

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION**

**(A NONPROFIT CORPORATION)**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008**

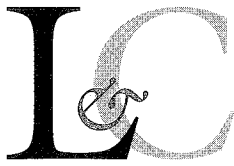


**Leaf & Cole, LLP**  
*Certified Public Accountants*

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION  
(A NONPROFIT CORPORATION)  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

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## Independent Auditor's Report

To the Board of Directors  
San Diego County Medical Society Foundation  
5575 Ruffin Road, Suite 250  
San Diego, California 92123

We have audited the accompanying statement of financial position of San Diego County Medical Society Foundation (A Nonprofit Corporation) as of September 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from San Diego County Medical Society Foundation's 2007 financial statements and in our report dated January 7, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego County Medical Society Foundation as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedule of functional expenses for the year ended September 30, 2008 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The prior year supplementary schedule of functional expenses summarized comparative information has been derived from San Diego County Medical Society Foundation's 2007 supplementary schedule of functional expenses and in our report dated January 7, 2008, we expressed an unqualified opinion on the supplementary schedule of functional expenses.

*Leaf & Cole LLP*

San Diego, California  
April 6, 2009

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION**  
**(A NONPROFIT CORPORATION)**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2008**  
**(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)**

**ASSETS**

	<u>2008</u>	<u>2007</u>
<b><u>Assets:</u></b> (Notes 1, 2 and 3)		
Cash and cash equivalents	\$ 95,189	\$ 7,874
Investments	689,389	567,552
Accounts receivable	19,486	240
Prepaid expenses	145	-0-
Notes receivable, net	53,681	55,956
Equipment, net	<u>1,893</u>	<u>3,156</u>
<b>TOTAL ASSETS</b>	<b><u>\$859,783</u></b>	<b><u>\$634,778</u></b>

**LIABILITIES AND NET ASSETS**

<b><u>Liabilities:</u></b> (Note 1)		
Accounts payable and accrued expenses	\$ 18,616	\$ 16,504
Deferred grant revenue	<u>357,793</u>	<u>95,194</u>
Total Liabilities	<u>376,409</u>	<u>111,698</u>
<b><u>Commitment</u></b> (Note 5)		
<b><u>Net Assets:</u></b> (Notes 1 and 4)		
Unrestricted	443,859	523,080
Temporarily restricted	<u>39,515</u>	<u>-0-</u>
Total Net Assets	<u>483,374</u>	<u>523,080</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$859,783</u></b>	<b><u>\$634,778</u></b>

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

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION  
(A NONPROFIT CORPORATION)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2008</u>	<u>2007</u>
<b><u>Support and Revenues:</u></b>				
Grants	\$238,886	\$	\$238,886	\$111,836
Contributions	106,994	39,515	146,509	49,561
Other revenue	1,811		1,811	1,921
Membership dues	1,000		1,000	700
Special events	1,000		1,000	-0-
Investment income (loss)	<u>(32,647)</u>	<u>          </u>	<u>(32,647)</u>	<u>52,015</u>
Total Support and Revenues	<u>317,044</u>	<u>39,515</u>	<u>356,559</u>	<u>216,033</u>
<b><u>Expenses:</u></b>				
<b>Program Services</b>	<u>231,652</u>	<u>-0-</u>	<u>231,652</u>	<u>169,951</u>
<b>Supporting Services:</b>				
Fundraising	113,546		113,546	47,136
Management and general	<u>42,910</u>	<u>          </u>	<u>42,910</u>	<u>30,260</u>
Total Supporting Services	<u>156,456</u>	<u>-0-</u>	<u>156,456</u>	<u>77,396</u>
Total Functional Expenses	388,108	-0-	388,108	247,347
<b>Special Events</b>	<u>8,157</u>	<u>-0-</u>	<u>8,157</u>	<u>1,411</u>
Total Expenses	<u>396,265</u>	<u>-0-</u>	<u>396,265</u>	<u>248,758</u>
Change in Net Assets	(79,221)	39,515	(39,706)	(32,725)
Net Assets at Beginning of the Year	<u>523,080</u>	<u>          </u>	<u>523,080</u>	<u>555,805</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$443,859</u>	<u>\$39,515</u>	<u>\$483,374</u>	<u>\$523,080</u>

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

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION  
(A NONPROFIT CORPORATION)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007)**

	<u>2008</u>	<u>2007</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ (39,706)	\$ (32,725)
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</b>		
Depreciation	1,263	630
Realized and unrealized (gains) and losses on investments	36,684	(47,402)
<b>(Increase) Decrease in:</b>		
Accounts receivable	(19,246)	(240)
Prepaid expenses	(145)	-0-
Notes receivable, net	2,275	8,138
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	2,112	16,366
Deferred grant revenue	<u>262,599</u>	<u>28,426</u>
Net Cash Provided by (Used in) Operating Activities	<u>245,836</u>	<u>(26,807)</u>
 <b><u>Cash Flows From Investing Activities:</u></b>		
Investments, net	(158,521)	26,000
Purchases of equipment	<u>-0-</u>	<u>(3,786)</u>
Net Cash (Used in) Provided by Investing Activities	<u>(158,521)</u>	<u>22,214</u>
 Change in Cash and Cash Equivalents	87,315	(4,593)
 Cash and Cash Equivalents, Beginning of Year	<u>7,874</u>	<u>12,467</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 95,189</u>	<u>\$ 7,874</u>

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

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION  
(A NONPROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)**

**Note 1 - Organization and Nature of Activities and Significant Accounting Policies:**

**Organization and Nature of Activities**

The San Diego County Medical Society Foundation (the “Foundation”) is a California Nonprofit Organization. The Foundation’s mission is to build a healthier San Diego by addressing unmet healthcare needs for all patients and physicians through education, innovation, and service.

The Foundation’s programs consist of the following five initiatives:

**Technology**

The Foundation will endeavor to support physicians with technology to improve patient safety and a more efficient exchange to patient information through a project entitled San Diego MINE. The Foundation has partnered with the California Institute of Information Technology and Telecommunications to deliver comprehensive, “real-time” medical information to the point of patient care for all healthcare stakeholders in San Diego and Imperial Counties.

**Consumer Health Education**

Beginning with an initiative around diabetes and obesity, the Foundation will focus on projects promoting awareness and will also provide patient health education in multiple languages at appropriate reading levels designed to improve communication and compensation.

**Access to Care**

The Foundation is in support of local organizations that provide direct care to the neediest of our community. By recruiting physicians who wish to donate their services, helping to connect the needy to low-cost speciality care, or providing direct financial support to these organizations, the Foundation is committed to playing an active role in solving this community-wide problem.

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION  
(A NONPROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)**

**Note 1 - Organization and Nature of Activities and Significant Accounting Policies:** (Continued)

**Organization and Nature of Activities** (Continued)

**Medical Student Support**

By expanding the original mission of the organization, the Foundation will continue to provide low-interest student loans to medical students. Additional support to the students includes:

- . Project mini-grants for student-lead programs at the UCSD student-run street clinics.
- . Expanded support of Student Legislative Day, where students participate with physicians from around California learning about legislative impact on healthcare policy and interacting with legislators in Sacramento.
- . Connecting students with practicing physicians by way of mentorships.
- . Recruitment of practicing physicians to help the students in the street clinics.

These programs are developed to sensitize students to the needs of the San Diego community and to promote physician retention in San Diego after graduation and residency.

**Retired Physicians Society**

The Foundation is convening retired physicians living in the San Diego community who are interested in continuing to use their talents and skills in a voluntary capacity. At quarterly meetings, members have an opportunity to network with a variety of community organizations that would value and utilize their knowledge and wisdom. They will learn about current issues in medical practice and current public policy concerns facing our community. The goal is to provide opportunities for retired physicians to connect with, become involved with, participant in, and offer leadership to organizations that serve the healthcare needs of the underserved in our community.



**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION  
(A NONPROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)**

**Note 1 - Organization and Nature of Activities and Significant Accounting Policies:** (Continued)

**Significant Accounting Policies**

**Method of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

**Financial Statement Presentation**

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations", which requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Risks and Uncertainties**

The Foundation invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

In 2008, there has been significant volatility in the domestic and international investment markets, primarily as a result of liquidity issues in credit markets. Consequently, the fair value of the Foundation investments is exposed to higher than typical price volatility which could result in a substantial reduction in the fair value of certain investments from the amounts reported as of September 30, 2008.

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION  
(A NONPROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)**

**Note 1 - Organization and Nature of Activities and Significant Accounting Policies:** (Continued)

**Significant Accounting Policies** (Continued)

**Investments**

The Foundation follows Statement of Financial Accounting Standards No. 124 "Accounting for Certain Investments Held by Not-For-Profit Organizations" whereby investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position.

**Accounts Receivable**

Management believes that all accounts receivable were fully collectible, therefore, no allowance for doubtful accounts was recorded as of September 30, 2008 and 2007.

**Equipment**

Equipment is recorded at cost. Donations of equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Equipment totalled \$3,786 net of accumulated depreciation of \$1,893 and \$630 at September 30, 2008 and 2007, respectively. Equipment and software are depreciated using the straight-line method over the estimated useful asset lives as follows:

Computer equipment	3 years
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Depreciation aggregated \$1,263 and \$630 for the years ended September 30, 2008 and 2007, respectively.

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION  
(A NONPROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)**

**Note 1 - Organization and Nature of Activities and Significant Accounting Policies:** (Continued)

**Significant Accounting Policies** (Continued)

**Equipment** (Continued)

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

**Revenue Recognition**

**Contributions**

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

**Grant Revenue**

Grant revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant or contract. A receivable is recorded when revenue earned under a grant or contract exceeds the cash received. Deferred grant revenue is recorded when cash received under a grant or contract exceeds the revenue earned. Deferred grant revenue totalled \$357,793 and \$95,194 at September 30, 2008 and 2007, respectively.

**Allocated Expenses**

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

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION**  
**(A NONPROFIT CORPORATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**  
**(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)**

**Note 1 - Organization and Nature of Activities and Significant Accounting Policies:** (Continued)

**Significant Accounting Policies** (Continued)

**Income Tax Status**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Foundation is not a private foundation.

**Concentration of Credit Risk**

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

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundation considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

**Comparative Totals for September 30, 2007**

The financial statements includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2007, from which the summarized information was derived.

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION  
(A NONPROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)**

**Note 2 - Investments:**

Investments are stated at fair value. The Foundation's investments totalling \$689,389 and \$567,552 at September 30, 2008 and 2007, respectively are held by Dunham Trust Company in a variety of pooled investment funds and mutual funds.

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended September 30:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 4,037	\$ 4,613
Net realized and unrealized gains and (losses) on investments	<u>(36,684)</u>	<u>47,402</u>
Investment Income (Loss)	<u>\$(32,647)</u>	<u>\$52,015</u>

**Note 3 - Notes Receivable:**

Notes receivable to medical students for student loans bear interest at 4% to 7%. Interest begins accruing from the first to occur (i) date of graduation with a degree in medicine, or an advanced graduate degree in the medical field or (ii) date the borrower ceases to be a full-time medical student ("cessation date"). Payment of principal and interest are deferred for up to twelve (12) months from graduation date or six (6) months after borrower's cessation date.

Notes receivable consist of the following at September 30:

	<u>2008</u>	<u>2007</u>
Principal	\$74,484	\$77,566
Interest receivable	5,900	5,093
Less: Allowance for uncollectible	<u>(26,703)</u>	<u>(26,703)</u>
Notes Receivable, Net	<u>\$53,681</u>	<u>\$55,956</u>

Management has established an allowance for uncollectible notes receivable based on historical experience and management's evaluation of outstanding notes receivable. The allowance for uncollectible notes receivable is \$26,703 at September 30, 2008 and 2007.

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION  
(A NONPROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)**

**Note 4 - Temporarily Restricted Net Assets:**

Temporarily restricted net assets consist of the following at September 30:

	<u>2008</u>	<u>2007</u>
Asthma education	\$ 9,500	\$-0-
Project Access	13,640	-0-
Website	<u>16,375</u>	<u>-0-</u>
	<u>\$39,515</u>	<u>\$-0-</u>

**Note 5 - Commitment:**

**Operating Lease**

The Foundation reimburses the San Diego County Medical Society (the "Society") for rent for shared space according to the agreement on shared costs. Rent expense paid to the Society by the Foundation totalled \$26,220 and \$3,600 for the years ended September 30, 2008 and 2007, respectively.

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007)**

	<u>Supporting Services</u>			
	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>
<b><u>Personnel Costs:</u></b>				
Salaries	\$ 92,836	\$ 29,838	\$ 5,425	\$ 35,263
Employee benefits and payroll tax	<u>10,663</u>	<u>10,662</u>	<u>10,662</u>	<u>21,324</u>
Total Personnel Costs	<u>103,499</u>	<u>40,500</u>	<u>16,087</u>	<u>56,587</u>
				2008 <u>Total</u>
				\$128,099
				<u>31,987</u>
				<u>160,086</u>
				2007 <u>Total</u>
				\$ 78,219
				<u>22,404</u>
				<u>100,623</u>
<b><u>Other Expenses:</u></b>				
Outside services	81,063	28,097	20,823	48,920
Rent	22,882	25,020	1,200	26,220
Supplies	663	1,377	558	1,935
Office expenses	7,079	14,148	1,431	15,579
Professional fees	3,847	237	440	-0-
Travel	3,850			677
Grants/scholarships	2,092		93	-0-
Miscellaneous	1,588		522	93
Webhost			69	522
Dues and subscriptions	309	1,950	903	2,019
Meetings and conferences	120	605		1,508
Printing	1,400	1,607		1,607
Technology	1,330			-0-
Repairs and maintenance	1,263			-0-
Depreciation	617	5	511	516
Postage	50		273	273
Recruitment				-0-
Donations				-0-
Insurance				-0-
Total Other Expenses	<u>128,153</u>	<u>73,046</u>	<u>26,823</u>	<u>99,869</u>
				2008 <u>Total</u>
				\$388,108
				<u>228,022</u>
				<u>146,724</u>
				2007 <u>Total</u>
				\$247,347
				<u>156,456</u>
<b>TOTAL EXPENSES</b>	<u>\$231,652</u>	<u>\$113,546</u>	<u>\$42,910</u>	<u>\$156,456</u>