment;

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- the original value of subsequent gifts to the permanent endowment; and
- accumulation of the permanent endowment made in accordance with the direction of applicable donor instructions.

For the year ended December 31, 2008, all assets included in the Foundation's Endowment Fund are as follows:

| <i>December 31, 2008</i> | |
|--------------------------|-----------|
| Cash | \$197,438 |
| Total | \$197,438 |

The following table provides a reconciliation of beginning and ending balances as of December 31, 2008:

| | |
|---|-----------|
| Endowment balance as of January 1, 2008 | \$207,474 |
| Unrealized loss on investments | - |
| Funding of endowment from operation | (10,036) |
| Endowment balance as of December 31, 2008 | \$197,438 |