

**COMMUNITY TECHNOLOGY  
FOUNDATION OF CALIFORNIA**

*(A California Not-for-Profit Corporation)*

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED DECEMBER 31, 2007 AND 2006**

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2007 AND 2006

TABLE OF CONTENTS

	Page
Independent Auditor's Report.....	1
Statements of Financial Position .....	2
Statements of Activities.....	3
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8

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San Francisco, California

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### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of the Community Technology Foundation of California, a California not-for-profit corporation, as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Community Technology Foundation of California's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Community Technology Foundation of California'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 audits provide 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 Community Technology Foundation of California as of December 31, 2007 and 2006, 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.

June 11, 2008

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006

	2007	2006
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,644,688	\$ 1,263,462
Cash held in trust (Note 7)	273,026	420,733
Investments (Note 3)	14,328,996	13,107,240
Grants receivable (Note 4)	275,000	4,601,437
Property and equipment – net (Note 5)	66,993	240,939
Other assets (Note 2)	780,654	1,136,714
	<u>\$ 19,369,357</u>	<u>\$ 20,770,525</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 153,280	\$ 121,291
Grants payable (Note 6)	1,299,944	1,079,248
Fiscal liability (Note 7)	273,026	420,733
Total liabilities	<u>1,726,250</u>	<u>1,621,272</u>
<b>Net assets:</b>		
Unrestricted	5,527,357	3,907,238
Temporarily restricted (Note 8)	12,115,750	15,242,015
Total net assets	<u>17,643,107</u>	<u>19,149,253</u>
	<u>\$ 19,369,357</u>	<u>\$ 20,770,525</u>

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

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
 STATEMENTS OF ACTIVITIES  
 YEARS ENDED DECEMBER 31, 2007 AND 2006

	<i>2007</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:			
Contributions	\$ 1,094,676	\$ 1,877,147	\$ 2,971,823
In-kind contributions	22,500	-	22,500
Interest and investment income	1,174,982	-	1,174,982
Realized and unrealized loss from investments (Note 3)	(99,774)	-	(99,774)
Other income	970	-	970
Net assets released from restrictions (Note 8)	5,003,412	(5,003,412)	-
Total support and revenue	7,196,766	(3,126,265)	4,070,501
Expenses:			
Program services	4,775,830	-	4,775,830
Management and general	336,272	-	336,272
Fundraising	464,545	-	464,545
Total expenses	5,576,647	-	5,576,647
Change in net assets	1,620,119	(3,126,265)	(1,506,146)
Net assets, beginning of year	3,907,238	15,242,015	19,149,253
Net assets, end of year	\$ 5,527,357	\$ 12,115,750	\$ 17,643,107

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

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
 STATEMENTS OF ACTIVITIES  
 YEARS ENDED DECEMBER 31, 2007 AND 2006

	<i>2006</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:			
Contributions	\$ 1,503,272	\$ 1,429,916	\$ 2,933,188
In-kind contributions	147,375	1,109,205	1,256,580
Interest and investment income	878,380	-	878,380
Realized and unrealized gain from investments (Note 3)	157,111	-	157,111
Other income	274,099	-	274,099
Net assets released from restrictions (Note 8)	4,486,152	(4,486,152)	-
Total support and revenue	<u>7,446,389</u>	<u>(1,947,031)</u>	<u>5,499,358</u>
Expenses:			
Program services	4,243,336	-	4,243,336
Management and general	272,555	-	272,555
Fundraising	395,511	-	395,511
Total expenses	<u>4,911,402</u>	<u>-</u>	<u>4,911,402</u>
Change in net assets	2,534,987	(1,947,031)	587,956
Net assets, beginning of year	<u>1,372,251</u>	<u>17,189,046</u>	<u>18,561,297</u>
Net assets, end of year	<u>\$ 3,907,238</u>	<u>\$ 15,242,015</u>	<u>\$ 19,149,253</u>

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

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 YEARS ENDED DECEMBER 31, 2007 AND 2006

	<i>2007</i>			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Program support salaries and benefits	\$ 1,163,150	\$ -	\$ -	\$ 1,163,150
Other salaries and benefits	-	210,013	327,847	537,860
Other operating expenses	1,126,938	126,259	136,698	1,389,895
Grants awarded (Note 6)	2,485,742	-	-	2,485,742
Total expenses	\$ 4,775,830	\$ 336,272	\$ 464,545	\$ 5,576,647

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

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 YEARS ENDED DECEMBER 31, 2007 AND 2006

	<i>2006</i>			<i>Total</i>
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	
Program support salaries and benefits	\$ 1,254,133	\$ -	\$ -	\$ 1,254,133
Other salaries and benefits	-	179,771	289,818	469,589
Other operating expenses	554,256	92,784	105,693	752,733
Grants awarded (Note 6)	2,434,947	-	-	2,434,947
Total expenses	\$ 4,243,336	\$ 272,555	\$ 395,511	\$ 4,911,402

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

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ (1,506,146)	\$ 587,956
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	94,660	118,169
Loss on impairment of assets	462,468	-
Unrealized and realized (gain) loss on investments	99,774	(157,111)
Amortization of discount on grants receivable	(1,352,146)	(1,352,146)
In-kind donations made (received) – net	26,324	(1,246,345)
(Increase) decrease in assets:		
Other assets	(30,264)	11,087
Grants receivable	5,678,583	4,046,416
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	31,989	(5,153)
Grants payable	220,696	(373,819)
	3,725,938	1,629,054
Cash flows from investing activities:		
Purchase of investments – net	(1,321,530)	(503,180)
Purchase of property and equipment	(23,182)	(3,216)
	(1,344,712)	(506,396)
Increase in cash and cash equivalents	2,381,226	1,122,658
Cash and cash equivalents, beginning of year	1,263,462	140,804
Cash and cash equivalents, end of year	\$ 3,644,688	\$ 1,263,462
Supplementary information:		
Noncash investing activities:		
In-kind donations to be re-granted	\$ -	\$ 1,109,205
In-kind donations capitalized into property and equipment	\$ -	\$ 147,375

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

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2007 AND 2006

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

The Community Technology Foundation of California (the Foundation) invests in nonprofit organizations and community enterprises that leverage technology to benefit low-income, minority and other underserved communities. Since its inception in 1998, it has invested more than \$40 million in overcoming social, economic and cultural divides. Through philanthropic and corporate partnerships, it trains and helps organizations find new revenue sources to become more self-sustaining. The Foundation realizes its commitment through an integrated strategic framework of engaged grant making (see Note 6), initiatives and supporting activities. The Foundation anticipates changing its name in early 2008 to ZeroDivide in order to better align its branding with its mission.

The Foundation's ZeroDivide initiatives are:

- Leadership – cultivating community-based leaders who leverage technology for the benefit of underserved populations;
- Hip Hop – fostering a new generation of social entrepreneurs and advocates by harnessing technology and popular culture as a movement building pathway;
- Digital Story Telling Institute – supporting community based organizations' use of digital media to produce and distribute original content for and about their underserved clients and constituents.

Supporting activities help sustain the work achieved through grants and initiatives, and include:

- Policy – supporting public policy directly related to the mission of the Foundation; and
- Convenings and ZeroDivide Learning Lab – are workshops, meetings and technology demonstrations promoting peer learning among grantees, fellows, and other partners to further the development of effective programs.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting Method

The Foundation uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets.

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2007 AND 2006

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support or temporarily restricted support, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions restricted for the purchase of long-lived assets, are reported as unrestricted when expended for that purpose.

Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of a specialized nature.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally only investments with original maturities of 3 months or less qualify as cash equivalents. The Foundation occasionally maintains cash on deposit at various banks in excess of the Federal Deposit Insurance Corporation limit (\$100,000) and investment accounts in excess of the Securities Investor Protection Corporation limit (\$500,000). The uninsured cash balance was approximately \$3,585,000 as of December 31, 2007. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant cash credit risk.

Grants Receivable

The grants receivable are stated at the present value of the future cash flows the Foundation expects to collect. The related discount on grants receivable is amortized on a straight-line basis over the number of years the receivable will be collected.

Investments

Investments are stated at fair value, including accrued interest receivable on bonds.

Investment Income and Gains

Interest and dividends, and realized and unrealized gains or losses on investments are recognized when earned or incurred. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment is stated at cost of acquisition or fair value if donated. The costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

Equipment and furniture	3 to 5 years
Leasehold improvements	3 to 5 years

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2007 AND 2006

Grants Payable

Grants payable represent all unconditional grants that have been authorized prior to year-end, but remain unpaid as of the statements of financial position date. Grants are considered to be authorized after approval by the Foundation's board of directors or in the case of directive grants, by the president and chief executive officer, and chief community investment officer by authority of the board of directors. Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied. There were \$1,008,541 and \$-0- conditional grants at December 31, 2007 and 2006, respectively. The Foundation's practice is to obtain board approval of the amount requested, after which revisions may be made based on the Foundation's final review of the program and budget.

Fiscal Agent Liability

The Foundation serves as fiscal agent for Community Partnership Committee (CPC) to administer the fund for the Applied Research Initiative, also known as Think Tank (see Note 7).

In-kind Donations to be Re-Granted

In 2006, the Foundation entered into separate agreements with Microsoft Corporation and Joyent Inc. to create product and provisioned service "banks" for re-granting. The companies contributed either a fixed dollar value of eligible software products or a set number of provisioned service licenses, which the Foundation can distribute and administer as grants. The Foundation determines the value of distributions from these accounts based on the then prevailing market rate of the products or provisioned services distributed. The balance of the Microsoft and the Joyent product banks at December 31, 2007 was \$500,000 and \$179,002, respectively.

The asset value of in-kind donations is subject to impairment. The impairment loss recognized in 2007 and 2006 was \$360,000 and \$-0-, respectively. If an extension is not granted, the product bank agreement with Microsoft will expire on September 30, 2008. The remaining product bank balance, if any, at the expiration of the agreement would be written off. The Joyent product bank does not have an expiration date.

The Foundation made grants from the product banks of \$26,324 and \$9,735 in 2007 and 2006, respectively. The balance of in-kind donation assets was \$712,646 and \$1,098,970 at December 31, 2007 and 2006, respectively. This is included in Other Assets in the accompanying Statements of Financial Position.

Income Taxes

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

Functional Expense Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources.

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2007 AND 2006

**NOTE 3 – INVESTMENTS**

Investments at December 31, 2007 and 2006 are summarized as follows:

	2007		2006	
	<i>Cost</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>
Government and agency obligations	\$ 1,855,352	\$ 1,890,650	\$ 1,970,671	\$ 1,971,773
Certificate deposits	99,099	100,443	97,891	98,913
Corporate debt securities	10,877,529	10,832,203	9,467,035	9,424,694
Mutual funds	1,165,520	1,492,260	1,336,825	1,611,860
Preferred stocks	14,994	13,440	-	-
Total	<u>\$ 14,012,494</u>	<u>\$ 14,328,996</u>	<u>\$ 12,872,422</u>	<u>\$ 13,107,240</u>

It is the Foundation's policy that not one security or set of securities, issued by a single entity (other than U.S. government obligations) may exceed 5% of the total investment portfolio. Net unrealized and realized loss on investments totaled \$23,672 and \$76,102, respectively in 2007 and net unrealized and realized gain of \$72,590 and \$84,521, respectively in 2006. Included in investments are accrued interest receivable of \$147,422 and \$200,464 as of December 31, 2007 and 2006, respectively.

**NOTE 4 – GRANTS RECEIVABLE**

The Foundation, seeded by the \$50 million Community Technology Fund, was originally one of three key components of the Community Partnership Agreement (CPA) approved by the California Public Utilities Commission in April 1997. The CPA was created in conjunction with the merger of Pacific Telesis Group with SBC Communications, now known as AT&T, when nine community coalitions, representing 134 individuals and organizations, worked with Pacific Telesis Group/AT&T in drafting the CPA. Section II-29 of the CPA Organizational Charter provides that AT&T will contribute \$5,000,000 annually for ten years to the Community Technology Fund.

Accounting principles require that multi-year contributions be recorded at the date initially committed, and discounted to reflect the net present value at that date. For instance, in 1997 when the AT&T grant was received, a ten-year U.S. treasury bill yielded 6.35%. With this discount rate, the total discount to be recognized over the ten-year term was \$13,521,462. One-tenth of this amount (\$1,352,146) will be recorded as contribution income each year through 2007. Details of grants receivable consist of the following:

	2007	2006
AT&T contributions	\$ -	\$ 5,000,000
Other grants	275,000 <sup>(1)</sup>	953,584
Gross unconditional promises to give	<u>275,000</u>	<u>5,953,584</u>
Less: unamortized discount	<u>-</u>	<u>(1,352,147)</u>
Net unconditional promises to give	<u>\$ 275,000</u>	<u>\$ 4,601,437</u>
Amounts due (net of amortization of discount) in:		
Less than one year	<u>\$ 275,000</u>	<u>\$ 4,601,437</u>

To date, the Foundation's support and revenue were almost entirely received from one grantor.

<sup>(1)</sup> The Foundation is expected to receive the 2007 grants from two donors in 2008.

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2007 AND 2006

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

	2007	2006
Equipment and furniture	\$ 272,577	\$ 362,158
Leasehold improvements	10,295	275,946
	282,872	638,104
Less: accumulated depreciation	(215,879)	(397,165)
	\$ 66,993	\$ 240,939

**NOTE 6 – GRANTS AWARDED**

The Foundation awarded a total of \$2,485,742 and \$2,434,947 in grants (net of terminated grants) in 2007 and 2006, respectively, in the following program areas:

	2007	2006
Technology Literacy	\$ 2,239,715	\$ 1,628,068
Policy Advocacy	213,106	555,680
Research	14,415	151,000
ZFellows	15,000	47,762
Philanthropy Sector Support <sup>(1)</sup>	46,600	79,476
	2,528,836	2,461,986
Less: grants terminated during the year <sup>(2)</sup>	(43,094)	(27,039)
	\$ 2,485,742	\$ 2,434,947

In 2007, grants were awarded to the not-for-profit organizations listed below.

- amfAR
- Bay Area Video Coalition, Inc.
- California Council for the Humanities
- California Pan-Ethnic Health Network
- Californians for Justice Education Fund
- Center for Effective Philanthropy
- Center for Multicultural Cooperation
- College Track
- CompuMentor
- Craigslist Foundation
- Death Penalty Focus
- Filipinos for Affirmative Action
- Foundation for Change
- Just Think Foundation
- MAAC Project
- Manilatown Heritage Foundation
- Northern California Grantmakers
- Pasadena City College Foundation
- Reach LA
- San Diego Asian Film Foundation
- San Diego Futures Foundation
- Self-Help for the Elderly
- Third World Majority
- Tides Center/Opportunity Agenda
- UC Santa Cruz
- Women’s Audio Mission
- YMCA of Greater Long Beach
- Yo! Youth Outlook
- Youth Radio

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2007 AND 2006

Grants are payable based on the terms of each grant agreement. The detail, per year the grants were initially awarded follows:

	<i>Balance at December 31,</i>	
	2007	2006
Year of award:		
2007	\$ 1,121,694	\$ -
2006	175,750	995,348
2005	-	80,900
2004	2,500	3,000
	\$ 1,299,944	\$ 1,079,248

- (1) Included in the Philanthropic Sector Support category for 2006, is \$16,500 in \$500 donor-advised grants the Foundation administered. The non-profit organizations receiving these mini-grants are not included in the Foundation's list of programmatic grantees.
- (2) Funding of grants is contingent upon satisfaction of various conditions as defined in grant agreements. The Foundation, after reviewing compliance with grant conditions, terminates balances of certain non-compliant grants. Also reflected in terminated grants are refunds from grantees with unexpended balances. During 2007 and 2006, the Foundation terminated \$43,094 and \$27,039, respectively, of grants awarded.

**NOTE 7 – FISCAL AGENT LIABILITY**

In 2003, the Foundation received \$1,025,000 from AT&T for the administration of the Community Partnership Committee's Applied Research Initiative (Think Tank). The initiative's objectives include: (1) to build a knowledge base by documenting the potential of community technology to bridge the digital divide; (2) to create a network of researchers, policymakers, community advocates and organizations, and practitioners promoting social justice through community technology; and (3) to promote greater understanding of issues and progress on the digital divide by key policymakers and leaders in philanthropy.

The activities for the year are as follows:

	2007	2006
Cash held at beginning of year	\$ 420,733	\$ 463,804
Less expenses during the year		
Grants awarded <sup>(1)</sup>	(100,000)	-
Program services and administration	(47,707)	(43,071)
Cash held at year-end	\$ 273,026	\$ 420,733

- (1) Out of the total grants awarded in 2007, \$75,000 is payable as of year-end and is included in grants payable in the Statements of Financial Position.

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2007 AND 2006

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets are for the following purposes or periods:

	2007			
	<i>December 31,</i> 2006	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> 2007
Grant funding and program-related expenses	\$ 14,445,832	\$ 1,795,290	\$ 4,775,830	\$ 11,465,292
Administrative Overhead	796,183	81,857	227,582	650,458
	\$ 15,242,015	\$ 1,877,147	\$ 5,003,412	\$ 12,115,750

  

	2006			
	<i>December 31,</i> 2005	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> 2006
Grant funding and program-related expenses	\$ 16,226,192	\$ 2,462,975	\$ 4,243,335	\$ 14,445,832
Administrative Overhead	962,854	76,146	242,817	796,183
	\$ 17,189,046	\$ 2,539,121	\$ 4,486,152	\$ 15,242,015

Net assets released from restrictions during 2007 and 2006 for grant funding and program-related expenses satisfying the restricted purposes are as follows:

	2007	2006
General grant making	\$ 4,016,152	\$ 3,017,199
Policy	248,421	695,103
Leadership	384,687	369,190
Convenings	126,570	145,249
Innovation Funders Network	-	16,594
	\$ 4,775,830	\$ 4,243,335

The AT&T grant that makes up most of the temporarily restricted net assets states that no more than 5% can be used for administrative overhead. Direct costs associated with awarding the grants are deemed to be program-related expenses, which are not subject to the 5% limit.

**NOTE 9 – PENSION PLAN**

The Foundation has established a defined contribution pension plan (the Plan) for the benefit of its employees. An employee must have six months of service before they can participate in the Plan. Employee retirement accounts are fully vested after four years of service. The Foundation contributes 10% of eligible employees' compensation and contributed \$130,959 and \$132,538 to the Plan during 2007 and 2006, respectively.

COMMUNITY TECHNOLOGY FOUNDATION OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

**NOTE 10 – LEASE**

The Foundation entered into an agreement to lease office space in San Francisco. The lease agreement terminates July 31, 2012, and the future minimum annual lease payments at December 31, 2007 are as follows:

2008	\$	180,425
2009		186,888
2010		193,351
2011		199,814
2012		<u>118,758</u>
	\$	<u>879,236</u>

Rent expense for 2007 and 2006 was \$142,945 and \$113,752, respectively.