

# **Twenty-First Century Foundation**

## **Financial Statements** Year Ended December 31, 2009

The report accompanying these financial statements was issued by BDO Seidman, LLP, a New York limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



# **Twenty-First Century Foundation**

**Financial Statements**  
Year Ended December 31, 2009

# 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, 2009, 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. Information for the year ended December 31, 2008 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 April 15, 2009.

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, 2009, 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.

*BDO Seidman, LLP*

May 13, 2010

# Twenty-First Century Foundation

## Statement of Financial Position (with comparative totals for 2008)

<i>December 31,</i>	2009	2008
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 907,114	\$1,331,370
Investments at fair value (Notes 2 and 3)	1,345,777	1,204,262
Contributions receivable	1,698,245	2,499,689
Prepaid expenses	63,657	135,569
Fixed assets (Notes 2 and 4)	264,248	256,096
	<b>\$4,279,041</b>	<b>\$5,426,986</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 207,092	\$ 186,915
Deferred rent	59,151	-
Grants payable	812,438	730,750
<b>Total liabilities</b>	<b>1,078,681</b>	<b>917,665</b>
<b>Commitments (Note 5)</b>		
<b>Net assets (Notes 2, 6, 7, 8 and 9):</b>		
Unrestricted	1,465,414	2,830,648
Temporarily restricted	1,537,508	1,481,235
Permanently restricted	197,438	197,438
<b>Total net assets</b>	<b>3,200,360</b>	<b>4,509,321</b>
	<b>\$4,279,041</b>	<b>\$5,426,986</b>

*See accompanying notes to financial statements.*

# Twenty-First Century Foundation

## Statement of Activities (with comparative totals for 2008)

Year ended December 31,

	Unrestricted	Temporarily restricted	Permanently restricted	Total	
				2009	2008
<b>Revenue, gains and support:</b>					
Contributions:					
Foundations	\$ 798,119	\$ 2,529,571	\$ -	\$ 3,327,690	\$6,319,358
Corporations	100	85,412	-	85,512	17,059
Government	-	-	-	-	40,000
Individuals	200,114	259,208	-	459,322	802,732
Investment returns:					
Dividend income	17,555	-	-	17,555	36,547
Net realized and unrealized gains (losses) on investments	136,677	(1,818)	-	134,859	(263,230)
Interest income	19,205	-	-	19,205	22,878
Other income	59,888	1,359	-	61,247	19,097
Net assets released from restrictions (Note 7)	4,165,612	(4,165,612)	-	-	-
<b>Total revenue, gains and support</b>	<b>5,397,270</b>	<b>(1,291,880)</b>	<b>-</b>	<b>4,105,390</b>	<b>6,994,441</b>
<b>Expenses:</b>					
Program services:					
Black Men & Boys	2,600,644	-	-	2,600,644	2,279,625
Gulf Organizing Advocacy Leadership	1,561,659	-	-	1,561,659	1,947,827
Other programs	458,596	-	-	458,596	460,958
<b>Total program services</b>	<b>4,620,899</b>	<b>-</b>	<b>-</b>	<b>4,620,899</b>	<b>4,688,410</b>
Supporting services:					
Fundraising	471,149	-	-	471,149	214,204
Management and general	322,303	-	-	322,303	339,841
<b>Total supporting services</b>	<b>793,452</b>	<b>-</b>	<b>-</b>	<b>793,452</b>	<b>554,045</b>
<b>Total expenses</b>	<b>5,414,351</b>	<b>-</b>	<b>-</b>	<b>5,414,351</b>	<b>5,242,455</b>
<b>Change in net assets</b>	<b>(17,081)</b>	<b>(1,291,880)</b>	<b>-</b>	<b>(1,308,961)</b>	<b>1,751,986</b>
<b>Net assets, beginning of year as restated (Note 12)</b>	<b>1,482,495</b>	<b>2,829,388</b>	<b>197,438</b>	<b>4,509,321</b>	<b>2,757,335</b>
<b>Net assets, end of year</b>	<b>\$ 1,465,414</b>	<b>\$ 1,537,508</b>	<b>\$197,438</b>	<b>\$ 3,200,360</b>	<b>\$4,509,321</b>

See accompanying notes to financial statements.

# Twenty-First Century Foundation

## Statement of Functional Expenses (with comparative totals for 2008)

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	2009	2008
Grants awarded	\$ 534,876	\$ 665,000	\$ 61,495	\$1,261,371	\$ -	\$ -	\$ -	<b>\$1,261,371</b>	\$1,804,278
Salaries, benefits and taxes	588,252	502,340	168,145	1,258,737	200,429	231,429	431,858	<b>1,690,595</b>	1,258,246
Program development and research professional fees (Note 10)	1,062,376	113,303	81,185	1,256,864	101,536	70,615	172,151	<b>1,429,015</b>	795,915
Consultants: IT and admin. support	1,147	358	210	1,715	27,594	37,859	65,453	<b>67,168</b>	30,972
Other professional fees	-	-	-	-	420	67,941	68,361	<b>68,361</b>	156,502
Printing, production and publicity	41,316	1,698	-	43,014	12,356	57,439	69,795	<b>112,809</b>	17,784
Fees to fiscal agents	-	-	23,954	23,954	-	-	-	<b>23,954</b>	12,453
Travel	62,704	57,234	695	120,633	24,402	26,610	51,012	<b>171,645</b>	138,390
Meeting expenses	29,546	12,855	-	42,401	1,628	12,966	14,594	<b>56,995</b>	14,303
Bank fees and office expenses	2,898	3,786	1,295	7,979	3,164	34,437	37,601	<b>45,580</b>	-
Equipment rental and maintenance	4,875	136	-	5,011	-	8,783	8,783	<b>13,794</b>	27,098
Occupancy	-	-	11,000	11,000	-	212,858	212,858	<b>223,858</b>	144,626
Telephone	1,516	583	2,169	4,268	1,385	28,575	29,960	<b>34,228</b>	25,863
Postage	1,668	1,155	485	3,308	6,359	6,766	13,125	<b>16,433</b>	15,733
Insurance	-	-	-	-	-	9,750	9,750	<b>9,750</b>	8,083
Post production : documentary	33,951	-	-	33,951	-	49	49	<b>34,000</b>	592,995
Other expenses	4,532	5,959	41,938	52,429	13,174	89,192	102,366	<b>154,795</b>	199,214
<b>Total expenses before allocation of management and general expenses</b>	<b>2,369,657</b>	<b>1,364,407</b>	<b>392,571</b>	<b>4,126,635</b>	<b>392,447</b>	<b>895,269</b>	<b>1,287,716</b>	<b>5,414,351</b>	<b>5,242,455</b>
<b>Allocation of management and general expenses</b>	<b>230,987</b>	<b>197,252</b>	<b>66,025</b>	<b>494,264</b>	<b>78,702</b>	<b>(572,966)</b>	<b>(494,264)</b>	<b>-</b>	<b>-</b>
<b>Total expenses</b>	<b>\$2,600,644</b>	<b>\$1,561,659</b>	<b>\$458,596</b>	<b>\$4,620,899</b>	<b>\$471,149</b>	<b>\$ 322,303</b>	<b>\$ 793,452</b>	<b>\$5,414,351</b>	<b>\$5,242,455</b>

See accompanying notes to financial statements.

# Twenty-First Century Foundation

## Statement of Cash Flows (with comparative totals for 2008)

<i>Year ended December 31,</i>	2009	2008
<b>Cash flows from operating activities:</b>		
Change in net assets	\$(1,308,961)	\$ 1,751,986
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	42,116	26,758
Net realized and unrealized (gains) losses on investments	(134,859)	263,230
Donated stock	(51,574)	(42,965)
(Increase) decrease in:		
Contributions receivable	801,444	(1,764,925)
Prepaid expenses	71,912	(81,530)
Increase (decrease) in:		
Accounts payable and other liabilities	20,177	(54,759)
Deferred rent	59,151	-
Grants payable	81,688	(2,950)
<b>Net cash provided by (used in) operating activities</b>	<b>(418,906)</b>	<b>94,845</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	94,238	97,212
Purchase of investments	(49,320)	(642,656)
Purchases of fixed assets	(50,268)	(87,427)
<b>Net cash used in investing activities</b>	<b>(5,350)</b>	<b>(632,871)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(424,256)</b>	<b>(538,026)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,331,370</b>	<b>1,869,396</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 907,114</b>	<b>\$ 1,331,370</b>

*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.

# 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) *Accounting Changes*

In June, 2009 the Financial Accounting Standards Board (“FASB”) issued FASB Accounting Standards Codification (“ASC”) effective for certain financial statements issued for interim and annual periods ending after December 15, 2009. The ASC identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (“GAAP”) in the United States. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (“ASU”).

(d) *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.

# Twenty-First Century Foundation

## Notes to Financial Statements

(e) *Investments at Fair Value*

Financial instruments are carried at fair value. ASC 820, “Fair Value Measurements” (formerly Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements”) establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Foundation would use in pricing the Foundation’s asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that can not be sourced from a broad active market in which assets or liabilities identical or similar to those of the Foundation are traded. The Foundation estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of

# Twenty-First Century Foundation

## Notes to Financial Statements

municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 – Valuation based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

Investment income is recognized when earned and consists of interest, dividends, and realized and unrealized gains and losses. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

(f) *Investment Impairment*

The Foundation’s investments primarily consist of index mutual funds and government securities. At December 31, 2009, the Foundation has deemed that all securities, which were in an unrealized loss position, were temporarily impaired. Positive evidence considered in reaching the Foundation’s conclusion that the investments in an unrealized loss position are not other-than-temporarily impaired consisted of:

- there were no specific events which caused concerns;
- the Foundation’s ability and intent to retain the investment for a sufficient amount of time to allow an anticipated recovery; and
- the Foundation also determined that the changes in market value were considered normal in relation to overall fluctuations in market conditions.

# Twenty-First Century Foundation

## Notes to Financial Statements

(g) *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

(h) *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.

(i) *Expenses*

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

(j) *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 2009.

# Twenty-First Century Foundation

## Notes to Financial Statements

In addition, the Foundation has not taken an unsubstantiated tax position that would require provision of a liability under ASC 740, "Income Taxes" (relevant portions of which were previously addressed in FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes").

(k) *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.

(l) *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.

(m) *Reclassifications*

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

# Twenty-First Century Foundation

## Notes to Financial Statements

### 3. Investments, at Fair Value

Investments, at fair value consist of marketable securities as of December 31, 2009 that are diversified into the following categories.

*December 31, 2009*

	Cost	Fair value
Mutual funds	\$ 701,159	\$ 655,419
Fixed income	72,000	79,881
Certificates of deposit	600,000	610,477
Total	\$1,373,159	\$1,345,777

Net investment income consisted of the following:

*Year ended December 31, 2009*

Interest and dividend income	\$ 36,760
Net realized loss on investments	(1,877)
Net unrealized loss on investments	136,736
	\$171,619

The Foundation's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Foundation's policies regarding this hierarchy.

A description of the valuation techniques applied to the Foundation's major categories of assets and liabilities measured at fair value are as follows:

#### *Mutual Funds*

The Foundation has investments in mutual funds. For these investments, the Foundation has ownership interest in the mutual fund but not in the individual securities held by the fund. The assets of each mutual fund consist primarily of shares of the underlying holdings. These mutual funds are invested primarily in investment-grade bonds, and large and mid-capitalization equity

# Twenty-First Century Foundation

## Notes to Financial Statements

securities. Each mutual fund net asset value (“NAV”) is the value of a single share which is actively traded on national securities exchanges. The mutual funds are valued on a daily basis at the close of business day. These funds are valued primarily on the basis of market quotation or on the basis of information furnished by a nationally recognized pricing service based on observable market data and are classified as Level 1.

### *Fixed Income Securities*

The Foundation has investments in fixed income securities. The Foundation’s custodian prices these investments using nationally recognized pricing services. The Foundation’s fixed income investments include U.S. government and agency securities and corporate bonds. Since fixed income securities other than U.S. Treasury securities generally do not trade, the pricing services prepare estimates of fair value measurements for these securities using proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. These investments are classified as Level 2.

### *Certificates of Deposit*

The Foundation’s holdings in certificates of deposit consist of FDIC insured investments that are carried at their aggregate market value, determined by quoted market prices. The investments can be liquidated daily. The valuation of the above is based on Level 1 inputs within the hierarchy used in measuring fair value.

# Twenty-First Century Foundation

## Notes to Financial Statements

The following table presents the level within the fair value hierarchy at which the Foundation's financial assets and financial liabilities are measured on a recurring basis at December 31, 2009:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets</b>				
Mutual funds	\$ 655,419	\$ 655,419	\$ -	\$-
Fixed income	79,881	-	79,881	-
Certificates of deposit	610,477	610,477	-	-
Total	\$1,345,777	\$1,265,896	\$79,881	\$-

#### 4. Fixed Assets

Fixed assets consisted of the following at December 31, 2009:

Furniture and fixtures	\$ 30,961
Leasehold improvements	248,636
Equipment and computers	69,107
	348,704
Less: Accumulated depreciation	(84,456)
	\$264,248

Depreciation expense for the year ended December 31, 2009 was \$42,116.

# Twenty-First Century Foundation

## Notes to Financial Statements

**5. Lease Commitments**

The Foundation entered into an agreement for rental of office space at 132 West 112<sup>th</sup> 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, 2009 was \$160,393.

*December 31,*

2010	\$ 139,530
2011	143,715
2012	157,194
2013	162,743
2014	167,625
Thereafter	350,920
<b>Total</b>	<b>\$1,121,727</b>

**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 \$278,448 as of December 31, 2009.

**7. Net Assets Released from Restrictions**

For the year ended December 31, 2009, temporarily restricted net assets that were released from donor-imposed restrictions are as follows.

Donor-advised funds	\$ 35,391
Fiscal sponsorships	167,105
Giving circles	24,137
Special initiative	3,938,979
	<b>\$4,165,612</b>

# Twenty-First Century Foundation

## Notes to Financial Statements

**8. Temporarily Restricted Net Assets**

At December 31, 2009, temporarily restricted net assets consist of the following:

Donor-advised funds	\$ 350,830
Fiscal sponsorships	4,359
Giving circles	21,570
Special initiatives	1,160,749
	<u>\$1,537,508</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;
- 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.

# Twenty-First Century Foundation

## Notes to Financial Statements

For the year ended December 31, 2009, all assets included in the Foundation's Endowment Fund are as follows:

*December 31, 2009*

Cash	\$197,438
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- 10. Program Development and Research Professional Fees** Program development and research professional fees relate to costs directly associated with the facilitation of outsourced data collection and reporting, meetings/community convening, technical assistance, and evaluation used to assess social trends, program design, share comparative analysis in the field of philanthropy, execute grant making, and build local capacity in Black communities in six states: Mississippi, Louisiana, Chicago, California, New York and Georgia.
- 11. Subsequent Events** The Foundation's management has performed subsequent events procedures through May 13, 2010 which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosure as stated herein.
- 12. Prior Period Adjustments** The accompanying financial statements include a restatement for 2008 to adjust for an overstatement in unrestricted net assets and a corresponding understatement of temporarily restricted net assets. This is a result of allocations of management and general expenses to restricted net assets, rather than to unrestricted net assets.

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at December 31, 2008, as previously reported	\$ 2,830,648	\$1,481,235	\$197,438	\$4,509,321
Reclassification of net assets	(1,348,153)	1,348,153	-	-
Net assets at December 31, 2008, as restated	\$ 1,482,495	\$2,829,388	\$197,438	\$4,509,321