

# Institute of the Americas



## **Financial Statements** Years Ended December 31, 2008 and 2007



Mayer  
Hoffman  
McCann P.C.  
An Independent CPA Firm

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## **Independent Auditors' Report**

To the Audit Committee  
**Institute of the Americas**  
La Jolla, California

We have audited the accompanying statement of financial position of **Institute of the Americas** ("the Institute") as of December 31, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Institute'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 Institute's 2007 financial statements and, in our report dated March 10, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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.

**Institute of the Americas** recognizes membership revenue when billed or received. In our opinion, U.S. generally accepted accounting principles require that **Institute of the Americas** recognize membership revenue ratably over the period of membership. The effects on the financial statements of that departure from those accounting principles are not reasonably determinable.

In our opinion, except for the effects of recognizing membership revenue when billed, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the **Institute of the Americas** as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Mayer Hoffman McCann, P.C.*

March 5, 2009

# Institute of the Americas

## Statements of Financial Position

With Summarized Financial Information for 2007

<i>December 31,</i>	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	<b>Total 2008</b>	2007
<b>Assets</b>					
Cash (Notes 1 and 11)	\$ 89,315	\$ -	\$ -	\$ 89,315	\$ 259,063
Board designated cash (Notes 1 and 11)	135	-	-	135	2,605
Receivables	95,194	-	-	95,194	195,832
Investments (Notes 1, 2, and 11)	868,287	-	-	868,287	2,262,541
Fixed assets - net (Notes 1, 4, and 5)	2,004,248	3,493,620	-	5,497,868	5,638,064
Restricted investments (Notes 1, 2, 3, and 11)	-	-	4,170,290	4,170,290	4,170,290
<b>Total assets</b>	<b>\$ 3,057,179</b>	<b>\$ 3,493,620</b>	<b>\$ 4,170,290</b>	<b>\$ 10,721,089</b>	<b>\$ 12,528,395</b>
<b>Liabilities, Deferred Revenue, and Net Assets</b>					
Line of credit (Note 6)	\$ 692,499	\$ -	\$ -	\$ 692,499	\$ 960,180
Accounts payable and accrued liabilities	271,953	-	-	271,953	223,060
Deferred revenue	12,298	-	-	12,298	53,893
Commitments and contingencies (Notes 10 and 11)					
<b>Net assets</b>	<b>2,080,429</b>	<b>3,493,620</b>	<b>4,170,290</b>	<b>9,744,339</b>	<b>11,291,262</b>
<b>Total liabilities, deferred revenue, and net assets</b>	<b>\$ 3,057,179</b>	<b>\$ 3,493,620</b>	<b>\$ 4,170,290</b>	<b>\$ 10,721,089</b>	<b>\$ 12,528,395</b>

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

# Institute of the Americas

## Statements of Activities

*With Summarized Financial Information for 2007*

<i>Years Ended December 31,</i>	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	<b>Total 2008</b>	2007
<b>Revenues (Note 1)</b>					
Sponsorship and registration fees (\$95,900 related to special event) (Note 7)	\$ 1,212,845	\$ -	\$ -	<b>\$ 1,212,845</b>	\$ 1,525,130
Agency and foundation grants (Notes 7 and 10)	441,345	-	-	<b>441,345</b>	343,895
Other income	189,451	-	-	<b>189,451</b>	209,470
Interest and dividends	188,811	-	-	<b>188,811</b>	167,296
Contributions (\$79,625 related to special event) (Note 13)	99,625	-	-	<b>99,625</b>	16,000
Membership dues (Note 7)	27,500	-	-	<b>27,500</b>	30,550
Net realized and unrealized gain (loss) on sale of investments	(1,290,761)	-	-	<b>(1,290,761)</b>	284,198
Net assets released from restrictions (Note 8)	91,496	(91,496)	-	-	-
<b>Total revenues</b>	<b>960,312</b>	<b>(91,496)</b>	<b>-</b>	<b>868,816</b>	<b>2,576,539</b>
<b>Expenses</b>					
Program services (Note 7)	1,384,026	-	-	<b>1,384,026</b>	1,164,708
General and administrative	598,576	-	-	<b>598,576</b>	888,827
Fundraising (\$130,540 related to special event)	207,179	-	-	<b>207,179</b>	36,278
Depreciation and amortization (Notes 1, 4, 5, and 8)	170,751	-	-	<b>170,751</b>	170,955
Publications	31,342	-	-	<b>31,342</b>	59,639
Development	23,865	-	-	<b>23,865</b>	57,841
<b>Total expenses</b>	<b>2,415,739</b>	<b>-</b>	<b>-</b>	<b>2,415,739</b>	<b>2,378,248</b>
Excess (deficit) of revenues over expenses	(1,455,427)	(91,496)	-	<b>(1,546,923)</b>	198,291
Net assets at beginning of year	3,535,856	3,585,116	4,170,290	<b>11,291,262</b>	11,092,971
Net assets at end of year	<b>\$ 2,080,429</b>	<b>\$ 3,493,620</b>	<b>\$ 4,170,290</b>	<b>\$ 9,744,339</b>	<b>\$ 11,291,262</b>

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

# Institute of the Americas

## Statements of Cash Flows

<i>Years Ended December 31,</i>	<b>2008</b>	2007
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (1,546,923)	\$ 198,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on sale of investment	<b>1,290,761</b>	(284,198)
Depreciation and amortization	<b>170,751</b>	170,955
Increase (decrease) in cash resulting from changes in:		
Receivables	<b>100,638</b>	(8,844)
Accounts payable and accrued liabilities	<b>48,893</b>	19,193
Deferred revenue	<b>(41,595)</b>	(24,326)
Net cash provided by operating activities	<b>22,525</b>	71,071
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	<b>1,532,933</b>	7,874,889
Purchases of investments	<b>(1,426,970)</b>	(7,687,413)
Purchases of fixed assets	<b>(30,555)</b>	(9,597)
Net cash provided by investing activities	<b>75,408</b>	177,879
<b>Cash Flows From Financing Activities</b>		
Net decrease in line of credit	<b>(267,681)</b>	(166,273)
<b>Net Change in Cash</b>	<b>(169,748)</b>	82,677
<b>Cash at Beginning of Year</b>	<b>259,063</b>	176,386
<b>Cash at End of Year</b>	<b>\$ 89,315</b>	\$ 259,063
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for:		
Interest	<b>\$ 34,674</b>	\$ 69,876

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

**1. Summary of Significant Accounting Policies**

A summary of the Institute's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

*Nature of activities*

The **Institute of the Americas** ("the Institute") is a California non-profit public benefit corporation organized for charitable purposes and exempt from taxation under the Internal Revenue Code. The purpose of the Institute is to carry out programs to improve relations and promote understanding between the United States and the countries of Latin America, Canada, and the Caribbean, as well as the Pacific Rim, including, but not limited to, political, social, and economic aspects of such relations.

The Institute accomplishes its program objectives primarily through conferences, meetings, and events held in the United States and South America.

*Use of estimates*

The preparation of the financial statements in conformity with U.S. 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.

*Income taxes*

The Institute is generally exempt from income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code and comparable statutes of the state of California.

*Cash*

The Institute's management has defined "cash" to include only bank accounts including funds on deposit that are available for general use. Board designated cash is separately stated and treated as an investment for presentation in the statements of cash flow. Money market accounts are defined as investments.

*Receivables*

The Institute has historically collected all of its membership dues and sponsorship receivables. It is the Institute's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Based on the information available, management believes that no allowance is needed as of December 31, 2008 and 2007.

### *Fair Value Measurements*

Statement of Financial Accounting Standard “SFAS” No. 157, *Fair Value Measurements*, establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

The Institute adopted SFAS No. 157 as of January 1, 2008 for financial assets and financial liabilities. There has been no material impact on the results of operations for 2008. We measure fair value at the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

SFAS No. 157 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

The following table summarizes the valuation of our financial instruments in accordance with SFAS No. 157 pricing levels as of December 31, 2008:

	Unadjusted Quoted Market Prices (Level 1)
Exchange traded funds	\$4,447,408
Debt instruments	525,000
Cash and money market accounts	66,169
Total	\$5,038,577

*Investments* Investments are accounted for in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under the provisions of SFAS No. 124, investments in equity securities with readily determinable fair market values and all debt securities should be reported at fair value with gains and losses included in the Statement of Activities.

The Institute's investments consist of exchange traded funds and debt instruments and are recorded at fair value. The fair value of investments in securities traded on national security exchanges is valued at the closing price on the last day of the period.

Realized gains and losses on the sale of investments are calculated using the specific identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the period or since the acquisition date, if acquired during the period, and are recorded as a component of unrestricted net assets, unless restricted by donor.

There are no donor-imposed restrictions on the related gains, losses, and investment income.

The assets allocable to permanently restricted net assets were included in investments as of December 31, 2008 and 2007.

*Fixed assets* Assets donated for use by the Institute in carrying out its exempt purpose and assets purchased with contributions restricted to the purchase of assets are considered temporarily restricted for the useful life of the asset. Restrictions are satisfied by the expiration of the asset's usefulness through depreciation.

The Institute's policy is to capitalize assets with a useful life of greater than one year and a value of \$1,000 or more. The basis for valuation of purchased fixed assets is cost and estimated fair value on the date of contribution for contributed fixed assets.

Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets or, in the case of leasehold improvements, over the lesser of the useful life of the related asset or the lease term.

*Change in estimate*

During 2003 the Institute's management revised its estimate of the useful lives of the leasehold interest structures known as Phase I and Phase II (see Note 5). Previously, the structures were amortized over a 30-year estimated useful life. Management believes that the period of the leasehold interest is a better estimate of the useful lives of the structures.

As a result of the change, the Institute's excess (deficit) of revenues over expenses will be positively impacted by approximately \$64,000 annually during the years ending December 31, 2006 through 2033 and negatively impacted by approximately \$53,000 annually during the years ending December 31, 2034 through December 31, 2044.

**Basis of Presentation**

*Net assets*

The Institute's net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Institute are classified and reported as follows:

*Unrestricted Net Assets* – All net assets that are not subject to donor-imposed restrictions are reported as unrestricted net assets.

*Temporarily Restricted Net Assets* – Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met and funds for which the ultimate purpose of the proceeds is not permanently restricted.

*Permanently Restricted Net Assets* – Permanently restricted net assets include gifts that require by donor-imposed restrictions that the corpus be invested permanently and only the investment income be made available for the Institute's operations.

*Revenue recognition*

Unconditional promises to give are recognized upon receipt of the promise at their estimated fair value. Conditional promises to give are recognized upon determination that there is only a remote possibility that the donor conditions will not be met.

Contributions for which donor imposed restrictions are satisfied in the same period as the contribution is received are reported as increases in unrestricted net assets.

*Revenue recognition, cont'd*

Event fees are recognized when the event occurs.

Membership dues are recognized when billed or received. Membership dues include Friend of the Americas memberships between \$250 and \$1,000. Sponsorship and registration fees revenue in the Statements of Activities included approximately \$430,000 and \$592,500 of steering membership revenue for 2008 and 2007, respectively. Income from agency and foundation grants is recognized as the program services funded by the grants are delivered.

Rental income is recognized on a straight-line basis over the life of the lease agreement (see Note 12).

The Institute held a special event in November 2008 to celebrate the 25<sup>th</sup> anniversary of the Institute. This special event generated revenues and expenses of approximately \$175,500 and \$130,500, respectively.

*Summarized information*

The financial statements include certain prior year summarized financial information in total, but not net asset classification, and are presented to provide a basis for comparison to financial information for 2008. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Institute's financial statements for 2007, from which the summarized information was derived.

**2. Investments with Investment Management Company**

Investments at quoted market value consisted of the following:

<i>December 31,</i>	<b>2008</b>	2007
Exchange traded funds	<b>\$ 4,447,408</b>	\$ 5,883,178
Debt instruments	<b>525,000</b>	488,000
Cash and money market accounts	<b>66,169</b>	61,653
Total investments and mutual funds held by management company	<b>5,038,577</b>	6,432,831
Permanently restricted investments (Note 3)	<b>(4,170,290)</b>	(4,170,290)
Total unrestricted investments	<b>\$ 868,287</b>	\$ 2,262,541

**3. Restricted Investments**

In 1993 the Institute entered into an agreement with The Gildred Foundation whereby the Gildred Foundation established an endowment of approximately \$4.1 million for the Institute. Income from the endowment is available for the use of the Institute at the discretion of the Institute's Board of Directors.

**4. Fixed Assets** Fixed assets consisted of the following:

<i>December 31,</i>	<b>2008</b>	2007
Leasehold interest (Note 5)	<b>\$ 5,975,233</b>	\$ 5,975,233
Residential real estate	<b>1,495,451</b>	1,495,451
Equipment	<b>415,425</b>	401,683
Furniture and fixtures	<b>283,773</b>	270,152
Leasehold improvements	<b>88,049</b>	84,856
	<b>8,257,931</b>	8,227,375
Less accumulated depreciation and amortization	<b>(2,760,063)</b>	(2,589,311)
	<b>\$ 5,497,868</b>	\$ 5,638,064

Depreciation and amortization expense was approximately \$171,000 for 2008 and 2007.

**5. Leasehold Interest**

Pursuant to an agreement entered into in 1983, as amended in 1993 and 2002, with the Regents of the University of California, a California constitutional corporation, and The Gildred Foundation, the Institute constructed the structures referred to in the agreement as Phases I, II and III on land owned by the University of California, San Diego (“UCSD”) and conveyed to UCSD. In exchange for the structures, the Institute received, subject to the terms of the agreement, a leasehold interest, including facilities maintenance, until August 2044 for the portion of the structures known as Phase I and Phase II (see Note 1) and until April 2052 for Phase III. Phase III of the leasehold interest is sublet to UCSD (see Note 12).

The structures are amortized over the term of the leasehold interest, the estimated useful life of the assets (see Note 1). The leasehold interest of approximately \$6 million is included in fixed assets (see Note 4). Amortization expense of the leasehold interest was approximately \$91,000 in both 2008 and 2007 and was included in depreciation and amortization expense.

**6. Line of Credit**

In March 2004 the Institute entered into a loan agreement with a bank for a line of credit in the amount of \$1,500,000. The loan agreement includes provision for monthly payment of interest at the three-month LIBOR rate (1.43% as of December 31, 2008) plus 1.0%. The line of credit matures in March 2009, and is secured by investments held in the endowment portfolio (see Note 2).

- 6. Line of Credit, Cont'd** In January 2005 the loan agreement was altered to a new lending platform offered by the Institute's financial institution to increase the maximum balance on the line of \$1,500,000 to fluctuate with the fair market value of the investments held in the endowment portfolio (see Note 2). The borrowing limit was at approximately \$2,055,000 and \$2,900,000 at December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, the outstanding balance on the line was \$692,499 and \$960,180, respectively.

Interest expense related to the lines was approximately \$31,000 and \$68,000 for 2008 and 2007, respectively.

- 7. Program Revenues and Expenses** Following is a breakdown of grants, sponsorship, and registration fees revenues and expenses by program categories. Variances between program revenue and the revenue included in the Statements of Activities were composed primarily of general operations grants and non-program specific event revenue.

<i>Years Ended December 31,</i>	<b>2008</b>	2007
Revenues:		
Energy	\$ <b>867,758</b>	\$ 1,055,995
Journalism/Training	<b>343,038</b>	347,600
Project Mexico	<b>130,951</b>	128,928
CAF Tour	<b>122,593</b>	-
CEPAS/Community	<b>71,000</b>	109,210
ICT	<b>60,450</b>	154,010
	<b>\$ 1,595,790</b>	\$ 1,795,743

<i>Years Ended December 31,</i>	<b>2008</b>	2007
Expenses:		
Energy	\$ <b>504,749</b>	\$ 398,427
Journalism/Training	<b>350,193</b>	285,848
ICT	<b>156,027</b>	217,099
General programs	<b>114,981</b>	28,936
Project Mexico	<b>107,560</b>	122,827
CEPAS/Community	<b>92,163</b>	111,571
CAF Tour	<b>58,353</b>	-
Depreciation	<b>15,000</b>	-
	<b>\$ 1,399,026</b>	\$ 1,164,708

### 8. Net Assets

The Board of Directors of the Institute has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. The Institute classifies as permanently restricted net assets the original value of the gift donated to the permanent endowment. The remaining portion of the donor-restricted fund that is not classified in permanently restricted net assets is classified as unrestricted net assets to be used as set forth in the Institute's Endowment Policy or upon Board approval for special needs.

The Board adopted an Endowment Policy (spending policy) upon recommendation of the Endowment and Finance Committee. The policy allows for withdrawals from the endowment for use in operations upon approval by the Committee. Except under extraordinary circumstances, approved withdrawals should be between 3% and 5% of income and net appreciation generated by the endowment per year.

In order to achieve the Institute's long-term investment objective, the portfolio will be administered with a moderate level of risk, accepting some volatility in principal while attempting to grow the portfolio over time. The Institute's Investment Policy provides asset managers with a target allocation for the portfolio that approximates 65% invested in equity securities, and the remainder of the portfolio invested in fixed income and other securities. At a minimum, an annual rebalancing will be administered to bring the portfolio back in line with the asset allocation model.

Endowment net asset composition by type of fund as of December 31, 2007:

	Unrestricted	Permanently Restricted	Total
Donor – restricted endowment fund	\$ 261,280	\$ 4,170,290	\$4,431,570

# Institute of the Americas

## Notes to Financial Statements

### 8. Net Assets, Cont'd

Changes in endowment net assets for the year ended December 31, 2007:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	\$ -	\$ 4,170,290	\$4,170,290
Investment return:			
Net investment income	73,117	-	73,117
Net appreciation (realized and unrealized)	188,163	-	188,163
Total investment return	\$ 261,280	\$ -	\$ 261,280
Endowment net assets, end of year	\$ 261,280	\$ 4,170,290	\$4,431,570

Endowment net asset composition by type of fund as of December 31, 2008:

	Unrestricted	Permanently Restricted	Total
Donor – restricted endowment fund	\$(535,179)	\$ 4,170,290	\$3,635,111

Changes in endowment net assets for the year ended December 31, 2008:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	\$ 261,280	\$ 4,170,290	\$4,431,570
Investment return:			
Net investment income	92,745	-	92,745
Net depreciation (realized and unrealized)	(889,204)	-	(889,204)
Total investment loss	\$(796,459)	\$ -	(796,459)
Endowment net assets, end of year	\$(535,179)	\$ 4,170,290	\$3,635,111

**8. Net Assets,  
Cont'd**

At times, the fair value of donor restricted assets may fall below the level that the donor requires the Institute to retain as a permanently restricted asset. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$535,179 as of December 31, 2008. This deficiency resulted from unfavorable market fluctuations that occurred during 2008.

There are no planned expenditures from the endowment for 2009. A provision was included in the 2009 budget for a maximum withdrawal of up to \$200,000, if needed, for cash flow purposes.

*Net assets released from restrictions*

Net assets were released from donor restrictions during 2008 and 2007 by incurring expenses satisfying the restricted purposes as follows:

<i>Years Ended December 31,</i>	<b>2008</b>	2007
Depreciation and amortization expense	<b>\$ 91,496</b>	\$ 91,496

**9. Employee Benefit Plans**

*SEP Plan*

The Institute has a Simplified Employee Pension Plan (“the Plan”). All personnel who have completed at least one year of service and have attained the age of 21 are eligible to participate in the Plan. The Institute contributes, at its discretion, an amount equal to 5% of each employee’s base salary to the Plan. Contributions made by the Institute were approximately \$47,000 and \$45,000 in 2008 and 2007, respectively.

*TDA Plan*

The Institute maintains a tax deferred annuity plan that is available to all of its employees. The employees fund contributions to the plan.

**10. Commitments and Contingencies**

*Operating leases*

The Institute leases certain office equipment under non-cancelable operating leases. Additionally, the Institute leases a car for use by the President of the Institute, as well as use by the Institute itself.

*Operating leases, cont'd* Future minimum payments under non cancelable operating leases are as follows:

<i>Years ending December 31,</i>	
2009	\$ 17,381
2010	17,125
2011	13,108
Total	\$ 47,614

Lease expense for 2008 and 2007 was approximately \$17,400.

*Grant awards* The Institute regularly receives grants conditional upon performance of certain grantor stipulated activities. If the Institute does not comply with the grantor's stipulations, grant funds must be returned to the grantor. The Institute believes it has satisfied all grantor conditions related to grant revenue recognized in 2008 and 2007.

*Hotel agreement* During 2008 the Institute entered into an agreement with a hotel to host a conference in May 2009. If the Institute were to cancel the conference it would be required to pay the hotel approximately \$30,000.

*Employment contract* During 2003 the Institute entered into an employment contract under which it required an executive to live in Institute-owned housing. Management believes the contract requirements qualify the lodging for exclusion from the employee's taxable compensation in accordance with Internal Revenue Code Section 119.

### 11. Concentrations

*Credit and market risk* The Institute maintains cash balances at financial institutions located in San Diego County, California. The Federal Deposit Insurance Corporation insures funds on deposit up to \$250,000. At times, balances may exceed federally insured limits. The Institute has not experienced any losses in such accounts. Management believes that the Institute is not exposed to any significant credit risk with respect to its cash.

The Institute holds investments in exchange traded funds and debt instruments. These securities, in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain of these investment securities, it is reasonably possible that changes in the values of these investment securities may occur in the near term and that such change could materially affect the amounts reported in the financial statements.

### **12. Sublease**

In August 2003 the Institute sublet approximately 4,500 square feet of its leasehold interest (see Note 5) to UCSD under a non-cancelable lease. The original lease term was 18 months and commenced on August 1, 2003 with an option to extend the lease. Per an amendment dated October 3, 2008, the sublease was amended to extend the sublease for three years beginning November 1, 2008 and ending October 31, 2011 with the option to extend the sublease for two consecutive one-year periods. The monthly rent will be \$10,248 for year one, \$10,555 for year two, and \$10,872 for year three.

Other income included approximately \$120,000 and \$117,000 of sublease income for 2008 and 2007, respectively.

### **13. Related Parties**

Contribution revenue included approximately \$18,000 and \$3,000 of contributions from members of the Board of Directors during 2008 and 2007, respectively. There were no amounts due from Board members at December 31, 2008 and 2007.