



REPORT ON AUDIT OF FINANCIAL STATEMENTS
for the year ended September 30, 2008 with comparative totals for 2007

THE GUARDSMEN

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Building your future

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Guardsmen

We have audited the accompanying statement of financial position of the Guardsmen (the Organization), a California not-for-profit organization, as of September 30, 2008 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated June 16, 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 the Organization 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.

Burr Pilger & Mayer LLP

San Francisco, California
June 25, 2009

Member of The Leading Edge Alliance

THE GUARDSMEN
STATEMENTS OF FINANCIAL POSITION

September 30, 2008
with comparative totals for 2007

ASSETS	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 852,079	\$ 950,855
Accounts receivable, net	74,908	14,264
Unconditional promises to give	131,001	10,000
Other current assets	<u>157,528</u>	<u>255,751</u>
Total current assets	1,215,516	1,230,870
Property and equipment, net	66,993	11,218
Endowment fund	2,946,386	3,591,273
Scholarship reserve fund	754,409	977,185
Campership reserve fund	<u>141,702</u>	<u>116,395</u>
Total assets	<u>\$5,125,006</u>	<u>\$5,926,941</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 138,662	\$ 65,318
Grants and scholarships payable	780,762	602,542
Deferred revenue	<u>26,099</u>	<u>11,175</u>
Total current liabilities	945,523	679,035
Grants and scholarships payable, long term	<u>60,000</u>	<u>-</u>
Total liabilities	<u>1,005,523</u>	<u>679,035</u>
Net assets:		
Unrestricted	106,051	553,053
Unrestricted—board-designated for endowment	1,593,516	2,506,652
Unrestricted—board-designated for scholarship	754,409	977,185
Unrestricted—board-designated for campership	<u>141,702</u>	<u>116,395</u>
Total unrestricted	2,595,678	4,153,285
Temporarily restricted	106,000	10,000
Permanently restricted	<u>1,417,805</u>	<u>1,084,621</u>
Total net assets	<u>4,119,483</u>	<u>5,247,906</u>
Total liabilities and net assets	<u>\$5,125,006</u>	<u>\$5,926,941</u>

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

THE GUARDSMEN
STATEMENTS OF ACTIVITIES

for the year ended September 30, 2008
with comparative totals for 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
Public support and revenue:					
General contributions	\$ 93,533	-	\$ 4,686	\$ 98,219	\$ 143,026
Scholarship contributions	272,082	\$ 100,000	203,498	575,580	125,950
Campership contributions	20,500	-	25,000	45,500	-
Fund-raising activities:					
Gross revenue	1,884,354	-	-	1,884,354	1,796,420
Direct expenses	(1,232,382)	-	-	(1,232,382)	(1,167,769)
Net fund-raising activities	651,972	-	-	651,972	628,651
Total public support	1,038,087	100,000	233,184	1,371,271	897,627
Investment (loss) income, net	(1,054,185)	-	-	(1,054,185)	450,046
Membership fees	204,914	-	-	204,914	194,171
Other income	22,133	-	-	22,133	-
Total public support and revenue	210,949	100,000	233,184	544,133	1,541,844
Net assets redirected	(100,000)	-	100,000	-	-
Net assets released from restrictions	4,000	(4,000)	-	-	-
Total public support, revenue, and net assets released from restrictions	114,949	96,000	333,184	544,133	1,541,844
Expenses:					
Scholarship program	536,105	-	-	536,105	404,957
Philanthropic endeavors	752,990	-	-	752,990	681,970
Total program expenses	1,289,095	-	-	1,289,095	1,086,927
Membership expenses	244,588	-	-	244,588	155,496
Fund-raising expenses	87,849	-	-	87,849	98,646
General and administrative expenses	51,024	-	-	51,024	66,818
Total expenses	1,672,556	-	-	1,672,556	1,407,887
Change in net assets	(1,557,607)	96,000	333,184	(1,128,423)	133,957
Net assets, beginning of year	4,153,285	10,000	1,084,621	5,247,906	5,113,949
Net assets, end of year	<u>\$ 2,595,678</u>	<u>\$ 106,000</u>	<u>\$ 1,417,805</u>	<u>\$ 4,119,483</u>	<u>\$ 5,247,906</u>

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

THE GUARDSMEN
STATEMENTS OF FUNCTIONAL EXPENSES

for the year ended September 30, 2008
with comparative totals for 2007

	Program Services			Supporting Services			2008 Total	2007 Total	
	Scholarship Program	Philanthropic Endeavors	Total Program	Member- ship	Fund- raising	General/ Admin.			Total Support
Grants and contributions	\$ 453,389	\$ 617,678	\$1,071,067	-	-	-	-	\$ 1,071,067	\$ 969,815
Salaries and benefits	34,745	58,728	93,473	\$ 64,504	\$62,253	\$15,620	\$142,377	235,850	221,007
Membership events	-	-	-	124,177	-	-	124,177	124,177	76,223
Professional fees	26,041	39,062	65,103	825	-	28,952	29,777	94,880	42,483
Insurance	8,003	14,651	22,654	733	708	178	1,619	24,273	22,080
Rent	3,803	6,427	10,230	7,059	6,813	1,709	15,581	25,811	25,925
Depreciation and amortization	1,589	2,685	4,274	2,949	2,846	714	6,509	10,783	648
Telephone	517	874	1,391	960	927	233	2,120	3,511	3,420
Postage and delivery	742	1,190	1,932	1,711	1,823	483	4,017	5,949	930
Printing and copying	343	69	412	7,583	73	18	7,674	8,086	3,460
Office supplies and expense	528	892	1,420	980	946	237	2,163	3,583	2,693
Public relations	360	609	969	3,423	646	162	4,231	5,200	1,690
Repairs and maintenance	3,652	6,173	9,825	6,780	6,544	1,642	14,966	24,791	14,093
Miscellaneous	1,744	2,948	4,692	3,238	3,125	784	7,147	11,839	8,510
Equipment rental	148	237	385	13,581	363	96	14,040	14,425	1,485
Awards and gifts	-	-	-	1,939	-	-	1,939	1,939	2,400
Bank charges	501	767	1,268	4,146	782	196	5,124	6,392	11,025
	<u>\$ 536,105</u>	<u>\$ 752,990</u>	<u>\$1,289,095</u>	<u>\$244,588</u>	<u>\$87,849</u>	<u>\$51,024</u>	<u>\$383,461</u>	<u>\$ 1,672,556</u>	<u>\$ 1,407,887</u>

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

THE GUARDSMEN
STATEMENTS OF CASH FLOWS
for the year ended September 30, 2008
with comparative totals for 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$(1,128,423)	\$ 133,957
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,783	648
Net unrealized loss on investments	1,515,848	(44,971)
Net realized gain on sale of investments	-	(70,966)
In-kind asset contributions	(12,485)	(100,302)
Contributions restricted for long term investment	(229,116)	(14,897)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(60,644)	7,974
(Increase) decrease in unconditional promises to give	(96,001)	41,150
Decrease in other current assets	110,708	4,954
Increase in accounts payable and accrued expenses	73,344	13,377
Increase in grants and scholarships payable	238,220	243,933
Increase (decrease) in deferred revenue	14,924	(362)
Net cash provided by operating activities	<u>437,158</u>	<u>214,495</u>
Cash flows from investing activities:		
Purchase of property and equipment	(66,558)	-
Purchase of investments	(673,492)	(299,170)
Proceeds from sale and maturity of investments	-	156,686
Net cash used in investing activities	<u>(740,050)</u>	<u>(142,484)</u>
Cash flows from financing activities:		
Net payments on revolving credit facility	-	(25,125)
Contributions restricted for long term investment	204,116	14,897
Net cash provided by (used in) financing activities	<u>204,116</u>	<u>(10,228)</u>
Net (decrease) increase in cash and cash equivalents	(98,776)	61,783
Cash and cash equivalents, beginning of year	<u>950,855</u>	<u>889,072</u>
Cash and cash equivalents, end of year	<u>\$ 852,079</u>	<u>\$ 950,855</u>
Supplemental disclosure of cash flow information—Interest paid	<u>-</u>	<u>\$ 1,281</u>

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

THE GUARDSMEN
NOTES TO FINANCIAL STATEMENTS

1. **Organization**

The Guardsmen (the Organization) is a service organization of San Francisco Bay Area business and professional men that, since 1947, has devoted its efforts to supporting disadvantaged youth. This support is in the form of financial scholarships for primary educational needs, and financial support for other culturally enriching opportunities that they otherwise would not be afforded. All members of the Organization volunteer their time for a variety of fund-raising events that generate proceeds directly supporting underprivileged Bay Area children. The Organization's members receive experience and training to become philanthropic and civic-minded contributors in the community. The members receive no compensation for their time and efforts. The Organization's financial support is generated by many sources including corporate sponsorships, private foundations, corporate/individual donations, and income earned by the Organization's fund-raising activities.

2. **Description of Program and Supporting Services**

The following programs and supporting services are included in the accompanying financial statements.

Scholarship Program

The Guardsmen Scholarship Program was started in 1998 in an effort to provide a better education and a better chance in life to disadvantaged Bay Area youth. The program pays 50% of tuition, up to a maximum of \$2,000 annually, for their recipients to attend the private school of their parents' choice. Children can enter the program between kindergarten and the 6th grade. Once they are accepted into the program, they may only receive funding each year through high school if they reapply and continue to meet the eligibility requirements. This program currently supports 194 children in 82 schools in nine Bay Area counties. All recipients qualify as economically disadvantaged under Federal guidelines. New recipients are chosen by lottery, and parents or guardians are expected to shoulder a portion of the tuition.

Philanthropic Endeavors

Campership Program

Each summer the Organization helps economically disadvantaged children and physically and emotionally challenged children from the greater Bay Area and from various ethnic backgrounds attend residential and day camp programs. During their time away from home, they learn to appreciate the outdoors, participate in group activities, and experience, perhaps for the first time, the joy and excitement of just being a child.

In addition to traditional camp experiences, the Organization also helps children attend other youth education programs, such as one-day excursions through its Youth Services Program. Annually, these activities provide children access to academically, culturally, and athletically enriching activities that they otherwise would not attend.

THE GUARDSMEN
NOTES TO FINANCIAL STATEMENTS, Continued

2. **Description of Program and Supporting Services, continued**

Philanthropic Endeavors, continued

Campership Program, continued

The Organization has a strict application process designed to ensure that the most qualified agencies meeting certain qualifications are funded. The Organization generally seeks to fund camps with a guidance-oriented approach: where the counselors emphasize values inherent in the relationship between boys and girls and their peers; where the counselors teach communication between boys and girls and adult leaders; and where the counselors assist the campers in making appropriate and satisfying adjustments in their physical, education, personal, social, emotional, vocational, and spiritual lives.

Other Philanthropic Endeavors

- Grants funds to other agencies for related programs.
- Provides the experience and education to develop members into more philanthropic and civic-minded contributors in the community.

Membership

Membership encompasses the identification, cultivation, and expansion of the Organization's membership.

Fund-Raising

Fund-raising provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

General and Administrative

Includes business management, general record-keeping, and budgeting as well as expenses for activities of the governing board.

3. **Summary of Significant Accounting Policies**

Basis of Accounting

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

THE GUARDSMEN
NOTES TO FINANCIAL STATEMENTS, Continued

3. **Summary of Significant Accounting Policies, continued**

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS No. 117). Under SFAS No. 117, the Organization is required 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

Bad debts are provided on the allowance method based on historical experience and management evaluation of outstanding accounts receivable.

Endowment Fund

In 1973, the Organization established an endowment campaign whereby only the income earned from its investments was to be used for its philanthropic endeavors, with the principal to be left to accumulate in perpetuity. In the fiscal year ending September 30, 2000, the board resolved to make an annual disbursement of its endowment investments to its operating fund of the interest, dividends and capital appreciation of the endowment balance, in excess of a 5% return calculated upon the average return over the prior three years. In the fiscal year ending September 30, 2003, the investment committee modified this annual contribution to be 5% of a prior three year average of the value of the endowment fund assets. In addition, all dividends and interest earned from the endowment investments would be re-invested in the endowment fund as received.

Endowment fund assets consist of mutual funds which are made up of 66.90% common stock, 31.00% fixed income securities, such as U.S Treasury & Government related, mortgage-related and corporate securities, and 2.10% cash equivalents, which are carried at their readily determinable fair values in the Statements of Financial Position. These investments are subject to market fluctuations. Realized and unrealized gains and losses are reflected as increases or decreases in the unrestricted class of net assets unless the donor or relevant laws place temporary or permanent restrictions on the gains and losses.

Continued

THE GUARDSMEN
NOTES TO FINANCIAL STATEMENTS, Continued

3. **Summary of Significant Accounting Policies, continued**

Scholarship Reserve Fund

Each child in the Scholarship Program is eligible to receive funding through high school, provided they continue to re-apply and continue to qualify economically. Program recipients presently range from kindergartners to 11th graders, with the average grade level being the 5th grade. Given that the Organization has no guarantee of fund-raising outcomes in future years, the Organization has established a Scholarship Reserve to pre-fund the estimated future costs of the scholarships for current recipients. The amount of the Reserve is a function of a) the number of students in the program, b) the grade level of the average student, c) expected attrition rates, and d) expected average scholarship costs. Any future excess in reserves will go toward funding additional scholarships, and any future shortfall will be funded from that year's fund-raising activities.

Scholarship reserve fund assets consist of mutual funds which are made up of 66.90% common stock, 31.00% fixed income securities, such as U.S Treasury & Government related, mortgage-related and corporate securities, and 2.10% cash equivalents, which are carried at their quoted fair values in the Statements of Financial Position. These investments are subject to market fluctuations. Realized and unrealized gains and losses are reflected as increases or decreases in the unrestricted class of net assets.

Campership Reserve Fund

Given that the Organization has no guarantee of fund-raising outcomes in future years, the Organization has established a campership reserve fund to pre-fund the estimated future costs of grants and awards to youth organizations already approved by the Guardsmen. The amount of reserve is designated by the board.

Campership reserve fund assets consist of cash and cash equivalents, which are not federally insured.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line basis over the useful life of the asset, ranging from three to five years. Depreciation expense for equipment used specifically for fund-raising events is charged to the cost of those events. In general, items purchased over \$500 are capitalized and depreciated over their useful life.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization places its cash and cash equivalents with quality financial institutions. The Company's deposits are generally in excess of federally insured amounts. The Organization's investments are not insured by the Securities Investor Protection Corporation (SIPC) and therefore are subject to credit risk.

THE GUARDSMEN
NOTES TO FINANCIAL STATEMENTS, Continued

3. **Summary of Significant Accounting Policies, continued**

Net Assets

The guidelines used by the Organization for allocating contributions and expenses are as follows:

Unrestricted

- Net assets bearing no external restrictions as to use or purpose.

Board-Designated (Unrestricted)

- Funds designated by the Board to be held in the Organization's endowment fund.
- Funds designated by the Board to be held in reserve for payment of scholarships.
- Funds designated by the Board to be held in reserve for payment of campership awards.

Temporarily Restricted

- Contributions received whose use has been limited by donors to a specific time period or purpose.

Permanently Restricted

- Contributions that had been specifically stipulated by the donor to be maintained permanently, but permit the organization to use up or to expend all of the income (or other economic benefits) derived from the donated assets.

Revenue Recognition

The Organization recognizes revenue from sales of goods once purchased by customers. Special event revenue is recognized when the event has occurred. Revenue from membership dues is recognized over the passage of time, during the period covered by those dues. Dues are billed in advance and any payments made prior to the applicable period are deferred. Revenue from sales of goods is reported net of sales taxes.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Continued

THE GUARDSMEN
NOTES TO FINANCIAL STATEMENTS, Continued

3. **Summary of Significant Accounting Policies, continued**

In-kind Contributions

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with programs, solicitations, fund-raising activities, and various committee assignments. The Organization receives more than 14,500 volunteer hours per year. Although no amounts have been reflected in the financial statements for donated services, management estimates the fair value of those services to be approximately \$616,250 for the year ended September 30, 2008.

Grants and Contributions

Grants and contributions are recognized as expenses when the unconditional promise to give to an organization is approved by the Board of Directors and communicated to the grantee.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses applicable to more than one function are allocated based on usage and management's estimates.

Income Tax Status

The Organization has been granted tax-exempt status as provided by the Internal Revenue Code Section 501(c) 3 and the California Revenue and Taxation Code Section 23701(d). In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. As a result, the Organization is exempt from paying any income taxes and thus no provision for income taxes has been reflected in these financial statements.

Summarized Prior Year Information

The financial statements include 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 accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2007, from which the summarized information was derived.

Reclassification

Certain reclassifications have been made to the 2007 financial statements in order to conform to the current year presentation.

Continued

THE GUARDSMEN
NOTES TO FINANCIAL STATEMENTS, Continued

4. **Accounts Receivable**

Accounts receivable at September 30, 2008 consist of the following:

Due from members	\$	65,794
Accounts receivables, other		10,000
Allowance for doubtful accounts		<u>(886)</u>
		<u>\$ 74,908</u>

5. **Unconditional Promises to Give**

As of September 30, 2008 unconditional promises to give of \$131,001 are due from two Foundations and a trust and are due within one year.

6. **Endowment Fund**

Assets held in the Endowment fund include the following at September 30, 2008:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	<u>\$2,656,145</u>	<u>\$2,946,386</u>

There is an endowment whose market value is less than the original contribution by \$48,566 and has been reflected as part of unrestricted investment loss.

7. **Scholarship Reserve Fund**

Assets held in the Scholarship Reserve fund include the following at September 30, 2008:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 888,959</u>	<u>\$ 754,409</u>

8. **Campership Reserve Fund**

Assets held in the Campership Reserve fund include the following at September 30, 2008:

	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	<u>\$141,702</u>	<u>\$141,702</u>

Continued

THE GUARDSMEN
NOTES TO FINANCIAL STATEMENTS, Continued

9. **Grants and Scholarships Payable**

Grants awarded but unpaid as of September 30, 2008 were:

Payable in one year	\$ 780,762
Payable in one to four years	<u>60,000</u>
	<u>\$ 840,762</u>

10. **Investment Income, Net**

Investment return is shown net of investment expense. For the fiscal year ended September 30, 2008, Dodge & Cox Balanced Funds charged .53% of market value for management fees, or approximately \$20,000.

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended September 30, 2008:

	<u>Unrestricted Total</u>
Dividends and interest	\$ 47,847
Capital gains	413,816
Net unrealized loss on investments	<u>(1,515,848)</u>
Total net investment income/(loss)	<u>\$ (1,054,185)</u>

11. **Property and Equipment**

Property and equipment consists of the following at September 30, 2008:

Furniture and fixtures	\$ 32,083
Equipment	65,684
Software	75,174
Leasehold improvements	<u>1,898</u>
	174,839
Less accumulated depreciation and amortization	<u>(107,846)</u>
Total property and equipment	<u>\$ 66,993</u>

Depreciation and amortization expense was \$10,783 for the year ended September 30, 2008.

Continued

THE GUARDSMEN
NOTES TO FINANCIAL STATEMENTS, Continued

12. **Deferred Revenue**

Deferred revenue at September 30, 2008 is \$26,099, which represents revenue from an event to be recognized by the Organization in the following fiscal year.

13. **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purpose or periods as of September 30, 2008:

Future scholarships	<u>\$ 106,000</u>
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14. **Permanently Restricted Net Assets**

Permanently restricted assets are available for the following purposes as of September 30, 2008:

General	\$ 1,089,307
Scholarship	303,498
Campership	<u>25,000</u>
	<u>\$ 1,417,805</u>

15. **Tax-Deferred Annuity Plan**

In April 2006, the Board approved a modification to the plan whereby matches by the Organization will be dollar-for-dollar up to 4% of the employee's salary. The Organization's contributions to the plan was \$13,133 for the year ended September 30, 2008.

16. **Operating Leases**

The Guardsmen has two noncancelable operating leases, with remaining terms up to 2010. At September 30, 2008, future minimum lease payments under these leases are as follows:

Year ending September 30:	
2009	\$ 22,386
2010	<u>11,726</u>
Total minimum lease payments	<u>\$ 34,112</u>

The office lease rent is subject to annual adjustments for the Organization's pro rata share of the landlord's operating expenses. The lease expires March 31, 2010 and contains an option to extend the term of the lease for five years.

Continued

THE GUARDSMEN
NOTES TO FINANCIAL STATEMENTS, Continued

16. **Operating Leases, continued**

In addition to the office rental lease, the Organization holds a lease for its annual tree lot fund-raising event. The lease is negotiated and executed during the current fiscal year and held for the next holiday season. Total rental expense for these two leases for the year ended September 30, 2008 was \$88,219. This amount is allocated among the functional expenses in the accompanying Statement of Activities and Functional Expenses and in net revenues (over expenses) from fund-raising activities in the accompanying Statements of Activities.

17. **Concentrations**

Unconditional Promises to Give

For the year ended September 30, 2008, approximately 100% of unconditional promises to give was derived from three organizations.

Investments

The Organization's investments in the Dodge & Cox Balanced Funds represent 100% of investments.

Contributions

For the year ended September 30, 2008, approximately 42% of total contribution revenue was derived from four organizations.

Fund-Raising Events

For the year ended September 30, 2008, approximately 51% of fund-raising revenue was from two events.

Support/Revenue

The Organization is supported primarily by corporations, foundations, and individuals who have a geographic concentration in the San Francisco Bay Area.

18. **Related Party Transactions**

The Organization purchases products and services from current members, former members, and/or businesses where members have significant influence. The nature of the products and services purchased varies from year to year, but mainly relate to fund-raising events and general and administrative expenses. During the year ended September 30, 2008, related party transactions amounted to \$106,917 with one member.