

NEW DOOR VENTURES

FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009

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

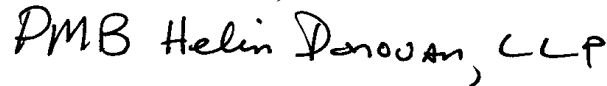
We have audited the accompanying statements of financial position of New Door Ventures as of December 31, 2010 and 2009, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of New Door Ventures' management. 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, 2010 and 2009, 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 May 2, 2011, 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



San Francisco, California
May 2, 2011

New Door Ventures
Statements of Financial Position
As of December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,580,608	\$ 1,061,672
Investments, at fair value	549,177	514,285
Accounts receivable, net	154,603	103,458
Contracts and grants receivable	51,449	14,802
Unconditional promises to give-current portion, net	167,442	74,419
Inventory, net	219,036	192,481
Prepaid expenses	31,718	32,376
Deposits	14,589	13,364
Total Current Assets	2,768,622	2,006,857
Long-Term Assets:		
Property and equipment, net of accumulated depreciation and amortization	1,561,231	1,640,809
Intangibles, net	-	22,917
Unconditional promises to give-long term portion, net	86,527	-
Other Assets	94,854	70,325
Total Long-Term Assets	1,742,612	1,734,051
Total Assets	\$ 4,511,234	\$ 3,740,908
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 248,771	\$ 253,835
Current portion of long-term debt	159,757	153,926
Current portion of capital lease	35,952	32,500
Total Current Liabilities	444,480	440,261
Long-Term Debt	505,042	581,348
Long-term portion capital lease	16,085	52,064
Total Liabilities	965,607	1,073,673
Net Assets:		
Unrestricted	3,116,656	2,462,213
Temporarily restricted	428,971	205,022
Total Net Assets	3,545,627	2,667,235
Total Liabilities and Net assets	\$ 4,511,234	\$ 3,740,908

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

New Door Ventures
Statement of Activities
For the year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Revenue:			
Service revenue	\$ 2,785,141	\$ -	\$ 2,785,141
Government contracts	191,093	-	191,093
Investment income	47,026	-	47,026
Other income	12,242	-	12,242
Support:			
Contributions	813,603	-	813,603
Foundation grants	468,232	504,552	972,784
Net assets released from restrictions	280,603	(280,603)	-
	<u>4,597,940</u>	<u>223,949</u>	<u>4,821,889</u>
Total Revenue and Support			
Expenses:			
Program Services:			
Ashbury images	2,168,306	-	2,168,306
Pedal revolution	733,678	-	733,678
Youth development	623,730	-	623,730
Total Program Services	<u>3,525,714</u>	<u>-</u>	<u>3,525,714</u>
Supporting Services:			
Fundraising	271,164	-	271,164
General and administrative	146,619	-	146,619
Total Supporting Services	<u>417,783</u>	<u>-</u>	<u>417,783</u>
Total Expenses	<u>3,943,497</u>	<u>-</u>	<u>3,943,497</u>
Changes in Net Assets	654,443	223,949	878,392
Net Assets, beginning of year	<u>2,462,213</u>	<u>205,022</u>	<u>2,667,235</u>
Net Assets, end of year	<u>\$ 3,116,656</u>	<u>\$ 428,971</u>	<u>\$ 3,545,627</u>

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

New Door Ventures
Statement of Activities
For the year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Revenue:			
Service revenue	\$ 2,218,649	\$ -	\$ 2,218,649
Government contracts	150,848	-	150,848
Investment income	43,948	-	43,948
Other income	1,039	-	1,039
Support:			
Contributions	542,344	-	542,344
Foundation grants	437,555	221,719	659,274
Net assets released from restrictions	<u>23,359</u>	<u>(23,359)</u>	<u>-</u>
Total Revenue and Support	<u>3,417,742</u>	<u>198,360</u>	<u>3,616,102</u>
Expenses:			
Program Services:			
Ashbury images	1,784,551	-	1,784,551
Pedal revolution	786,234	-	786,234
Youth development	468,613	-	468,613
Total Program Services	<u>3,039,398</u>	<u>-</u>	<u>3,039,398</u>
Supporting Services:			
Fundraising	242,149	-	242,149
General and administrative	180,278	-	180,278
Total Supporting Services	<u>422,427</u>	<u>-</u>	<u>422,427</u>
Total Expenses	<u>3,461,825</u>	<u>-</u>	<u>3,461,825</u>
Changes in Net Assets	(44,083)	198,360	154,277
Net Assets, beginning of year	<u>2,506,296</u>	<u>6,662</u>	<u>2,512,958</u>
Net Assets, end of year	<u>\$ 2,462,213</u>	<u>\$ 205,022</u>	<u>\$ 2,667,235</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, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 878,392	\$ 154,277
Non-Cash Items:		
Depreciation and amortization	126,575	123,644
Amortization of interest discount	2,771	2,779
Unrealized gain on investments	(17,575)	(8,749)
(Increase) Decrease in operating assets:		
Contracts and grants receivable	(36,647)	8,810
Accounts receivable	(51,145)	(3,905)
Unconditional promises to give, net	(179,550)	98,647
Inventory	(26,555)	21,686
Prepaid expenses	658	2,893
Deposits	(1,225)	(4,925)
Other assets	(24,529)	(26,620)
Decrease in operating liabilities:		
Accounts payable and accrued expenses	(5,064)	(13,901)
Net cash provided by operating activities	666,106	354,636
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(24,080)	(42,222)
Purchases of investments	(17,317)	(18,683)
Net cash used in investing activities	(41,397)	(60,905)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(73,246)	(68,588)
Repayments under capital lease	(32,527)	(29,378)
Net cash used in financing activities	(105,773)	(97,966)
Net increase in cash and cash equivalents	518,936	195,765
Cash and cash equivalents, beginning of year	1,061,672	865,907
Cash and cash equivalents, end of year	\$ 1,580,608	\$ 1,061,672
Supplementary disclosure of cash flow information:		
Cash paid during the year for interest	\$ 53,971	\$ 62,060
Non-cash donations	\$ 19,112	\$ 4,500

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

New Door Ventures
Statement of Functional Expenses
For the year ended December 31, 2010

	<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>Fundraising</u>	<u>General and Administrative</u>		
Personnel	\$ 723,019	\$ 243,888	\$ 417,671	\$ 1,384,578	\$ 194,074	\$ 104,467	\$ 298,541	\$ 1,683,119
Employer payroll taxes	45,535	14,686	30,838	91,059	13,260	5,301	18,561	109,620
Employee benefits	42,558	16,872	22,066	81,496	8,165	8,912	17,077	98,573
Conferences	-	213	-	213	-	-	-	213
Consultants and outside services	4,118	5,650	19,794	29,562	33,735	147	33,882	63,444
Depreciation and amortization	88,969	12,635	20,247	121,851	3,537	1,187	4,724	126,575
Equipment/repairs	5,097	1,690	5,788	12,575	1,099	4,624	5,723	18,298
Fees and dues	22,573	17,716	1,677	41,966	92	3,777	3,869	45,835
Insurance	25,248	7,238	7,620	40,106	2,791	1,925	4,716	44,822
Interest	34,092	12,627	9,218	55,937	-	779	779	56,716
Maintenance/utilities	31,920	8,354	14,611	54,885	2,141	982	3,123	58,008
Miscellaneous	11,050	480	2,476	14,006	104	263	367	14,373
Occupancy	86,150	-	33	86,183	-	-	-	86,183
Office supplies	7,744	1,101	12,201	21,046	1,021	248	1,269	22,315
Outreach and promotions	12,298	515	2,389	15,202	6,058	1,310	7,368	22,570
Postage and shipping	50,074	3,188	315	53,577	1,499	214	1,713	55,290
Printing and copying	-	-	-	-	156	-	156	156
Program cost of goods sold	968,395	381,299	-	1,349,694	-	-	-	1,349,694
Program supplies	-	-	13,589	13,589	269	3,016	3,285	16,874
Staff and board	2,929	1,717	6,224	10,870	1,561	4,301	5,862	16,732
Telephone	5,636	3,150	6,790	15,576	1,034	2,308	3,342	18,918
Transportation	901	659	30,183	31,743	568	2,858	3,426	35,169
Total Expenses	<u>\$ 2,168,306</u>	<u>\$ 733,678</u>	<u>\$ 623,730</u>	<u>\$ 3,525,714</u>	<u>\$ 271,164</u>	<u>\$ 146,619</u>	<u>\$ 417,783</u>	<u>\$ 3,943,497</u>

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

New Door Ventures
Statement of Functional Expenses
For the year ended December 31, 2009

	<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>Fundraising</u>	<u>General and Administrative</u>		
Personnel	\$ 638,872	\$ 232,698	\$ 255,140	\$ 1,126,710	\$ 195,080	\$ 95,530	\$ 290,610	\$ 1,417,320
Employer payroll taxes	61,982	14,241	30,798	107,021	15,637	10,430	26,067	133,088
Employee benefits	34,925	17,143	12,723	64,791	8,236	9,901	18,137	82,928
Bad debt	4,000	-	-	4,000	-	-	-	4,000
Conferences	-	-	-	-	35	-	35	35
Consultants and outside services	30,388	27,726	16,739	74,853	5,399	22,822	28,221	103,074
Depreciation and amortization	95,422	16,310	11,728	123,460	560	(376)	184	123,644
Equipment/repairs	3,542	651	3,767	7,960	442	6,511	6,953	14,913
Fees and dues	27,007	258	422	27,687	171	5,286	5,457	33,144
Insurance	27,372	19,654	8,077	55,103	1,977	4,457	6,434	61,537
Interest	34,677	13,890	13,201	61,768	-	2,779	2,779	64,547
Maintenance/utilities	29,042	9,183	5,785	44,010	1,400	5,397	6,797	50,807
Miscellaneous	10,996	289	2,861	14,146	79	59	138	14,284
Occupancy	63,872	-	-	63,872	-	-	-	63,872
Office supplies	8,506	872	8,826	18,204	417	1,518	1,935	20,139
Outreach and promotions	7,332	373	806	8,511	8,701	2,757	11,458	19,969
Postage and shipping	38,015	913	40	38,968	1,268	241	1,509	40,477
Printing and copying	128	285	-	413	164	307	471	884
Program cost of goods sold	664,014	428,131	-	1,092,145	-	-	-	1,092,145
Program supplies	-	-	77,051	77,051	203	43	246	77,297
Staff and board	563	982	5,001	6,546	1,123	4,001	5,124	11,670
Telephone	3,779	2,633	5,636	12,048	802	5,354	6,156	18,204
Transportation	117	2	10,012	10,131	455	3,261	3,716	13,847
Total Expenses	\$ 1,784,551	\$ 786,234	\$ 468,613	\$ 3,039,398	\$ 242,149	\$ 180,278	\$ 422,427	\$ 3,461,825

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

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

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:

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. They are presented in accordance with the provisions of Accounting Standards Codification 958, “*Financial Statements of Not-For-Profit Organizations*”. Under the provisions of Codification 958, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. 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.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2010 and 2009 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.

Investments

Investments are carried at fair 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.

Contributions

Contribution revenue is recognized when the donor makes a promise to give that is, in substance, unconditional. Grant revenue is recognized as earned and expenses as incurred. Contributions of assets other than cash are recorded at fair value at the date of donation. In accordance with the provision of Accounting Standards Codification 958-605, “*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. All unconditional promises to give, which are expected to be received beyond one year, are discounted to their net present value.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Donated services are recognized as contributions in accordance with Accounting Standards Codification 958-605, 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 2010 and 2009. The value of these contributions is recorded in the accompanying financial statements because the criteria for recognition have been satisfied. New Door recorded \$19,112 and \$4,500 of non-cash contributions in the accompanying financial statements for the periods ended December 31, 2010 and 2009, 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 \$159,739 and \$108,594 at December 31, 2010 and 2009, 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 \$5,136 at December 31, 2010 and 2009.

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 \$54,677 and \$49,950 as of December 31, 2010 and 2009, respectively.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$1,511 and \$1,386 in 2010 and 2009, respectively.

Fair Value of Financial Instruments

The carrying value of certain financial instruments, including cash and cash equivalents, certificates of deposit, accounts and grants receivable, accounts payable and accrued expenses approximate fair value due to their short-term nature. The carrying value of loans payable approximate fair value, as their interest rates approximates market rates.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or changes in net assets.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-06, “*Value Measurements and Disclosures — Improving Disclosures about Fair value Measurements*” (“ASU 2010-06”), that amends ASC Subtopic 820-10, “Fair Value Measurements and Disclosures — Overall”, and requires reporting entities to disclose (1) the amount of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers, and (2) separate information about purchases, sales, issuance and settlements in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). ASU 2010-06 also requires reporting entities to provide fair value measurement disclosures for each class of assets and liabilities and disclose the inputs and valuation techniques for fair value measurements that fall within Levels 2 and 3 of the fair value hierarchy. These disclosures and clarification are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuance, and settlements in the roll-forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Organization does not expect the provisions of ASU 2010-06 to have a material impact on its financial statements.

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.

As of July 1, 2007, the Organization adopted Financial Standards Codification 740, *Accounting for Uncertainty in Income Taxes*. This standard addresses the accounting for uncertainties in income taxes recognized in an entity’s financial statements and prescribes a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in the tax returns. Financial Standards Codification 740 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no material impact on the Organization’s financial statements as a result of the adoption of this Standard.

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 \$226,982 and \$200,427 at December 31, 2010 and 2009, respectively. Reserves for obsolescence amounted to \$7,946 at December 31, 2010 and 2009.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 4 – INVESTMENTS

As defined in the Accounting Standards Codification 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price methodology). Accounting Standard Codification 820 establishes a framework for measuring fair value that includes a hierarchy used to classify inputs used in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect an entity's view of market assumptions in the absence of observable market information.

The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy defined by Accounting Standards Codification 820 are as follows:

- Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to the Organization for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. These generally provide the most reliable evidence and are used to measure fair value whenever available. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.
- Level 2: Fair value is based upon significant inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable for substantially the full term of the asset or liability through corroboration with observable market data as of the reporting date. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, model-derived valuations whose inputs are observable or whose significant value drivers are observable, and other observable inputs.
- Level 3: Fair value is based on significant unobservable inputs which reflect the entity's or third party pricing service assumptions about the assumptions market participants would use in pricing an asset or liability. Valuations are estimated based on non-binding broker prices or internally developed valuation models or methodologies, discounted cash flow models, and other similar techniques.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 4 – INVESTMENTS (continued)

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

	<u>2010</u>	<u>2009</u>
Vanguard Short-Term Bond Index Fund Admiral	\$ 265,030	\$ 254,758
Vanguard Intermediate-Term Bond Index Fund Admiral	<u>284,147</u>	<u>259,527</u>
Total	<u>\$ 549,177</u>	<u>\$ 514,285</u>

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, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond Mutual Funds	\$ 549,177	\$ -	\$ -	\$ 549,177
Total	<u>\$ 549,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 549,177</u>

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, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond Mutual Funds	\$ 514,285	\$ -	\$ -	\$ 514,285
Total	<u>\$ 514,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 514,285</u>

Investment income earned was reinvested in the funds and amounted to \$17,317 and \$18,683 at December 31, 2010 and 2009, respectively. Net appreciation amounted to \$17,575 and \$8,749 at December 31, 2010 and 2009, respectively.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 5 – PROPERTY AND EQUIPMENT

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

	2010	2009
Land and Buildings	\$ 1,472,889	\$ 1,472,889
Improvements	523,657	518,884
Furniture and fixtures	99,036	99,036
Office/production equipment	401,074	381,767
	2,496,656	2,472,576
Less: accumulated depreciation	(935,425)	(831,767)
Total	\$ 1,561,231	\$ 1,640,809

Depreciation of property and equipment amounted to \$103,658 and \$96,144 for the fiscal years ended at December 31, 2010 and 2009, respectively.

Property and equipment held under capital lease had a capitalized cost of \$154,771. At December 31, 2010 accumulated depreciation and net book value amounted to approximately \$54,170 and \$100,601, respectively. At December 31, 2009 accumulated depreciation and net book value amounted to approximately \$38,693 and \$116,078 respectively.

NOTE 6 – UNCONDITIONAL PROMISES TO GIVE

New Door received promises to give from several foundations in 2010 and recorded these grants at their net present value as of December 31, 2010, net of allowance of \$70,000 and discount of \$26,031, using a discount rate of 7.50%. Promises to give amounted to \$253,969 and \$74,419 as of December 31, 2010 and 2009, respectively. Promises to give as of December 31, 2010 are expected to be received as follows: \$167,442 in 2011 and \$86,527 in 2012.

NOTE 7 – INTANGIBLES

In late 2008, New Door received donated services of design and web site development and recorded \$55,000 in its 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 amounted to \$22,917 and \$27,500 at December 31, 2010 and 2009, respectively. Net book value amounted to \$0 and \$22,917 at December 31, 2010 and 2009, respectively.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 8 – LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2010:

Note payable to Bank of America secured by real property at 3075 21 st 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.	\$ 145,356
Note payable to Bank of America secured by real property at 3085 21 st 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.	155,324
Note payable to America’s Christian Credit Union secured by real property at 3075 21 st 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.	280,619
Notes payable to Roberts Foundation:	
\$100,000 unsecured note, payable in semi-annual payments of \$1,500 each including principal and interest at 3.50% per annum, beginning January 2004 and ending September 2010 at which time the remaining balance of the note becomes due and payable. The discount on the note amounted to \$0.	<u>83,500</u>
Total Notes Payable	664,799
Less current portion	<u>(159,757)</u>
Long-term portion	<u>\$ 505,042</u>

New Door is in communication with the Roberts Foundation (“grantor”) regarding the terms of repayment of the recoverable grant related to the \$100,000 unsecured note. The recoverable grant is not in default and funds have been reserved to repay the grant pending completion of the discussions with the grantor. The Organization does not expect that the outcome of its negotiations with the grantor to have a material impact on its results of operations.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 8 – LONG-TERM DEBT (continued)

Long-term debt consists of the following at December 31, 2009:

Note payable to Bank of America secured by real property at 3075 21 st 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.	\$ 162,830
Note payable to Bank of America secured by real property at 3085 21 st 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.	174,084
Note payable to America’s Christian Credit Union secured by real property at 3075 21 st 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.	315,131
Notes payable to Roberts Foundation:	
\$94,000 unsecured note, payable in semi-annual payments including principal and interest at 7.7% per annum, beginning January 2004 and ending December 2008. The semi-annual payments between 2004 and 2007 were \$9,000 each. The last semi-annual payments in 2008 are expected to amount to \$11,000 each.	1,000
\$100,000 unsecured note, payable in semi-annual payments of \$1,500 each including principal and interest at 3.50% per annum, beginning January 2004 and ending September 2010 at which time the remaining balance of the note becomes due and payable. The discount on the note amounted to \$2,771.	<u>82,229</u>
Total Notes Payable	735,274
Less current portion	<u>(153,926)</u>
Long-term portion	<u>\$ 581,348</u>

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 8 – LONG-TERM DEBT (continued)

Interest expense amounted to \$56,716 and \$64,547 at December 31, 2010 and 2009, respectively.

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

Years ending December 31,	Amount
2011	\$ 159,757
2012	82,255
2013	88,724
2014	95,703
2015	103,231
Thereafter	<u>135,129</u>
Total	<u>\$ 664,799</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, 2010 are as follows:

	Year ending December 31,	Amount
	2011	\$ 39,588
	2012	<u>16,495</u>
Total minimum lease payments		56,083
Less: Amount representing interest		<u>(4,046)</u>
Present value of net minimum lease payments		52,037
Less: Current maturities of capital lease obligation		<u>(35,952)</u>
Long-term capital lease obligation		<u>\$ 16,085</u>

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 9 – CAPITAL LEASE (continued)

The future scheduled maturities of the capital lease are as follows:

Years ending December 31,	Amount
2011	\$ 35,952
2012	16,085
Total	\$ 52,037

NOTE 10 – LINE OF CREDIT

The Organization has a line of credit with Bank of America that allows for a maximum borrowing of \$100,000. No amount was outstanding at December 31, 2010 and 2009 on this line of credit.

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

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

	2010	2009
Youth programs – training	\$ 428,971	\$ 202,251
Interest discount	-	2,771
Total	\$ 428,971	\$ 205,022

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

	2010	2009
Youth programs – training	\$ 277,832	\$ 19,468
Retail and manufacturing equipment	-	1,112
Amortization of interest discount	2,771	2,779
Total	\$ 280,603	\$ 23,359

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2010 and 2009

NOTE 12 – CONCENTRATIONS

The Organization maintains its cash balances at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) and Securities Investors Protection Corporation (SIPC) insure account balances up to \$250,000 and \$500,000, respectively. Under the FDIC Transaction Account Guarantee Program (TAGP), all non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under TAGP is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. The Organization had uninsured balances of \$1,238,296 and \$251,322 at December 31, 2010 and 2009, respectively.

NOTE 13 – LEASE COMMITMENTS

The Organization signed a 10-year lease agreement for its Ashbury Images manufacturing and retail enterprise in San Francisco. The lease requires monthly payments of approximately \$5,400 and expires December 31, 2016. Rent expense under the existing lease agreement amounted to \$86,150 and \$63,872 for the years ended December 31, 2010 and 2009, respectively.

Future minimum lease payments under the lease agreements as of December 31, 2010 are as follows:

2011	\$	63,951
2012		65,870
2013		67,846
2014		69,881
2015		71,978
Thereafter		74,137
Total	\$	<u>413,663</u>

NOTE 14 – PENSION PLAN

The Organization has a 403(b) plan to cover eligible employees. There were no contributions made by the Organization during the years ended December 31, 2010 and 2009.

NOTE 15 – SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through May 2, 2011, the date of this report, and determined that as of that date there are no material recognized or unrecognized subsequent events.

**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, 2010, and have issued our report thereon dated May 2, 2011. 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 New Door Ventures' internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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
WITH *GOVERNMENT AUDITING STANDARDS***

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

May 2, 2011