

UNITED THROUGH READING

FINANCIAL STATEMENTS

DECEMBER 31, 2010



Leaf & Cole, LLP
Certified Public Accountants

**UNITED THROUGH READING
FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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Independent Auditor's Report

To the Board of Trustees
United Through Reading
11750 Sorrento Valley Road, Suite 100
San Diego, California 92121

We have audited the accompanying statement of financial position of United Through Reading as of December 31, 2010, and the related statements of activities, functional expenses 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 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 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 above present fairly, in all material respects, the financial position of United Through Reading as of December 31, 2010, 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.

Leaf & Cole LLP

San Diego, California
July 12, 2011

**UNITED THROUGH READING
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010**

ASSETS

Assets: (Notes 1, 2, 3, 4, and 5)

Cash and cash equivalents	\$ 541,334
Investments	247,036
Accounts receivable	9,198
Contribution receivable	2,000
Prepaid expenses	11,246
Furniture and equipment, net	30,349
Beneficial interests in endowment funds	<u>40,940</u>

TOTAL ASSETS **\$ 882,103**

LIABILITIES AND NET ASSETS

Liabilities: (Note 1)

Accounts payable and accrued expenses	\$ <u>59,556</u>
Total Liabilities	<u>59,556</u>

Commitment (Note 8)

Net Assets: (Notes 6 and 7)

Unrestricted	188,479
Temporarily restricted	594,487
Permanently restricted	<u>39,581</u>
Total Net Assets	<u><u>822,547</u></u>

TOTAL LIABILITIES AND NET ASSETS **\$ 882,103**

The accompanying notes are integral part of the financial statements.

**UNITED THROUGH READING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenue and Other Support:</u>				
Military Programs:				
Corporations	\$ 179,344	\$ 593,128	\$ -	\$ 772,472
Grant revenue	135,000	-	-	135,000
Foundations - Family source	94,500	-	-	94,500
In-kind contributions	67,825	-	-	67,825
Individuals	45,038	-	-	45,038
Foundations - Corporate source	22,085	-	-	22,085
Service clubs	17,256	-	-	17,256
Net assets released from restrictions	332,437	(332,437)	-	-
Total Military Programs	<u>893,485</u>	<u>260,691</u>	<u>-</u>	<u>1,154,176</u>
General Contributions:				
Individuals	109,442	-	-	109,442
Foundations - Family source	61,850	-	-	61,850
Corporations	34,053	-	-	34,053
Service clubs	8,545	-	-	8,545
Foundations - Corporate source	400	-	-	400
Fee for service	200	-	-	200
Total General Contributions	<u>214,490</u>	<u>-</u>	<u>-</u>	<u>214,490</u>
Grandparent Program:				
In-kind contributions	4,400	-	-	4,400
Individuals	383	-	-	383
Service clubs	50	-	-	50
Total Grandparent Program	<u>4,833</u>	<u>-</u>	<u>-</u>	<u>4,833</u>
Transitions Program:				
Fee for service	29,791	-	-	29,791
Foundations - Family source	21,000	-	-	21,000
Service clubs	2,750	-	-	2,750
Individuals	2,390	-	-	2,390
Foundations - Corporate source	2,000	-	-	2,000
Total Transitions Program	<u>57,931</u>	<u>-</u>	<u>-</u>	<u>57,931</u>
Other Revenue:				
Special event revenue	356,065	-	-	356,065
In-kind contributions	13,825	-	-	13,825
Investment income	3,260	1,359	3,149	7,768
Miscellaneous income	1,860	-	-	1,860
Total Other Revenue	<u>375,010</u>	<u>1,359</u>	<u>3,149</u>	<u>379,518</u>
Total Revenue and Other Support	<u>1,545,749</u>	<u>262,050</u>	<u>3,149</u>	<u>1,810,948</u>

(Continued)

The accompanying notes are integral part of the financial statements.

**UNITED THROUGH READING
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Expenses:</u>				
Program Services:				
Military Program	\$ 889,486	\$ -	\$ -	\$ 889,486
Transitions Program	216,714	-	-	216,714
Grandparent Program	<u>139,548</u>	<u>-</u>	<u>-</u>	<u>139,548</u>
Total Program Services	<u>1,245,748</u>	<u>-</u>	<u>-</u>	<u>1,245,748</u>
Supporting Services:				
Management and general	164,911	-	-	164,911
Fundraising	<u>117,391</u>	<u>-</u>	<u>-</u>	<u>117,391</u>
Total Supporting Services	<u>282,302</u>	<u>-</u>	<u>-</u>	<u>282,302</u>
Total Functional Expenses	1,528,050	-	-	1,528,050
Special Events	<u>130,546</u>	<u>-</u>	<u>-</u>	<u>130,546</u>
Total Expenses	<u>1,658,596</u>	<u>-</u>	<u>-</u>	<u>1,658,596</u>
Change in Net Assets	(112,847)	262,050	3,149	152,352
Net Assets at Beginning of Year	<u>301,326</u>	<u>332,437</u>	<u>36,432</u>	<u>670,195</u>
NET ASSETS AT END OF YEAR	<u>\$ 188,479</u>	<u>\$ 594,487</u>	<u>\$ 39,581</u>	<u>\$ 822,547</u>

The accompanying notes are integral part of the financial statements.

**UNITED THROUGH READING
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Services				Supporting Services			Total Functional Expenses
	Military Program	Transitions Program	Grandparent Program	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
<u>Personnel:</u>								
Staff salaries, payroll taxes and benefits	\$ 605,178	\$ 160,455	\$ 105,417	\$ 871,050	\$ 104,617	\$ 95,377	\$ 199,994	\$ 1,071,044
Total Personnel	<u>605,178</u>	<u>160,455</u>	<u>105,417</u>	<u>871,050</u>	<u>104,617</u>	<u>95,377</u>	<u>199,994</u>	<u>1,071,044</u>
<u>Occupancy:</u>								
Office rent	25,864	8,636	6,669	41,169	5,086	5,045	10,131	51,300
Repairs and maintenance	12,123	4,122	3,152	19,397	2,237	2,425	4,662	24,059
Service	3,301	1,107	853	5,261	654	658	1,312	6,573
Total Occupancy	<u>41,288</u>	<u>13,865</u>	<u>10,674</u>	<u>65,827</u>	<u>7,977</u>	<u>8,128</u>	<u>16,105</u>	<u>81,932</u>
<u>Insurance</u>	<u>3,526</u>	<u>1,199</u>	<u>917</u>	<u>5,642</u>	<u>265</u>	<u>705</u>	<u>970</u>	<u>6,612</u>
<u>Office:</u>								
Printing	11,331	3,853	2,946	18,130	2,265	2,266	4,531	22,661
Depreciation	6,799	2,312	1,768	10,879	1,360	1,360	2,720	13,599
Postage and delivery	5,197	1,767	1,351	8,315	1,035	1,039	2,074	10,389
Office supplies	4,523	1,501	1,156	7,180	883	875	1,758	8,938
Small equipment	3,067	1,043	797	4,907	613	613	1,226	6,133
Meals and entertainment	2,987	1,016	777	4,780	633	597	1,230	6,010
Transportation/mileage	2,515	853	653	4,021	502	716	1,218	5,239
Telephone	2,065	687	526	3,278	404	404	808	4,086
Dues/subscriptions	1,020	347	265	1,632	203	204	407	2,039
Bank service fees	565	191	147	903	175	113	288	1,191
Advertising	559	54	42	655	32	32	64	719
Video	348	118	90	556	70	70	140	696
Education	290	99	75	464	58	58	116	580
Business property taxes	80	27	21	128	16	16	32	160
Total Office	<u>41,346</u>	<u>13,868</u>	<u>10,614</u>	<u>65,828</u>	<u>8,249</u>	<u>8,363</u>	<u>16,612</u>	<u>82,440</u>

(Continued)

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

**UNITED THROUGH READING
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Services				Supporting Services			Total Functional Expenses
	Military Program	Transitions Program	Grandparent Program	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Professional:								
Consulting service	\$ 20,306	\$ 6,020	\$ 4,635	\$ 30,961	\$ 6,519	\$ 3,524	\$ 10,043	\$ 41,004
Accounting	6,506	2,203	1,688	10,397	19,959	1,294	21,253	31,650
Total Professional	<u>26,812</u>	<u>8,223</u>	<u>6,323</u>	<u>41,358</u>	<u>26,478</u>	<u>4,818</u>	<u>31,296</u>	<u>72,654</u>
Other:						-		
Travel/lodging	24,878	464	-	25,342	-	-	-	25,342
Professional fees	21,207	1,776	-	22,983	-	-	-	22,983
Transportation/mileage	16,948	3,383	1,944	22,275	-	-	-	22,275
Program materials	9,595	9,259	2,232	21,086	-	-	-	21,086
Printing	10,785	1,415	929	13,129	-	-	-	13,129
Meals and entertainment	8,459	1,958	85	10,502	-	-	-	10,502
Stipend/honorarium	9,034	500	-	9,534	-	-	-	9,534
Postage/delivery	2,583	15	8	2,606	-	-	-	2,606
Dues and subscriptions	1,160	129	380	1,669	-	-	-	1,669
Education	843	180	-	1,023	-	-	-	1,023
Telephone	850	-	-	850	-	-	-	850
Video production	558	-	-	558	-	-	-	558
Community education	85	-	-	85	-	-	-	85
Small equipment	26	25	25	76	-	-	-	76
Total Other	<u>107,011</u>	<u>19,104</u>	<u>5,603</u>	<u>131,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,718</u>
Total Expenses Before In-Kind	825,161	216,714	139,548	1,181,423	147,586	117,391	264,977	1,446,400
In-Kind Expenses:								
In-kind contributions	64,325	-	-	64,325	17,325	-	17,325	81,650
TOTAL FUNCTIONAL EXPENSES	<u>\$ 889,486</u>	<u>\$ 216,714</u>	<u>\$ 139,548</u>	<u>\$ 1,245,748</u>	<u>\$ 164,911</u>	<u>\$ 117,391</u>	<u>\$ 282,302</u>	<u>\$ 1,528,050</u>

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

**UNITED THROUGH READING
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Cash Flows From Operating Activities:</u>	
Change in net assets	\$ 152,352
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,599
Permanently restricted investment income	(3,149)
(Increase) Decrease in:	
Accounts receivable	7,055
Contribution receivable	(2,000)
Prepaid expenses	6,338
Increase (Decrease) in:	
Accounts payable and accrued expenses	(12,549)
Deferred revenue	(135,000)
Net Cash Provided by Operating Activities	<u>26,646</u>
<u>Cash Flows From Investing Activities:</u>	
Purchase of investments	(440,740)
Maturity of investments	438,105
Purchase of furniture and equipment	(14,279)
Increase in beneficial interests in endowment funds	(4,508)
Net Cash Used in Investing Activities	<u>(21,422)</u>
<u>Cash Flows From Financing Activities:</u>	
Permanently restricted investment income	3,149
Net Cash Provided by Financing Activities	<u>3,149</u>
Net Increase in Cash and Cash Equivalents	8,373
Cash and Cash Equivalents at Beginning of Year	<u>532,961</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 541,334</u>

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

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 1 - Organization and Significant Accounting Policies:

Organization

United Through Reading (the "Organization"), a nonprofit California Corporation, was originally incorporated July 11, 1989 as Family Literacy Foundation, organized for the purpose of enhancing family relationships and community support of children through reading aloud together. On January 30, 2007, the Organization changed its name to United Through Reading. The Organization's programs include the Military Program, Transitions Program, and Grandparents Program.

Significant Accounting Policies

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

In June 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) was issued. The Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification is effective for financials statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard did not have a material impact on the financial position and results of operations.

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The FASB has issued reporting standards for endowments of not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies and related investment policies of its endowment funds.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Fair Value Measurements

The Organization has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). These standards do not change existing guidance as to whether or not an instrument is carried at fair value.

The Organization's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in corporate stocks are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in certificates of deposit are considered Level 2 assets and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.
- Beneficial interests in endowment funds are considered Level 3 assets and are reported at fair value based the fair value of the underlying assets which approximates the future discounted cash flows.

Accounts Receivable

Management believes that all accounts receivable are fully collectible; therefore, no allowance for doubtful accounts was recorded at December 31, 2010.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Capitalization and Depreciation

Furniture and equipment are recorded at cost. Donations of furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Organization capitalizes purchases and donated items greater than \$500. Depreciation is computed on the straight-line method over the assets estimated useful lives of three to ten years. Depreciation expense totaled \$13,599 for the year ended December 31, 2010.

Compensated Absences

Accumulated unpaid vacation totaling \$24,927 at December 31, 2010, is accrued when incurred and included in accounts payable and accrued expenses.

Contributed Services and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) required specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the year ended June 30, 2010, did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

In-kind contributions used for program services with an estimated fair value of \$81,650 and donated equipment with an estimated fair value of \$4,400 for the year ended December 31, 2010, are included in in-kind contributions in the statement of activities.

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by the Organization's management.

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Income Tax Status

The Organization is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

The Organization uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 12, 2011, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of December 31, 2010:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2010
Corporate Stocks	\$ 1,039	\$ -	\$ -	\$ 1,039
Certificates of Deposit	-	245,997	-	245,997
Beneficial Interests in Endowment Funds (Note 5)	-	-	40,940	40,940
	<u>\$ 1,039</u>	<u>\$ 245,997</u>	<u>\$ 40,940</u>	<u>\$ 287,976</u>

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in the Notes as indicated above.

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 3 - Investments:

Investments are stated at fair value and consist of the following at December 31, 2010:

Certificates of Deposit	\$ 245,997
Corporate Stocks	1,039
	<u>\$ 247,036</u>

Investment return consists of the following for the year ended December 31, 2010.

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment income	\$ 3,260	\$ -	\$ -	\$ 3,260
Investment return on beneficial interests in endowment funds	-	1,359	3,149	4,508
Net Investment Income	<u>\$ 3,260</u>	<u>\$ 1,359</u>	<u>\$ 3,149</u>	<u>\$ 7,768</u>

Note 4 - Furniture and Equipment:

Furniture and equipment consist of the following at December 31, 2010:

Office furniture and equipment	\$ 129,732
Less: Accumulated depreciation	(99,383)
Furniture and Equipment, Net	<u>\$ 30,349</u>

Note 5 - Beneficial Interests in Endowment Funds:

The Organization has beneficial interests in endowment funds held by San Diego Foundation and Rancho Santa Fe Foundation. The beneficial interests in endowment funds are invested in portfolios of equity and debt securities which are structured for long-term total return. The activity of the beneficial interests in endowment funds consisted of the following for the year ended December 31, 2010:

	<u>Rancho Santa Fe Foundation</u>	<u>San Diego Foundation</u>	<u>Total</u>
Balance, Beginning of Year	\$ 16,967	\$ 19,465	\$ 36,432
Investment return	<u>2,044</u>	<u>2,464</u>	<u>4,508</u>
Balance, End of Year	<u>\$ 19,011</u>	<u>\$ 21,929</u>	<u>\$ 40,940</u>

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2010:

Military program	\$ 593,128
San Diego Foundation	1,359
	<u>\$ 594,487</u>

The following net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors during the year ended December 31, 2010:

Military program	\$ 322,836
Technology	9,601
	<u>\$ 332,437</u>

Note 7 - Endowment Net Assets:

The endowment fund investments of the Organization are held by San Diego Foundation (“SDF”) and Rancho Santa Fe Foundation (“RSFF”). SDF and RSFF manage the funds in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The investment objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in an endowment fund may fall below the level that the donors require the Organization to retain as a fund of perpetual duration. The Organization classifies permanently restricted net assets held by SDF and RSFF as:

- The original value of gifts donated to the fund.
- The original value of Organization funds transferred to the fund.
- The original value of subsequent gifts donated to the fund.
- Investment income and realized and unrealized gains and losses on investments.
- Distributions from the fund in accordance with spending policy.

SDF endowment funds are invested in a “Balanced Pool” portfolio, which are structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined asset classes. Funding available for each asset classification is invested by professional money managers hired by SDF through a competitive process. The investment performance of each money manager is monitored by an independent consultant hired by SDF.

SDF’s spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received. Given the recent market declines, many of SDF’s endowment funds distributions will be limited to income received, which is approximately 2.5% of the endowment principal.

RSFF endowment funds are invested in permanent funds with longer-term investment objectives and strategies that will accommodate relevant, reasonable or probable events. Management of the assets is designed to preserve the principal of the funds and provide a source of funds for current operations and programs. RSFF invests in mutual funds managed by the Vanguard Group as the core vehicle for the Organization’s endowment funds. RSFF further utilizes index funds where practical.

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 7 - Endowment Net Assets: (Continued)

RSFF's spending policy is to disburse 5% of the value of the fund annually, based on a historical average value of the fund. The calculation is based on the average value of the fund for twelve quarters prior to the date of the distribution.

Endowment composition by type of funds as of December 31, 2010:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Rancho Santa Fe Foundation	\$ -	\$ 19,011	\$ 19,011
San Diego Foundation	1,359	20,570	21,929
	<u>\$ 1,359</u>	<u>\$ 39,581</u>	<u>\$ 40,940</u>

Changes in endowment net assets for the year ended December 31, 2010:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 36,432	\$ 36,432
Investment return	<u>1,359</u>	<u>3,149</u>	<u>4,508</u>
Endowment Net Assets, End of Year	<u>\$ 1,359</u>	<u>\$ 39,581</u>	<u>\$ 40,940</u>

Note 8 - Commitment:

The Organization has an operating lease for office space which expires January 31, 2011. Rent expense totaled \$51,300 for the year ended December 31, 2010.

Future minimum lease payments are as follows at December 31, 2010:

<u>Year Ended December 31</u>	
2011	<u>\$ 4,275</u>

In January 2011, the Organization signed a new lease for office space beginning May 1, 2011 through April 30, 2016.