PROMISES2KIDS

Creating a brighter future for foster children™

PROMISES2KIDS FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2014

Leaf & Cole, LLP
Certified Public Accountants

PROMISES2KIDS FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2014

TABLE OF CONTENTS

Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Steven W. Northcote, C.P.A.
Michael S. Schreibman, C.P.A.
Michael J. Zizzi, C.P.A.
Julie A. Firl, C.P.A.
Nicholas M. Gines, C.P.A.

Members
American Institute of Certified Public Accountants
California Society of Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Promises2Kids Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Promises2Kids Foundation, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2810 Camino Del Rio South, Suite 200, San Diego, California 92108-3820
619.294.7200, 619.294.7077 fax, www.leaf-cole.com, leafcole@leaf-cole.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Promises2Kids Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California
October 27, 2014

PROMISES2KIDS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Assets: (Notes 1, 2, 3, 4, 5 and 6)		
Cash and cash equivalents	$	865,431
Contributions receivable		205,304
Other receivables		1,346
Grants receivable		88,325
Investments		3,998,497
Prepaid expenses		19,565
Property and equipment, net		374,914
TOTAL ASSETS	$	5,553,382

LIABILITIES AND NET ASSETS

Liabilities: (Note 1)		
Accrued liabilities	$	66,976
Accrued compensated absences and other benefits		22,224
Deferred revenue		1,500
Total Liabilities		90,700
Commitment (Note 10)		
Net Assets: (Notes 1, 7 and 8)		
Unrestricted:		
Unrestricted		1,475,025
Board Designated		300,000
Total Unrestricted		1,775,025
Temporarily restricted		3,148,902
Permanently restricted		538,755
Total Net Assets		5,462,682
TOTAL LIABILITIES AND NET ASSETS	$	5,553,382

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

PROMISES2KIDS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue:				
Public Support:				
Contributions	$ 532,731	$ 631,223	$ -	$ 1,163,954
Grants	27,500	377,455	-	404,955
In-kind contributions	708,652	-	-	708,652
Special events (net of related expenses of $376,135)	615,685	-	-	615,685
Total Public Support	1,884,568	1,008,678	-	2,893,246
Investment Income:				
Realized and unrealized gains on investments	247,133	152,552	-	399,685
Interest and dividend income	86,256	17,148	-	103,404
Total Investment Income	333,389	169,700	-	503,089
Net Assets Released From Restrictions	1,123,112	(1,123,112)	-	-
Total Public Support and Revenue	3,341,069	55,266	-	3,396,335
Expenses:				
Program Services:				
Children's and young adults' programs	1,582,000	-	-	1,582,000
In-kind children's and young adults' programs	694,977	-	-	694,977
Total Program Services	2,276,977	-	-	2,276,977
Supporting Services:				
Fundraising	274,983	-	-	274,983
General and administrative	134,137	-	-	134,137
Total Supporting Services	409,120	-	-	409,120
Total Expenses	2,686,097	-	-	2,686,097
Change in Net Assets	654,972	55,266	-	710,238
Net Assets at Beginning of Year	1,120,053	3,093,636	538,755	4,752,444
NET ASSETS AT END OF YEAR	$ 1,775,025	$ 3,148,902	$ 538,755	$ 5,462,682

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

PROMISES2KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services	General and Administrative	Fundraising	Total
Salaries and Related Expenses:				
Salaries and wages	$ 276,841	$ 83,998	$ 122,602	$ 483,441
Payroll taxes	24,882	7,217	10,113	42,212
Employee benefits	24,806	4,827	7,016	36,649
Workers compensation insurance	2,186	663	968	3,817
Total Salaries and Related Expenses	328,715	96,705	140,699	566,119
Other Expenses:				
Youth support, stipends and recognition	676,717	-	-	676,717
In-kind Children's program	671,692	-	-	671,692
Children's program services	153,529	-	-	153,529
Scholarships	151,680	-	-	151,680
Consultants	21,816	3,264	37,525	62,605
Youth and volunteer training and education	44,868	4	387	45,259
Youth activities	39,509	-	-	39,509
Printing and production	18,144	1,393	19,118	38,655
In-kind occupancy	22,907	4,727	8,726	36,360
Merchant and bank fees	11,980	2,480	6,812	21,272
Mileage and travel	14,224	1,012	2,536	17,772
Postage and mailing	4,820	760	9,819	15,399
Computer support and maintenance	9,928	1,443	3,381	14,752
Temporary help	5,086	7,265	2,180	14,531
Audit and tax fees	8,064	1,664	3,072	12,800
Staff, donor and volunteer recognition	8,443	970	3,119	12,532
Staff and Board development	7,586	1,468	2,857	11,911
Telephone and internet	6,710	1,486	2,577	10,773
Insurance	7,343	1,082	2,207	10,632
Marketing and public relations	3,188	658	5,545	9,391
Graphic art and design	713	147	7,682	8,542
Equipment rental	4,579	945	1,744	7,268
Children's program materials	7,026	-	-	7,026
Supplies	2,999	636	1,264	4,899
Donor cultivation	1,782	336	2,344	4,462
Dues and subscriptions	2,592	603	1,069	4,264
Payroll processing service	1,428	106	544	2,078
Community meetings	1,028	116	734	1,878
Property taxes	1,105	31	59	1,195
Minor equipment	569	117	117	803
In-kind professional services	378	78	144	600
Security	71	39	187	297
Licenses and filing fees	117	39	112	268
Other purchased services	153	32	58	243
Total Other Expenses	1,912,774	32,901	125,919	2,071,594
Total Expenses Before Depreciation	2,241,489	129,606	266,618	2,637,713
Depreciation	35,488	4,531	8,365	48,384
TOTAL EXPENSES	$ 2,276,977	$ 134,137	$ 274,983	$ 2,686,097

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

PROMISES2KIDS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

Cash Flows From Operating Activities:		
Change in net assets	$	710,238
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		48,384
Net realized and unrealized gains on investments		(399,685)
(Increase) Decrease in:		
Contributions receivable		16,838
Interest receivable		2,705
Other receivables		(1,346)
Grants receivable		(56,125)
Prepaid expenses		(1,597)
Increase (Decrease) in:		
Accrued liabilities		(38,920)
Accrued compensated absences and other benefits		12,001
Deferred revenue		1,500
Net Cash Provided by Operating Activities		293,993
Cash Flows From Investing Activities:		
Purchases of investments, net		(251,894)
Net Cash Used in Investing Activities		(251,894)
Increase in Cash and Cash Equivalents		42,099
Cash and Cash Equivalents at Beginning of Year		823,332
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	865,431

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

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 - Organization and Significant Accounting Policies:

Organization

Promises2Kids Foundation (the "Foundation") is a California Nonprofit Corporation formed in 1981 for public and charitable purposes. The mission of the Foundation is to create a brighter future for foster children.

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 1,000 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 the year ended June 30, 2014:

- Developmental Screening and Enhancement Program (DSEP)
- Youth2Youth Advocates Program
- Developmental Preschool
- Pet Therapy Program
- Health, Recreation and Wellness Program

Guardian Scholars

Guardian Scholars is a scholarship and support 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. A unique component to Guardian Scholars reaches foster youth while they are in high school – intervening at a critical time in their lives – preparing them for graduation, a higher education, and beyond. Junior Guardian Scholars provides multifaceted support through mentoring, SAT preparation, college planning, financial aid and college application workshops, and STE[+a]M programs at the University of California, San Diego (UCSD).

Camp Connect

Promises2Kids provides siblings in foster care, who are placed in separate homes, the opportunity to reconnect through a four-day summer camp, as well as recreational and educational day camp activities throughout the year. Camp Connect allows brothers and sisters to maintain critical relationships and gain support from each other during this difficult time. This program is a partnership with Health & Human Services Agency of San Diego County.

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

Organization (Continued)

Foster Funds

Promises2Kids understands that foster children often feel alone and isolated. They may go without simple pleasures of childhood such as birthday gifts, cap and gown for graduation, a sports uniform or a musical instrument. We ensure foster children know that they too are heard, special and deserving. Promises2Kids has special funds set up to support these needs not met through typical funding, which include Something Special Fund, Birthday Club, Community Drives and Driver Education.

Additional Community Programs

In addition to the above major programs, the Foundation also has community programs including Mary's House and Law Enforcement. Mary's House is a female transitional housing program operated by the YMCA Youth Family Services for former foster youth. Law Enforcement was developed to teach agencies how to work together in identifying, investigating and prosecuting child abuse. Promises2Kids with the help of its community partners, continues to provide support to this important community collaboration by hosting advanced trainings.

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.

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.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.
- Unrestricted board designated net assets – Unrestricted net assets that was established to pay for expenditures designated by the Board.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the Foundation. The income from these assets is available for either general operations or specific programs as specified by the donor.

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

Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

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.

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 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.

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

Fair value accounting 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).

- Level 1 inputs are quoted prices in active markets for identical investments that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

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

Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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 mutual and index funds 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.

Allowance for Doubtful Accounts

Management believes that other receivables and grants receivable were fully collectible; therefore, no allowance for doubtful accounts was recorded as of June 30, 2014.

Contributions

Contributions are recognized when the donor makes a contribution to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor 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

The Foundation capitalizes all expenditures in excess of $500 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. 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

Depreciation totaled $48,384 for the year ended June 30, 2014.

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.

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

Significant Accounting Policies (Continued)

Impairment of Real Estate

The Foundation reviews its investment in real estate for impairment whenever events and 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 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 2014.

Compensated Absences

Accumulated unpaid vacation totaling $19,121 at June 30, 2014 is accrued when incurred and included in accrued compensated absences and other benefits.

Deferred Revenue

Payments received in advance of events are deferred and recognized as revenue in the period in which the event occurs. Deferred revenue totaled $1,500 at June 30, 2014.

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.

The Foundation received donated office space, contributions of goods for program services, professional services, supplies and equipment. The Foundation donated facility space to the YMCA of San Diego County for the operation of Mary's House. These in-kind items have been recorded at fair value as in-kind contributions in the statement of activities.

The in-kind contributions consist of the following for the year ended June 30, 2014:

Children's program	$	671,692
Occupancy		36,360
Professional services		600
Total In-kind Contributions	$	708,652

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 Taxes

The Foundation is a public charity 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 believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation is not a private foundation.

The Foundation's Return of Organization Exempt from Income Tax for the periods ended June 30, 2014, June 30, 2013, December 31, 2012 and 2011 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

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 highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 27, 2014, 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 June 30, 2014:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2014
Mutual and index funds:				
U.S. bond funds	$ 1,182,935	$ -	$ -	$ 1,182,935
U.S. large cap stock funds	1,085,697	-	-	1,085,697
Foreign bond funds	406,043	-	-	406,043
U.S. small and medium cap stock funds	446,601	-	-	446,601
Foreign stock funds	637,150	-	-	637,150
Real estate securities	240,071	-	-	240,071
	$ 3,998,497	$ -	$ -	$ 3,998,497

Note 3 – Contributions Receivable:

Contributions receivable totaling $205,304 at June 30, 2014, are due within one year. Management believes that all contributions receivable are fully collectible; therefore, no allowance for doubtful accounts was recorded as of June 30, 2014.

Note 4 – Grants Receivable:

Grants receivable consist of the following at June 30, 2014:

Las Patronas	$ 38,644
San Diego County Office of Education	33,181
County of San Diego	6,500
Nordstrom, Inc.	5,000
Bank of America	5,000
Total Grants Receivable	$ 88,325

Note 5 - Investments:

Investments consist of the following at June 30, 2014:

Mutual and index funds	$ 3,998,497
Total Investments	$ 3,998,497

The following schedule summarizes the investment income and its classification in the statement of activities for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Total
Realized and unrealized gains	247,133	152,552	399,685
Interest and dividend income	$ 86,256	$ 17,148	$ 103,404
Total Investment Income	$ 333,389	$ 169,700	$ 503,089

Note 6 - Property and Equipment:

Property and equipment consist of the following at June 30, 2014:

Land	$ 55,597
Building and improvements	528,232
Furniture and equipment	190,082
Subtotal	773,911
Less: Accumulated depreciation	(398,997)
Property and Equipment, Net	$ 374,914

Note 7 - Temporarily Restricted Net Assets:

Temporarily restricted net assets were available for the following purposes at June 30, 2014:

Sunshine Brooks Endowment	$ 2,506,344
Camp Connect	213,409
Guardian Scholars	157,437
Polinsky Children's Center Endowment	155,831
Polinsky Children's Center	75,019
Junior League Scholarship	15,146
Law Enforcement	8,856
Driver Education	7,199
Mary's House	5,181
Other	4,480
Total Temporarily Restricted Net Assets	$ 3,148,902

Net assets totaling of $1,123,112 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 June 30, 2014.

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:

- 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 June 30, 2014.

Note 8 - Endowment Net Assets: (Continued)

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 June 30, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Polinsky Children's Center Endowment	$ 116,076	$ 381,410	$ 497,486
General Endowment	-	87,345	87,345
Junior League Scholarship Endowment	15,146	70,000	85,146
Total Donor-Restricted Endowment Funds	$ 131,222	$ 538,755	$ 669,977

Changes in Endowment Net Assets for the year ended June 30, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at June 30, 2013	$ 50,890	$ 538,755	$ 589,645
Investment income	88,618	-	88,618
Appropriation of endowment assets for expenditure	(8,286)	-	(8,286)
Endowment Net Assets at June 30, 2014	$ 131,222	$ 538,755	$ 669,977

Note 9 – Program Services:

Children's Programs

Children's programs consist of funds provided to the following agencies or programs for the year ended June 30, 2014:

Holiday Gift Program	$	372,936
Guardian Scholars		305,094
General Program Support		244,544
Back to School Days		201,197
Polinsky Children's Center		198,272
Camp Connect		64,016
Community Events & Partnerships		47,636
Something Special		38,484
Birthday Club		32,881
Volunteers		23,150
Mary's House		16,583
Law Enforcement		15,445
Theatrical Tickets		11,300
Adoption		6,500
Driver Education		3,962
	$	1,582,000

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 $48,000 for the donated space for the year ended June 30, 2014, 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, consist of in-kind contributions given to the following agencies or programs for the year ended June 30, 2014:

Community Partnerships and Drives	$	338,034
Polinsky Children's Center		206,153
Camp Connect		56,064
Mary's House		48,000
General Program Support		23,285
Guardian Scholars		23,161
Promises2Kids Other Programs		280
	$	694,977

Note 10 – Commitment:

Foundation maintains a Memorandum of Agreement with the County of San Diego that states that the Foundation shall use its best efforts to provide to Polinsky Center monetary and in-kind support for programs that contribute to the well-being, health, recreation and happiness of residents of Polinsky Center in the annual amount of $189,900. The parties shall use the calendar year for determining Foundation's compliance. For the year ended June 30, 2014, the Foundation had met their requirement and was in compliance.