

**NEW DOOR VENTURES**

**FINANCIAL STATEMENTS**

**For the years ended December 31, 2008 and 2007**

**With Report of Independent Auditors**

## New Door Ventures

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
New Door Ventures  
San Francisco, California

We have audited the accompanying statements of financial position of New Door Ventures as of December 31, 2008 and 2007, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of New Door Ventures' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 New Door Ventures as of December 31, 2008 and 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2009, on our consideration of New Door Ventures' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*PMB + Helin Donovan, LLP*

PMB+Helin Donovan, LLP  
San Francisco, California  
July 6, 2009

**New Door Ventures**  
**Statements of Financial Position**  
**as of December 31, 2008 and 2007**

	2008	2007
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 865,907	\$ 1,020,668
Short-term investments	486,853	462,524
Accounts receivable, net	99,553	182,384
Contracts and grants receivable	23,612	63,072
Promises to give	173,066	359,113
Inventory	214,167	158,564
Prepaid expenses	35,269	34,650
Deposits	8,439	8,089
Total Current Assets	1,906,866	2,289,064
Long-term Assets:		
Property and equipment, net of accumulated depreciation and amortization	1,694,731	1,794,832
Other Assets	43,705	41,660
Intangibles, net	50,417	-
Total Assets	\$ 3,695,719	\$ 4,125,556
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 267,736	\$ 355,081
Current portion of long-term debt	66,763	77,767
Current portion of capital lease	29,379	26,780
Total Current Liabilities	363,878	459,628
Long-term debt	734,320	801,124
Long-term portion capital lease	84,563	113,693
Total Liabilities	1,182,761	1,374,445
Net Assets:		
Unrestricted	2,506,296	2,563,013
Temporarily restricted	6,662	188,098
Total Net Assets	2,512,958	2,751,111
Total Liabilities and Net assets	\$ 3,695,719	\$ 4,125,556

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

**New Door Ventures**  
**Statement of Activities**  
**For the year ended December 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Revenue:			
Service revenue	\$ 2,833,784	\$ -	\$ 2,833,784
Government contracts	141,534	-	141,534
Interest income	49,491	-	49,491
Other income (expense)	(19,255)	-	(19,255)
Support:			
Contributions	465,461	-	465,461
Foundation grants	381,500	-	381,500
Net assets released from restrictions	181,436	(181,436)	-
Total Revenue and Support	<u>4,033,951</u>	<u>(181,436)</u>	<u>3,852,515</u>
Expenses:			
Program Services:			
Ashbury images	2,365,943	-	2,365,943
Pedal revolution	812,392	-	812,392
Youth development	372,110	-	372,110
Grow café	-	-	-
Residential	-	-	-
Total Program Services	<u>3,550,445</u>	<u>-</u>	<u>3,550,445</u>
Supporting Services:			
Fundraising	257,324	-	257,324
General and administrative	282,899	-	282,899
Total Supporting Services	<u>540,223</u>	<u>-</u>	<u>540,223</u>
Total Expenses	<u>4,090,668</u>	<u>-</u>	<u>4,090,668</u>
Changes in Net Assets	(56,717)	(181,436)	(238,153)
Net Assets, beginning of year	<u>2,563,013</u>	<u>188,098</u>	<u>2,751,111</u>
Net Assets, end of year	<u>\$ 2,506,296</u>	<u>\$ 6,662</u>	<u>\$ 2,512,958</u>

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

**New Door Ventures**  
**Statement of Activities**  
**For the year ended December 31, 2007**

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Revenue:			
Service revenue	\$ 2,739,504	\$ -	\$ 2,739,504
Government contracts	107,669	-	107,669
Interest income	75,021	-	75,021
Other income (expense)	42,873	-	42,873
Support:			
Contributions	1,140,179	-	1,140,179
Foundation grants	82,375	170,000	252,375
Net assets released from restrictions	157,670	(157,670)	-
Total Revenue and Support	<u>4,345,291</u>	<u>12,330</u>	<u>4,357,621</u>
Expenses:			
Program Services:			
Ashbury images	2,503,824	-	2,503,824
Pedal revolution	684,689	-	684,689
Youth development	356,003	-	356,003
Grow café	64,017	-	64,017
Residential	371	-	371
Total Program Services	<u>3,608,904</u>	<u>-</u>	<u>3,608,904</u>
Supporting Services:			
Fundraising	341,766	-	341,766
General and administrative	416,307	-	416,307
Total Supporting Services	<u>758,073</u>	<u>-</u>	<u>758,073</u>
Total Expenses	<u>4,366,977</u>	<u>-</u>	<u>4,366,977</u>
Changes in Net Assets	(21,686)	12,330	(9,356)
Net Assets, beginning of year	<u>2,584,699</u>	<u>175,768</u>	<u>2,760,467</u>
Net Assets, end of year	<u>\$ 2,563,013</u>	<u>\$ 188,098</u>	<u>\$ 2,751,111</u>

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

**New Door Ventures**  
**Statements of Cash Flows**

For the years ended December 31, 2008 and 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets	\$ (238,153)	\$ (9,356)
Non-Cash Items:		
Depreciation and amortization	112,168	75,088
Amortization of interest discount	3,997	5,299
Loss on disposal of fixed assets	-	70,859
Debt forgiveness	-	(49,679)
Donated assets	(55,000)	-
(Increase) Decrease in operating assets:		
Grants and contracts receivable	39,460	37,780
Accounts receivable	82,831	153,605
Promises to give	186,047	(359,113)
Inventory	(55,603)	31,695
Prepaid expenses	(619)	(25,002)
Other current assets	(350)	(24,844)
Other assets	(2,045)	-
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued expenses	(87,345)	160,918
Net cash provided by (used in) operating activities	<u>(14,612)</u>	<u>67,250</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(7,484)	(489,177)
Reinvested income in short-term securities	(24,329)	(32,286)
Proceeds from disposal of property and equipment	-	6,594
Net cash used in investing activities	<u>(31,813)</u>	<u>(514,869)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings of long-term debt	-	400,000
Repayment of long-term debt	(81,805)	(72,879)
Repayments under capital lease	(26,531)	(16,410)
Net cash provided by (used in) financing activities	<u>(108,336)</u>	<u>310,711</u>
Net decrease in cash and cash equivalents	(154,761)	(136,908)
Cash and cash equivalents, beginning of year	1,020,668	1,157,576
Cash and cash equivalents, end of year	<u>\$ 865,907</u>	<u>\$ 1,020,668</u>
<b>Supplementary disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 69,914	\$ 63,872
Non-cash donations	<u>\$ 74,177</u>	<u>\$ 64,766</u>
<b>Non-cash investing and financing activities:</b>		

During the period ending December 31, 2007, the company purchased equipment in exchange for a capital lease totaling \$154,771.

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

**New Door Ventures**  
**Statement of Functional Expenses**  
**For the year ended December 31, 2008**

	<u>Program Services</u>					<u>Total Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Ashbury Images</u>	<u>Pedal Revolution</u>	<u>Youth Development</u>	<u>Grow Café</u>	<u>Residential</u>		<u>Fundraising</u>	<u>General and Administrative</u>		
Personnel	\$ 917,195	\$ 261,837	\$ 241,284	\$ -	\$ -	\$ 1,420,316	\$ 184,243	\$ 125,479	\$ 309,722	\$ 1,730,038
Employer payroll taxes	69,529	18,163	18,875	-	-	106,567	12,611	10,511	23,122	129,689
Employee benefits	41,229	9,821	10,351	-	-	61,401	6,136	11,108	17,244	78,645
Consultants and outside services	29,538	31,329	10,208	-	-	71,075	21,175	66,480	87,655	158,730
Telephone	4,677	2,646	3,777	-	-	11,100	572	5,445	6,017	17,117
Postage and shipping	48,137	975	293	-	-	49,405	1,357	827	2,184	51,589
Printing and copying	537	-	-	-	-	537	61	398	459	996
Office supplies	12,001	955	5,318	-	-	18,274	1,346	6,272	7,618	25,892
Equipment/repairs	5,167	1,543	1,530	-	-	8,240	450	13,817	14,267	22,507
Fees and dues	26,342	8	682	-	-	27,032	269	1,928	2,197	29,229
Occupancy	69,287	-	-	-	-	69,287	-	-	-	69,287
Insurance	31,858	11,972	6,605	-	-	50,435	1,542	13,006	14,548	64,983
Maintenance/utilities	35,926	9,051	6,142	-	-	51,119	1,348	8,243	9,591	60,710
Transportation	2,951	593	11,336	-	-	14,880	135	6,655	6,790	21,670
Outreach and promotions	15,305	651	1,910	-	-	17,866	25,156	639	25,795	43,661
Program supplies	-	-	22,724	-	-	22,724	41	2,597	2,638	25,362
Program cost of goods sold	921,078	432,548	-	-	-	1,353,626	-	-	-	1,353,626
Conferences	-	-	1,050	-	-	1,050	-	-	-	1,050
Staff and board	2,338	2,611	1,902	-	-	6,851	264	3,386	3,650	10,501
Miscellaneous	8,661	1,284	718	-	-	10,663	-	(1,018)	(1,018)	9,645
Bad debt	3	-	-	-	-	3	-	-	-	3
Interest	39,988	15,173	14,412	-	-	69,573	-	3,997	3,997	73,570
Depreciation and amortization	84,196	11,232	12,993	-	-	108,421	618	3,129	3,747	112,168
<b>Total Expenses</b>	<b>\$ 2,365,943</b>	<b>\$ 812,392</b>	<b>\$ 372,110</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,550,445</b>	<b>\$ 257,324</b>	<b>\$ 282,899</b>	<b>\$ 540,223</b>	<b>\$ 4,090,668</b>

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

New Door Ventures  
Statement of Functional Expenses  
For the year ended December 31, 2007

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Ashbury Images	Pedal Revolution	Youth Development	Grow Café	Residential		Fundraising	General and Administrative		
Personnel	\$ 857,535	\$ 239,898	\$ 228,232	\$ 18,194	\$ -	\$ 1,343,859	\$ 245,050	\$ 141,770	\$ 386,820	\$ 1,730,679
Employer payroll taxes	64,265	17,813	15,685	1,764	-	99,527	15,816	15,452	31,268	130,795
Employee benefits	37,258	7,469	9,390	-	-	54,117	8,119	57,303	65,422	119,539
Consultants and outside services	56,260	30,575	8,160	1,176	-	96,171	20,635	94,867	115,502	211,673
Telephone	9,417	1,829	4,522	7	-	15,775	641	7,540	8,181	23,956
Postage and shipping	82,818	1,486	329	-	-	84,633	2,144	872	3,016	87,649
Printing and copying	1,189	67	-	-	-	1,256	218	-	218	1,474
Office supplies	22,958	2,160	4,653	442	-	30,213	1,728	12,128	13,856	44,069
Equipment/repairs	13,000	2,629	1,599	-	-	17,228	467	4,173	4,640	21,868
Fees and dues	40,016	226	82	-	-	40,324	160	3,211	3,371	43,695
Occupancy	70,505	-	-	15,281	-	85,786	-	-	-	85,786
Insurance	41,595	11,881	6,041	879	-	60,396	3,333	8,648	11,981	72,377
Maintenance/utilities	33,915	7,254	3,242	-	344	44,755	1,150	6,484	7,634	52,389
Transportation	18,692	37	7,872	128	-	26,729	278	18,394	18,672	45,401
Outreach and promotions	35,974	3,072	359	-	-	39,405	40,728	10,436	51,164	90,569
Program supplies	-	-	33,214	-	-	33,214	217	281	498	33,712
Program cost of goods sold	1,032,754	325,281	-	9,806	-	1,367,841	-	-	-	1,367,841
Staff and board	3,410	2,496	1,636	-	-	7,542	325	15,188	15,513	23,055
Miscellaneous	27,037	4,156	939	13,498	27	45,657	56	10,743	10,799	56,456
Bad debt	(20,677)	-	-	-	-	(20,677)	-	8	8	(20,669)
Interest	31,861	16,452	15,622	341	-	64,276	-	5,299	5,299	69,575
Depreciation and amortization	44,042	9,908	14,426	2,501	-	70,877	701	3,510	4,211	75,088
								-		
Total Expenses	<u>\$ 2,503,824</u>	<u>\$ 684,689</u>	<u>\$ 356,003</u>	<u>\$ 64,017</u>	<u>\$ 371</u>	<u>\$ 3,608,904</u>	<u>\$ 341,766</u>	<u>\$ 416,307</u>	<u>\$ 758,073</u>	<u>\$ 4,366,977</u>

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

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 1 – ORGANIZATION**

Founded in 1981, New Door Ventures (the Organization or “New Door”), formerly known as Golden Gate Community, is a leader in the field of social enterprise. Our mission is to help at-risk youth prepare for work and life through jobs, job training, and supportive communities. We support the at-risk youth in San Francisco to become productive members of the community (1) by operating financially sustainable businesses that employ, train, and support young clients and (2) through our Youth Development programs which provide career readiness, training, community, and supportive services to at-risk youth through our San Francisco Mission District youth space.

New Door Ventures’ programs are based on the premise that economic benefits accrue to individuals who have the opportunity for job training, personal development, and supportive services (e.g, housing, health care, financial aid, child care). Our participants have many touch points with New Door adult staff, mentors, and other volunteers during which we focus on both short-term and long-term needs and goals. Our holistic and individualized relationship-based model is key to our outstanding and long-lasting outcomes.

Our social enterprises are comprised of:

*Abbury Images* offers quality custom screen printed and embroidered apparel and promotional products to various companies and nonprofit organizations’ special events. We provide employment to at-risk youth in San Francisco in a rigorous, yet encouraging training environment.

*Pedal Revolution* is a full service retail sales and repair bike shop located in San Francisco’s Mission District

*Grow Café* which was closed in early 2007, was a casual café in the California Academy of Sciences’ downtown San Francisco site.

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

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. New Door follows the guidance of SFAS No.117, "Financial Statements of Not-for-Profit Organizations." Accordingly, the net assets of New Door and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed restrictions or otherwise limited by contractual arrangements with outside parties, but may be designated for specific purposes by action of the Board of Directors.

*Temporarily Restricted Net Assets* – Net assets that are subject to donor-imposed restrictions that can be fulfilled either by actions of the Organization pursuant to those stipulations and/or expire with the passage of time.

*Permanently Restricted Net Assets* – Net assets that are subject to donor-imposed restrictions that the Organization must maintain. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2008 and 2007 the Organization had no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents are defined as demand deposits at banks and certificates of deposit with initial maturities of less than ninety days.

Short-Term Investments

Short-term investments are carried at the quoted market value. Investment return consists of investment income, realized gain (loss) and unrealized gain (loss). The realized and unrealized gain or loss on investments is reflected in the statements of activities.

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires 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 restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services

Contributions of donated non-cash assets are recorded at their fair market values in the period received. Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

A number of organizations have made contributions of non-cash assets, professional services, and facilities during 2008 and 2007. The value of these contributions is recorded in the accompanying financial statements because the criteria for recognition have been satisfied. New Door recorded \$74,177 and \$64,766 of non-cash contributions in the accompanying financial statements for the periods ended December 31, 2008 and 2007, respectively.

A number of volunteers have made contributions of their time to the Organization. The value of this contributed time is not recorded in the accompanying financial statements because the criteria for recognition have not been satisfied.

Inventories

Inventory is comprised of bicycles and their accessories and printing materials. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Accounts Receivable

Accounts receivable consist primarily of custom screen-print and embroidery sales. Accounts receivable amounted to \$99,553 and \$182,384 at December 31, 2008 and 2007, respectively. The allowance for doubtful accounts is based on management evaluation of outstanding accounts receivable at the end of the year. Allowance for doubtful accounts amounted to \$1,679 and \$4,002 at December 31, 2008 and 2007, respectively.

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. Costs are allocated between fund-raising, general and administrative and the appropriate program based on management's evaluation of the related benefits. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Fund-raising expenses are associated with annual events held by the Organization.

Compensated Absences

The Organization accrues a liability for vested vacations to which employees are entitled depending on the length of service and other factors. The accompanying financial statements include accrued vacation benefits of \$48,918 and \$74,372 as of December 31, 2008 and 2007, respectively.

Property and Equipment

Property and equipment purchased is recorded at cost. Assets acquired by contribution or bequest are stated at market value at the date of acquisition. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. Maintenance and repairs are charged to expense as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related depreciation are removed from the accounts and any gain or loss is included in operations. The Organization capitalizes all property and equipment acquisitions in excess of \$2,000.

The estimated useful lives of property and equipment are principally as follows:

Buildings and improvements	10-30 years
Office/production equipment	3-7 years
Furniture and fixtures	3-10 years

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the collectibility of grants and accounts receivable, accrued expenses, and the allocation of functional expenses.

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$1,263 and \$10,032 at December 31, 2008 and 2007, respectively.

Fair Value of Financial Instruments

The carrying value of certain financial instruments, including accounts receivable, accounts payable, and accrued expenses, approximate fair value due to the short maturity of these instruments.

On January 1, 2008, the Organization adopted Financial Accounting Standards Board No.157 (SFAS 157), Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last unobservable as:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In February 2008, the FASB issued Staff Position (FSP) No. FAS 157-2, Effective Date of FASB Statement No. 157, which delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, excluding those assets that are recognized or disclosed at fair value on a recurring basis for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Organization elected a partial deferral of SFAS No. 157 under the provisions of FSP No. FAS 157-2, associated with the measurement of fair value used when evaluating other long-lived assets for impairment. The Organization is currently evaluating the impact of FSP No. FAS 157-2 on its financial statements.

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fair Value of Financial Instruments (continued)

On January 1, 2008, the Organization adopted Financial Accounting Standards Board No.159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115. SFAS 159 permits an entity to measure financial instruments and certain other items at estimated fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities that own trading and available-for-sale securities. The fair value option created by SFAS No. 159 permits an entity to measure eligible items at fair value as of specified election dates. The fair value option (a) may generally be applied instrument by instrument, (b) is irrevocable unless a new election date occurs, and (c) must be applied to the entire instrument and not to only a portion of the instrument. The adoption of SFAS No. 159 did not have a significant impact on the Organization's results of operations and financial condition.

Income Taxes

New Door was incorporated under the laws of the State of California and granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) and by the California Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code.

Revenue Recognition

Revenues on product sales are recognized upon shipment. Revenues on repair and installation services are recognized when the services are completed.

**NOTE 3 – INVENTORY**

Inventory, which is primarily composed of bicycles, accessories and parts, and screen printing materials, amounted to \$214,167 and \$158,564 at December 31, 2008 and 2007, respectively.

**NOTE 4 – SHORT-TERM INVESTMENTS**

Short-term investments consist primarily of bond mutual funds with varying maturities and are stated at fair value. Short-term investments consisted of the following at December 31:

	2008	2007
Vanguard Short-Term Bond Index Fund Admiral	\$ 244,066	\$ 231,319
Vanguard Intermediate-Term Bond Index Fund Admiral	242,787	231,205
Total	\$ 486,853	\$ 462,524

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 4 – SHORT-TERM INVESTMENTS (continued)**

The following table represents the New Door's fair value hierarchy for its financial assets measured at fair value using quoted prices in active markets as of December 31, 2008:

	Level 1	Level 2	Level 3	Total
Bond Mutual Funds	\$ 486,853	-	-	\$ 486,853
Total	<u>\$ 486,853</u>	<u>-</u>	<u>-</u>	<u>\$ 486,853</u>

Investment income earned was reinvested in the funds and amounted to \$24,329 and \$32,286 at December 31, 2008 and 2007, respectively.

**NOTE 5 – PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment, at cost less accumulated depreciation, at December 31:

	2008	2007
Land and Buildings	\$ 1,472,889	\$ 1,472,889
Improvements	476,662	469,223
Furniture and fixtures	99,036	98,991
Office/production equipment	<u>381,767</u>	<u>381,767</u>
	2,430,354	2,422,870
Less: accumulated depreciation	<u>(735,623)</u>	<u>(628,038)</u>
Total	<u>\$ 1,694,731</u>	<u>\$ 1,794,832</u>

Depreciation of property and equipment amounted to \$107,585 and \$75,088 for the fiscal years ended at December 31, 2008 and 2007, respectively. The Organization disposed of property and equipment during 2007, belonging to Grow Café and Ashbury Images, which had a cost basis and net book value of approximately \$367,000 and \$75,356, respectively.

Property and equipment held under capital lease had a capitalized cost of \$154,771. At December 31, 2008 accumulated depreciation and net book value amounted to approximately \$23,216 and \$131,555, respectively. At December 31, 2007 accumulated depreciation and net book value amounted to approximately \$7,739 and \$147,032, respectively.

**NOTE 6 – PROMISES TO GIVE**

New Door recorded Promises to give from individual donors net of allowance of \$50,000 and \$100,000 and discount of \$26,934 and \$40,887, using an imputed rate of 7.50%, as of December 31, 2008 and 2007, respectively. Promises to give amounted to \$173,066 and \$359,113 as of December 31, 2008 and 2007, respectively.

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 7 – INTANGIBLES**

During the year ended December 31, 2008, New Door received donated services of design and web site development. New Door recorded \$55,000 in the accompanying financial statements for the value of these donated services as intangible assets. These assets will be amortized over a two-year period on a straight-line basis.

Amortization expense and net book value amounted to \$4,583 and \$50,417 at December 31, 2008, respectively.

**NOTE 8 – LONG-TERM DEBT**

Long-term debt consists of the following at December 31, 2008:

Note payable to Bank of America secured by real property at 3075 21<sup>st</sup> Street, San Francisco, bearing interest at 7.75% per annum, payable in monthly payments of \$2,457 including principal and interest and due March 2017. \$ 179,004

Note payable to Bank of America secured by real property at 3085 21<sup>st</sup> Street, San Francisco, bearing interest at 7.625% per annum, payable in monthly payments of \$2,616 including principal and interest and due March 2017. 191,471

Notes payable to Roberts Foundation:

\$94,000 unsecured note, payable in two annual payments of \$9,000 including principal and interest, beginning January 2004 and ending December 2009. 1,000

\$100,000 note secured by property at 3085 21<sup>st</sup> Street, San Francisco, payable in two annual payments of \$1,500 including principal and interest, beginning January 2004 and ending September 2010 at which time the remaining balance of the note becomes due and payable, net of discount of \$5,550. 82,450

Note payable to America's Christian Credit Union secured by real property at 3075 21<sup>st</sup> Street, San Francisco, bearing interest at 7.75% per annum, payable in monthly payments of \$4,748 including principal and interest and due in January 2017. 347,158

Total Notes Payable 801,083

Less current portion (66,763)

Long-term portion \$ 734,320

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 8 – LONG-TERM DEBT (continued)**

Long-term debt consists of the following at December 31, 2007:

Note payable to Bank of America secured by real property at 3075 21<sup>st</sup> Street, San Francisco, bearing interest at 7.75% per annum, payable in monthly payments of \$2,457 including principal and interest and due March 2017. \$ 193,977

Note payable to Bank of America secured by real property at 3085 21<sup>st</sup> Street, San Francisco, bearing interest at 7.625% per annum, payable in monthly payments of \$2,616 including principal and interest and due March 2017. 207,584

Notes payable to Roberts Foundation:

\$94,000 unsecured note, payable in two annual payments of \$9,000 including principal and interest, beginning January 2004 and ending December 2009, net of discount of \$1,210. 19,290

\$100,000 note secured by property at 3085 21<sup>st</sup> Street, San Francisco, payable in two annual payments of \$1,500 including principal and interest, beginning January 2004 and ending September 2010 at which time the remaining balance of the note becomes due and payable, net of discount of \$8,336. 81,164

Note payable to America's Christian Credit Union secured by real property at 3075 21<sup>st</sup> Street, San Francisco, bearing interest at 7.75% per annum, payable in monthly payments of \$4,748 including principal and interest and due in January 2017. 376,876

Total Notes Payable 878,891

Less current portion (77,767)

Long-term portion \$ 801,124

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 8 – LONG-TERM DEBT (continued)**

Interest expense amounted to \$73,570 and \$69,575 at December 31, 2008 and 2007, respectively.

The future scheduled maturities of long-term debt are as follows:

Years ending December 31,	Amount
2009	\$ 66,763
2010	152,925
2011	76,258
2012	82,255
Thereafter	422,882
Total	<u>\$ 801,083</u>

**NOTE 9 – CAPITAL LEASE**

New Door leases equipment under a capital lease agreement. The lease requires monthly payments of \$3,299. The lease started in July 2007 and will expire in May 2012.

The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of December 31, 2008 are as follows:

	Year ending December 31,	Amount
2009	\$	39,588
2010		39,588
2011		39,588
2012		16,521
Total minimum lease payments		<u>135,285</u>
Less: Amount representing interest		<u>(21,343)</u>
Present value of net minimum lease payments		113,942
Less: Current maturities of capital lease obligation		<u>(29,379)</u>
Long-term capital lease obligation		<u>\$ 84,563</u>

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 10 – LINE OF CREDIT**

The Organization has a line of credit with Bank of America that allows for a maximum borrowing of up to \$100,000. No amount was outstanding at December 31, 2008 and 2007 on this line of credit.

**NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31:

	<b>2008</b>	<b>2007</b>
Retail and manufacturing equipment	\$ 1,112	\$ 8,551
Interest discount	5,550	9,547
Youth programs – training	-	170,000
<b>Total</b>	<b>\$ 6,662</b>	<b>\$ 188,098</b>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows at December 31:

	<b>2008</b>	<b>2007</b>
Youth programs – training	\$ 170,000	\$ 88,333
Retail and manufacturing equipment	7,439	5,569
OASIS evaluation project	-	20,136
Pedal Revolution – training manager	-	30,000
Amortization of interest discount	3,997	5,299
Ashbury Images – operations	-	8,333
<b>Total</b>	<b>\$ 181,436</b>	<b>\$ 157,670</b>

**NOTE 12 – CONCENTRATIONS**

The Organization occasionally maintains deposits in excess of the FDIC and SIPC limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. Deposits in excess of the FDIC and SIPC limits amounted to \$349,425 and \$689,036 at December 31, 2008 and 2007, respectively.

**New Door Ventures**  
**Notes to Financial Statements**  
**For the years ended December 31, 2008 and 2007**

**NOTE 13 – LEASE COMMITMENTS**

The Organization signed a new 10-year lease agreement for the relocation of its Ashbury Images manufacturing and retail enterprise in San Francisco effective May 2007. The lease requires monthly payments of approximately \$5,400 and expires December 31, 2016.

Rent expense under the existing lease agreement amounted to \$69,287 and \$70,505 for the years ended December 31, 2008 and 2007, respectively. Future minimum lease payments under the lease agreements as of December 31, 2008 are as follows:

2009	\$ 62,648
2010	62,089
2011	63,951
2012	65,870
2013	67,846
Thereafter	<u>215,996</u>
Total	<u>\$ 538,400</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
New Door Ventures  
San Francisco, California

We have audited the financial statements of New Door Ventures as of and for the year ended December 31, 2008, and have issued our report thereon dated July 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered New Door Ventures' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Door Ventures' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects New Door Ventures' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of New Door Ventures' financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Door ventures' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, board of directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*PMB - Helin Donovan, LLP*

PMB+Helin Donovan, LLP  
San Francisco, California  
July 6, 2009