PROMISES2KIDS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2010

Leaf & Cole, LLP
Certified Public Accountants

PROMISES2KIDS FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2010

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Independent Auditor's Report

To the Board of Directors
Promises2Kids Foundation

We have audited the accompanying statement of financial position of Promises2Kids Foundation as of December 31, 2010, and the related statements of activities, functional expenses 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 Promises2Kids Foundation's 2009 financial statements and in our report dated June 16, 2010, 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 Promises2Kids Foundation as of December 31, 2010, 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.

Leaf & Cole LLP

San Diego, California
June 2, 2011

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PROMISES2KIDS FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2009)

ASSETS

	2010	2009
Assets: (Notes 1, 2, 3, 4, 5 and 6)		
Cash and cash equivalents - unrestricted	$ 66,517	$ 180,359
Cash and cash equivalents - restricted	2,461,484	1,939,640
Investments	1,022,274	1,773,028
Interest receivable	-	6,988
Unconditional promises to give	154,250	51,350
Property and equipment, net	425,343	414,370
TOTAL ASSETS	$ 4,129,868	$ 4,365,735

LIABILITIES AND NET ASSETS

	2010	2009
Liabilities: (Notes 1 and 6)		
Accrued liabilities	$ 50,052	$ 83,670
Deferred revenue	10,000	-
Capital lease obligation	1,355	2,732
Total Liabilities	61,407	86,402
Net Assets: (Notes 1, 7 and 8)		
Unrestricted	525,030	584,146
Temporarily restricted	3,004,676	3,156,432
Permanently restricted	538,755	538,755
Total Net Assets	4,068,461	4,279,333
TOTAL LIABILITIES AND NET ASSETS	$ 4,129,868	$ 4,365,735

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

PROMISES2KIDS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2009
Public Support and Revenue:					
Public support:					
Contributions	$ 273,566	$ 858,102	$ -	$ 1,131,668	$ 1,009,662
In-kind contributions	815,610	88,887	-	904,497	758,568
Special events (net of related expenses of $151,181 and $190,817, for the years ended December 31, 2010 and 2009, respectively)	205,821	-	-	205,821	286,589
Total Public Support	1,294,997	946,989	-	2,241,986	2,054,819
Revenue:					
Interest income	64,191	2,272	-	66,463	87,093
Unrealized/realized loss on investments	(2,709)	(24,957)	-	(27,666)	(44,606)
Total Revenue	61,482	(22,685)	-	38,797	42,487
Net Assets Released From Restrictions	1,076,060	(1,076,060)	-	-	-
Total Public Support and Revenue	2,432,539	(151,756)	-	2,280,783	2,097,306
Expenses:					
Program Services:					
Children's and young adults' programs	1,006,756	-	-	1,006,756	1,095,066
In-kind children's and young adults' programs	882,042	-	-	882,042	709,836
Total Program Services	1,888,798	-	-	1,888,798	1,804,902
Supporting Services:					
Fundraising	469,910	-	-	469,910	478,919
General and administrative	132,947	-	-	132,947	119,945
Total Supporting Services	602,857	-	-	602,857	598,864
Total Expenses	2,491,655	-	-	2,491,655	2,403,766
Change in Net Assets	(59,116)	(151,756)	-	(210,872)	(306,460)
Net Assets at Beginning of Year	584,146	3,156,432	538,755	4,279,333	4,585,793
NET ASSETS AT END OF YEAR	$ 525,030	$ 3,004,676	$ 538,755	$ 4,068,461	$ 4,279,333

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

PROMISES2KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	2010				
	Program Services	General and Administrative	Fundraising	Total	2009
Salaries and Related Expenses:					
Salaries and benefits	$ 200,804	$ 97,345	$ 315,910	$ 614,059	$ 576,093
Payroll taxes	14,094	5,818	20,994	40,906	42,398
Total Salaries and Related Expenses	214,898	103,163	336,904	654,965	618,491
Other Expenses:					
In-kind designated gifts	867,499	-	-	867,499	709,836
Prevention, advocacy, and education	676,558	-	-	676,558	730,017
Consultants	47,742	-	7,403	55,145	71,779
Office and storage space rental	15,204	3,801	19,005	38,010	37,992
Printing and production	5,259	1,005	21,423	27,687	55,786
Computer expense	5,257	1,927	18,705	25,889	28,246
Insurance	5,911	2,820	8,732	17,463	16,233
Office supplies and equipment	5,892	1,153	5,455	12,500	9,111
Postage and courier	1,825	648	8,659	11,132	9,679
Telephone	3,855	1,236	5,083	10,174	8,894
Audit fees	-	5,880	3,920	9,800	9,800
Graphic art and design	2,784	317	5,697	8,798	9,975
Repairs and maintenance	5,807	231	1,156	7,194	6,647
Website expenses	2,993	480	2,585	6,058	4,119
Donor recognition	-	-	2,099	2,099	2,826
Travel expense	2,545	664	1,144	4,353	4,989
Dues and subscriptions	300	300	2,356	2,956	3,831
Financial services	-	2,285	603	2,888	14,598
Legal fees	-	2,550	-	2,550	-
Miscellaneous	1,703	1,382	1,878	4,963	12,909
Donor cultivation	-	-	4,350	4,350	4,381
Meetings expense	394	635	404	1,433	2,212
Total Other Expenses	1,651,528	27,314	120,657	1,799,499	1,753,860
Total Expenses Before Depreciation	1,866,426	130,477	457,561	2,454,464	2,372,351
Depreciation	22,372	2,470	12,349	37,191	31,415
TOTAL FUNCTIONAL EXPENSES	$ 1,888,798	$ 132,947	$ 469,910	$ 2,491,655	$ 2,403,766

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

PROMISES2KIDS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	2010	2009
Cash Flows From Operating Activities:		
Change in net assets	$ (210,872)	$ (306,460)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	37,191	31,415
Donated property and equipment	-	(8,200)
Unrealized loss on investments	27,666	44,606
(Increase) Decrease in:		
Interest receivable	6,988	17,719
Other assets	-	6,118
Unconditional promises to give	(102,900)	(11,350)
Increase (Decrease) in:		
Accrued liabilities	(33,618)	(67,100)
Deferred revenue	10,000	-
Net Cash Used in Operating Activities	(265,545)	(293,252)
Cash Flows From Investing Activities:		
Purchases of investments	(18,021)	(958,503)
Maturities of investments	741,109	2,785,711
Purchases of property and equipment	(48,164)	(14,315)
Net Cash Provided by Investing Activities	674,924	1,812,893
Cash Flows From Financing Activities:		
Capital lease obligation	(1,377)	(1,375)
Net Cash Used in Financing Activities	(1,377)	(1,375)
Increase in Cash and Cash Equivalents	408,002	1,518,266
Cash and Cash Equivalents at Beginning of Year	2,119,999	601,733
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,528,001	$ 2,119,999

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

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2009)

Note 1 - Organization and Significant Accounting Policies:

Organization

The Promises2Kids Foundation (formerly: Child Abuse Prevention Foundation) (the "Foundation") is a California Nonprofit Corporation formed in 1981 for public and charitable purposes. The mission of the Foundation is to break the cycle of child abuse through prevention, education, advocacy and funding.

The following is a brief description of the Foundation's programs:

A.B. and Jessie Polinsky Children's Center

Previously the Foundation raised $12 million to build the A.B. and Jessie Polinsky Children's Center (the "Polinsky Center"), the County's emergency shelter for abused and neglected children. In October 1994, the Foundation deeded the facility to the County of San Diego. The Polinsky Center offers a full range of assessment and care programs to more than 2,000 children every year. The Foundation continues to support the Polinsky Center by raising funds for the urgent and long-term needs of the young residents during their stay. The following are just a few examples of the programs and projects at the Polinsky Center supported by the Foundation during 2010:

- Preschool Teacher
- Recreation program
- Youth to Youth Mentor program
- Annual holiday gift drive
- Pet therapy program

Guardian Scholar Program

The Guardian Scholar Program is a scholarship program that is established to assist current and former foster youth to further their education and become successful, independent adults. The program is much more than just financial aid - it is an investment in the future of each individual recipient. Depending on their individual needs, scholarship recipients receive assistance with items such as college tuition and fees, mentoring, vocational training, books and supplies, as well as housing and transportation costs. Scholarships are available to current and former foster youth between the ages of 16 and 24 years of age from throughout San Diego County.

Former Foster Youth Housing

The Foundation joined forces with HomeAid San Diego, William Lyon Homes and YMCA Youth & Families Services to open North County's first transitional living program for former foster youth. In the fall of 2003 Mary's House became home to six young women emancipated from San Diego's foster care system. The Foundation does not operate Mary's House, but continues to provide financial support. Expansion plans are currently under way for two additional homes on the property.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Organization (Continued)

Additional Programs

In addition to the above major programs, the Foundation also has many other programs including, but not limited to, the Holiday Gift Drive, Something Special Fund, Rivers of Hope Birthday Club, School Success Fund, Camp Connect, Military Initiative, Investigators' Institute/Training, Foster Teen Driver's Education, Back to School Drive, Stuff the Bus Drive, and a Parenting Conference that support the thousands of abused and neglected children of all ages in San Diego County.

Significant Accounting Policies

Method of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

In June 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) was issued. The Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification is effective for financials statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard did not have a material impact on the financial position and results of operations.

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The FASB has issued reporting standards for endowments of not-for-profit Organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

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 of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

Fair Value Measurements

The Foundation has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). These standards do not change existing guidance as to whether or not an instrument is carried at fair value.

The Foundation's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in index funds and a REIT (publicly traded as of December 31, 2010) are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

- Investments in certificates of deposit and debt securities are considered Level 2 assets and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.

- Other securities are considered Level 3 assets and are reported at fair value based on management's assumptions as described in Note 3.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

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 permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Capitalization and Depreciation

Property and equipment are recorded at cost. Donations of property and 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 property and 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. Property and equipment is depreciated using the straight-line method over the estimated useful asset lives as follows:

Building and improvements	5-30 years
Furniture and equipment	3-10 years
Vehicle	5 years

Depreciation aggregated $37,191 and $31,415 for the years ended December 31, 2010 and 2009, respectively.

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

Impairment of Long-Lived Assets

The Foundation reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flows expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2010 or 2009.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Compensated Absences

Accumulated unpaid vacation totaling $14,867 and $-0- at December 31, 2010 and 2009, respectively and accrued when incurred and included in accrued liabilities.

Deferred Revenue

Revenue from sponsorships for special events are deferred until the event occurs. Deferred revenue from sponsorships totaled $10,000 and $-0- at December 31, 2010 and 2009, respectively.

Donated Services, Office Space and Materials

The Foundation utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services totaling $-0- and $4,100 have been reflected in the accompanying financial statements for the years ended December 31, 2010 and 2009, respectively.

The Foundation received donated office space with an estimated fair value of $36,360 and $36,360 for the years ended December 31, 2010 and 2009, respectively. The amount has been included in both in-kind contributions revenue and expense in the accompanying financial statements.

In-kind contributions of goods used for program services with an estimated fair value of $831,499 and $673,836, donated equipment with an estimated fair value of $-0- and $8,200 and other services and supplies of $638 and $3,114 for the years ended December 31, 2010 and 2009, respectively, are included in in-kind contributions in the statement of activities.

The Foundation donated facility space to the YMCA of San Diego County for the operation of Mary's House. Rent totaling $36,000 and $36,000 for the years ended December 31, 2010 and 2009, respectively, has been included in in-kind contributions and in-kind children's programs.

Allocated Expenses

The Foundation allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Foundation's management.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Income Tax Status

The Foundation is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation is not a private foundation.

The Foundation uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

Concentration of Credit Risk

The Foundation maintains its cash and investments in bank accounts and brokerage 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 December 31, 2009

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 2, 2011, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of December 31:

	2010			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2010
Index funds	$ 130,235	$ -	$ -	$ 130,235
Piedmont REIT	408,600	-	-	408,600
RiverSource Annuity	-	-	467,369	467,369
Residential Capital Mortgage Income Fund	-	-	16,070	16,070
	$ 538,835	$ -	$ 483,439	$ 1,022,274

	2009			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2009
Certificates of Deposit	$ -	$ 250,026	$ -	$ 250,026
Index funds	112,636	-	-	112,636
Corporate bonds	-	299,691	-	299,691
U.S. Agency Securities	-	109,844	-	109,844
RiverSource Annuity	-	-	529,551	529,551
Piedmont REIT	-	-	450,433	450,433
Residential Capital Mortgage Income Fund	-	-	20,847	20,847
	$ 112,636	$ 659,561	$ 1,000,831	$ 1,773,028

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

	RiverSource Annuity	Piedmont REIT	Residential Capital Mortgage Income Fund	Total
Balance, December 31, 2008	$ 600,078	$ 508,704	$ -	$ 1,108,782
Investment income	19,507	25,565	-	45,072
Losses (realized/unrealized)	-	(58,271)	(1,159)	(59,430)
Donation of investment	-	-	22,006	22,006
Withdrawals	(90,034)	(25,565)	-	(115,599)
Balance, December 31, 2009	529,551	450,433	20,847	1,000,831
Converted to publicly traded	-	(450,433)	-	(450,433)
Investment income	17,271	-	-	17,271
Losses (realized/unrealized)	-	-	(4,777)	(4,777)
Withdrawals	(79,453)	-	-	(79,453)
Balance, December 31, 2010	$ 467,369	$ -	$ 16,070	$ 483,439

Note 3 - Investments:

Investments in index funds, certificates of deposits and debt securities are stated at fair value. The investment in the RiverSource Annuity is stated at purchase plus reinvested earnings less distributions at the contract rate. The investment in Piedmont REIT is stated at the lower of cost plus reinvested earnings per share or the estimated value per share as of December 31, 2009 and at fair value based on the publicly traded price as of December 31, 2010. The investment in Residential Capital Mortgage Income Fund is stated at the lower of cost plus reinvested earnings per share or the most recent redemption price per unit (20% of cost basis).

	2010	2009
Certificates of Deposit	$ -	$ 250,026
Index Funds	130,235	112,636
Piedmont REIT (Publicly Traded)	408,600	-
Debt Securities:		
Corporate bonds	-	299,691
U.S. Agency Securities	-	109,844
	-	409,535
Other Securities:		
RiverSource Annuity	467,369	529,551
Piedmont REIT	-	450,433
Residential Capital Mortgage Income Fund	16,070	20,847
	483,439	1,000,831
Total Investments	$ 1,022,274	$ 1,773,028

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	Unrestricted	Temporarily Restricted	Total 2010	Total 2009
Interest and dividend income	$ 64,191	$ 2,272	$ 66,463	$ 87,093
Net realized and unrealized losses on investments	(2,709)	(24,957)	(27,666)	(44,606)
	$ 61,482	$ (22,685)	$ 38,797	$ (42,487)

Note 4 - Unconditional Promises to Give:

Unconditional promises to give consist of the following at December 31:

	2010	2009
Receivable in less than one year	$ 89,750	$ 31,350
Receivable in one to five years	64,500	15,000
Receivable in more than five years	-	5,000
Total Unconditional Promises to Give	$ 154,250	$ 51,350

Management believes that all unconditional promises to give were fully collectible; therefore, no allowance for doubtful accounts was recorded at December 31, 2010 and 2009.

Note 5 - Property and Equipment:

Property and equipment consist of the following at December 31:

	2010	2009
Land	$ 55,597	$ 55,597
Building and improvements	509,807	509,807
Furniture and equipment	172,952	128,242
Vehicle	20,000	20,000
Subtotal	758,356	713,646
Less: Accumulated depreciation	(333,013)	(299,276)
Property and Equipment, Net	$ 425,343	$ 414,370

Note 6 - Capital Lease Obligation:

In 2006, the Foundation acquired a copy machine under a capital lease. The economic substance of the lease is that the Foundation is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the Foundation's assets and liabilities. The leased property under capital lease has a cost of $6,843, accumulated depreciation of $5,586 and $4,218 and a net book value of $1,257 and $2,625 at December 31, 2010 and 2009, respectively.

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments at December 31, 2010, are as follows:

Total minimum lease payments	$ 1,414
Less: Amount representing interest	(59)
Present Value of Net Minimum Lease Payments	$ 1,355

Future minimum lease payments are summarized as follows:

Year Ended December 31	
2011	$ 1,414

Note 7 - Temporarily Restricted Net Assets:

Temporarily restricted net assets were available for the following purposes at December 31:

	2010	2009
Sunshine Brooks	$ 2,406,266	$ 2,648,073
Polinsky Children's Center	171,388	190,614
Rivers of Hope Birthday Club	90,636	14,041
Camp Connect	80,289	89,124
Investigators' Institute/Training	44,774	25,310
Polinsky Children's Center Endowment	39,756	39,756
Guardian Scholar	38,390	64,060
Other	26,459	21,661
Foster Teen Driver's Education Program	24,991	36,110
Mary's House	22,377	4,597
Awaiting Adoption Something Special Fund	21,071	-
Family Finding Program	18,440	18,440
Parenting Conference	8,908	883
Technology	4,729	-
Something Special Fund	4,703	3,763
Back to School Drive	1,499	-
Total Temporarily Restricted Net Assets	$ 3,004,676	$ 3,156,432

Net assets totaling of $1,076,060 were released from donor restrictions by incurring expenses satisfying the purpose or by occurrence of other events such as the passage of time restrictions specified by donors for the year ended December 31, 2010.

Note 8 - Endowment Net Assets:

The Foundation's endowment consists of three individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the enacted version of the Uniform Prudent management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment (2) investment income or increases in fair value if required to be restricted by the donors. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 8 - Endowment Net Assets: (Continued)

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2010 or 2009.

The Foundation has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

The Foundation's endowment funds are invested in debt and other securities that are structured to satisfy its long-term rate-of-return objectives. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation's spending policy is to disburse funds available to meet the current program needs of the Foundation.

Endowment composition by type of fund at December 31:

	2010		
	Temporarily Restricted	Permanently Restricted	Total
Polinsky Children's Center Endowment	$ 6,808	$ 381,410	$ 388,218
General Endowment	-	87,345	87,345
Junior League Scholarship Endowment	8,521	70,000	78,521
Total Donor-Restricted Endowment Funds	$ 15,329	$ 538,755	$ 554,084

	2009		
	Temporarily Restricted	Permanently Restricted	Total
Polinsky Children's Center Endowment	$ 4,821	$ 381,410	$ 386,231
General Endowment	-	87,345	87,345
Junior League Scholarship Endowment	8,441	70,000	78,441
Total Donor-Restricted Endowment Funds	$ 13,262	$ 538,755	$ 552,017

Note 8 - Endowment Net Assets: (Continued)

Changes in Endowment Net Assets for the years ended December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, December 31, 2008	$ -	$ 9,711	$ 538,755	$ 548,466
Investment income	771	3,551	-	4,322
Appropriation of endowment assets for expenditure	(771)	-	-	(771)
Endowment Net Assets, December 31, 2009	-	13,262	538,755	552,017
Investment income	102	2,067	-	2,169
Appropriation of endowment assets for expenditure	(102)	-	-	(102)
Endowment Net Assets, December 31, 2010	$ -	$ 15,329	$ 538,755	$ 554,084

Note 9 - Program Services:

Children's Programs

Children's programs consist of funds provided to the following agencies or programs for the years ended December 31:

	2010	2009
Holiday Toys Gift Drive	$ 273,526	$ 220,338
Guardian Scholar Program	189,823	260,556
Polinsky Children's Center	179,092	191,665
Military Initiative	82,958	33,421
Camp Connect	75,797	55,567
Mary's House	34,043	26,529
Investigators' Institute/Training	28,638	41,900
Rivers of Hope Birthday Club	27,831	12,820
Community Awareness	25,580	60,931
Something Special Fund	18,270	17,562
Costumes for Kids	15,450	7,969
Back to School Drive	14,270	6,486
Parenting Conference	12,420	-
Foster Youth Driver's Education Program	11,119	22,458

Note 9 - Program Services: (Continued)

Children's Programs (Continued)

School Success Program	$ 9,275	$ 12,934
Stuff the Bus	8,161	7,034
Family Day	412	19,915
Adoption Recruitment Program	60	9,526
Youth Housing	31	13,181
Community Forum	-	30,985
Internet Safety	-	12,813
Economic Impact Program	-	12,760
Foster Youth Website Makeover	-	10,000
Former Foster Youth Assistance	-	4,946
Clean Start Program	-	1,900
Other	-	870
	$ 1,006,756	$ 1,095,066

During 2003, the Foundation finished renovating a house located in Escondido, California. The Foundation donated the use of the house to the YMCA, which operates a transitional living program for former foster youths. Rent totaling $36,000 and $36,000 for the donated space for the years ended December 31, 2010 and 2009, respectively, has been reflected in the accompanying financial statements. Depreciation of this asset is considered a program service expense for financial statement purposes and is included in children's programs.

In-Kind Children's Programs

In-kind children's programs, the value of which is determined by estimating the fair value of the gift, consists of in-kind contributions given to the following agencies or programs for the years ended December 31:

	2010	2009
Holiday Gift Program	$ 395,028	$ 312,457
Costumes for Kids	254,683	216,700
Back to School Program	78,778	69,183
Mary's House	36,844	36,000
Stuff the Bus Toy Drive	27,474	21,322
Guardian Scholar Program	26,248	13,791
Military Initiative	19,019	-
Polinsky Children's Center	18,163	26,674
Camp Connect West	12,761	2,521
Something Special Fund	5,720	2,286
Other	3,757	6,613
Investigator's Institute/Training	1,418	-

Note 9 - Program Services: (Continued)

In-Kind Children's Programs (Continued)

Community Awareness	$ 1,149	$ -
San Diego Adolescent Pregnancy and Parenting Program	1,000	-
San Pasqual Academy	-	1,250
San Diego Center for Children	-	1,039
Total In-kind Children's Programs	$ 882,042	$ 709,836

Note 10 - Related Party Transactions:

The Foundation received contributions from certain members of its board of directors. Contributions totaled $156,679 and $148,905 for the years ended December 31, 2010 and 2009, respectively.