

**PROMISES2KIDS FOUNDATION  
A NONPROFIT ORGANIZATION  
FINANCIAL STATEMENT  
JUNE 30, 2019**

**PROMISES2KIDS FOUNDATION  
A NONPROFIT ORGANIZATION**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Promises2Kids Foundation

We have audited the accompanying financial statements of Promises2Kids Foundation, a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of these financial statement 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 statement 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 statement. 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 statement 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 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.

## 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, 2019, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Considine & Considine".

CONSIDINE & CONSIDINE  
An accountancy corporation

September 17, 2019

**PROMISES2KIDS FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

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ASSETS

CURRENT ASSETS

Cash	\$ 1,280,237
Receivables (note 3)	598,005
Prepaid expenses	99,585
Other receivable	6,331
Estate funds held in cash (note 13)	<u>3,330,961</u>
	5,315,119

PROPERTY AND EQUIPMENT (note 4)

289,463

OTHER ASSETS

Investments (note 5)	<u>6,281,570</u>
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TOTAL ASSETS

11,886,152

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	107,333
Accrued expenses	156,751
Deferred revenue (note 12)	285,000
Estate funds held (note 13)	<u>3,330,961</u>
	3,880,045

NET ASSETS (note 7)

Without donor restrictions	4,608,104
With donor restrictions	<u>3,398,003</u>
	<u>8,006,107</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 11,886,152

See accompanying notes

**PROMISES2KIDS FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE</b>			
Contributions	\$ 1,479,225	\$ 1,248,161	\$ 2,727,386
In-kind donations	34,081	903,022	937,103
Grants	69,100	509,524	578,624
Investment income, net	237,632	19,403	257,035
Other income	1,048	-	1,048
	<u>1,821,086</u>	<u>2,680,110</u>	<u>4,501,196</u>
Special events, net			
Special events revenue	1,808,137	20,000	1,828,137
Direct benefit to donors	(395,195)	-	(395,195)
	<u>1,412,942</u>	<u>20,000</u>	<u>1,432,942</u>
Net assets released from restriction	<u>2,766,557</u>	<u>(2,766,557)</u>	<u>-</u>
Total revenue and support	6,000,585	(66,447)	5,934,138
<b>EXPENSES</b>			
Program services			
Children and young adult programs	3,633,742	-	3,633,742
In-kind children and young adult programs	779,334	-	779,334
Total program services	4,413,076	-	4,413,076
Management and general	121,626	-	121,626
Development	899,052	-	899,052
	<u>5,433,754</u>	<u>-</u>	<u>5,433,754</u>
CHANGE IN NET ASSETS	566,831	(66,447)	500,384
NET ASSETS, BEGINNING	<u>4,041,273</u>	<u>3,464,450</u>	<u>7,505,723</u>
NET ASSETS, ENDING	<u>\$ 4,608,104</u>	<u>\$ 3,398,003</u>	<u>\$ 8,006,107</u>

See accompanying notes

**PROMISES2KIDS FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
<b>EXPENSES</b>				
Salaries and benefits expense	\$ 1,354,839	\$ 72,493	\$ 406,565	\$ 1,833,897
In-kind children's program	779,334	-	-	779,334
Youth support, stipends and recognition	771,689	-	-	771,689
Scholarships	478,080	-	-	478,080
Special event meals and entertainment	11,039	813	448,610	460,462
Outside services	136,255	12,424	134,217	282,896
Youth activities	188,743	-	-	188,743
Children's program services	155,585	-	-	155,585
Occupancy	105,120	10,080	28,800	144,000
Marketing and public relations	64,238	6,160	39,802	110,200
Youth and volunteer training and education	91,392	-	-	91,392
Printing and production	11,459	1,034	76,182	88,675
Mileage and travel	53,730	811	10,904	65,445
Postage and mailing	26,081	1,308	17,067	44,456
Dues and subscriptions	22,561	1,835	13,237	37,633
Bank fees	1,647	140	34,613	36,400
Volunteer and donor recognition	24,345	1,211	7,419	32,975
Staff and board development	22,860	2,984	7,121	32,965
Graphic art and design	4,500	235	23,864	28,599
Telephone and internet	18,778	1,267	5,048	25,093
Insurance	12,558	1,204	3,441	17,203
Professional services	10,994	1,054	3,012	15,060
Bad debt	-	-	15,003	15,003
Children's program materials	14,891	-	-	14,891
Supplies	5,809	612	6,161	12,582
Rental equipment	7,527	2,301	1,500	11,328
Tax and license	1,410	135	1,612	3,157
Repairs and maintenance	898	72	204	1,174
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>4,376,362</b>	<b>118,173</b>	<b>1,284,382</b>	<b>5,778,917</b>
Depreciation	36,714	3,453	9,865	50,032
<b>TOTAL EXPENSES</b>	<b>4,413,076</b>	<b>121,626</b>	<b>1,294,247</b>	<b>5,828,949</b>
Less: Direct benefit to donors at special events included in revenue	-	-	(395,195)	(395,195)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS</b>	<b>\$ 4,413,076</b>	<b>\$ 121,626</b>	<b>\$ 899,052</b>	<b>\$ 5,433,754</b>

See accompanying notes

**PROMISES2KIDS FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

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CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Increase in net assets	\$ 500,384
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	50,032
Bad debt expense	15,003
Net realized and unrealized gains on investments	(26,079)
Change in operating assets and liabilities:	
Receivables	(43,103)
Prepaid expenses	(197)
Other receivable	(3,056)
Accounts payable	(58,493)
Accrued expenses	78,712
Deferred revenue	285,000
	297,819
NET CASH PROVIDED BY OPERATING ACTIVITIES	798,203
CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchase of investments	(1,548,469)
Proceeds from sales of investments	1,110,473
Purchase of property and equipment	(22,992)
	(460,988)
NET INCREASE IN CASH	337,215
CASH, BEGINNING OF YEAR	943,022
CASH, END OF YEAR	\$ 1,280,237

See accompanying notes



**PROMISES2KIDS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 THE FOUNDATION**

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"), San Diego County's emergency shelter for abused and neglected children. In October 1994, the Foundation deeded the facility to the County. 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, 2019:

- KidSTART
- Youth2Youth Advocates Program
- Pet Therapy Program
- Health, Recreation, and Wellness Program

Guardian Scholars - Guardian Scholars is a scholarship and support program that was 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. 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 - The Foundation 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.

Foster Funds - The Foundation 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. The Foundation 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.

**PROMISES2KIDS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting - The accompanying financial statements are prepared using the accrual method of accounting in conformity with generally accepted accounting principles (GAAP).

Estimates - The preparation of financial statements in conformity with GAAP require the Foundation to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

Financial statement presentation - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of the net asset classification deficiencies in information provided about expenses and investment return. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Foundation's management elected to adopt this ASU effective in the year ended June 30, 2019.

The new standards change the following aspects of the Foundation's financial statements:

- The temporarily restricted net assets class has been renamed net assets with donor restrictions.
- The permanently restricted net assets class has been renamed net assets with donor restrictions.
- The unrestricted net assets class has been renamed net assets without donor restrictions.
- The financial statements now included a new disclosure about liquidity and availability of resources (note 14).
- The net asset disclosures were expanded.
- The functional allocation of expenses disclosures were expanded.

The Foundation follows the FASB Financial Statements of Not-for-Profit Organizations for presentation of its financial statements which require them to present information regarding the financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - Net assets without donor restrictions consists of assets which are fully available, at the discretion of management and the Board of Directors, for the Foundation to utilize in any of its programs or supporting services. Net assets without donor restrictions may also include amounts designated for certain purposes by the Board of Directors.

Net assets with donor restrictions - Net assets with donor restrictions consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds. Net assets with donor restrictions also includes contributed funds to be held in perpetuity.

**PROMISES2KIDS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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.

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.

Functional allocation of expenses - There are certain categories of expenses that are attributable to more than one program or supporting function and require allocation on a reasonable basis. Personnel expenses are allocated on the basis of estimated time spent. Certain marketing expenses are allocated based on estimated usage. Other overhead expenses including facilities, office and administrative, depreciation, and insurance are allocated based on overall usage.

Cash - The Foundation considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Foundation maintains its cash in bank and brokerage accounts with national financial institutions of high credit ratings. The balances in these accounts at times may exceed federally insured deposit limits. As of June 30, 2019, the accounts had amounts in excess of deposit limits of approximately \$3,300,000. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant risk on its cash.

Property and equipment - Property and equipment are recorded at cost. Depreciation is computed using the straight-line method of depreciation over the assets' estimated useful lives of three to ten years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. It is the Foundation's policy to capitalize all property and equipment costs in excess of \$500. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the current period financial statements.

Fair value measurement - The Foundation follows accounting standards consistent with the FASB codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial statement elements.

Receivables - Receivables consist of donor promises to give, reimbursement grants, and special events receivables. It is the Foundation's policy to charge off uncollectible receivables when management determines the amounts will not be collected. All receivables are considered collectible as of June 30, 2019.

**PROMISES2KIDS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Revenue recognition - The financial statements of the Foundation are presented on the accrual method of accounting. Under this method of accounting, revenues are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donor-imposed restrictions - All contributions are considered to be unrestricted unless specifically restricted by donor. Amounts received designated for future periods or restricted by the donor for specific purpose are reported as with donor restrictions, increasing that net assets class. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as with donor restrictions and then released from restriction in the same period.

In-kind donations - The Foundation follows standards relating to contributions received and contributions made as consistent with the FASB Codification. These standards require recording the value of donated services that create or enhance non-financial assets or require specialized skills. Volunteers have contributed significant amounts of their time to activities of the Foundation; however, since the above requirements were not met, the values of the contributed services were not recorded in the financial statements.

The Foundation records donated goods at fair value. The fair value of donated goods is measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs). If donors stipulate the length of an asset's use, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of donated goods are recorded as support without restriction.

Marketing - Marketing expenses are charged to expense as incurred.

Income taxes - The Foundation is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

The Foundation follows accounting standards which provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken in its exempt Foundation tax returns are more likely than not to be sustained upon examination. As of June 30, 2019, the Foundation has no accrued interest or penalties related to uncertain tax positions. The Foundation files tax returns in the U.S. Federal jurisdiction and the State of California.

**PROMISES2KIDS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 RECEIVABLES**

Receivables consist of the following at June 30, 2019:

Special events receivable	\$ 584,800
Pledges receivable	13,205
	\$ 598,005

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows:

Leasehold improvements	\$ 240,171
Office equipment	226,493
Software and other	80,088
Automobile	38,644
	585,396
Accumulated depreciation	(295,933)
	\$ 289,463

**NOTE 5 INVESTMENTS**

Investments at fair market value as of June 30, 2019 total \$6,281,570.

The following schedule summarizes the Foundation's return on long-term investments and its classification in the statement of activities and changes in net assets for the year ended June 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	\$ 188,108	\$ 22,909	\$ 211,017
Realized and unrealized gain, net	76,413	-	76,413
Management fees	(26,889)	(3,506)	(30,395)
Total investment income	\$ 237,632	\$ 19,403	\$ 257,035

**PROMISES2KIDS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 FAIR VALUE MEASUREMENT**

The Foundation follows the method of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The investments in mutual and index funds are valued at market prices in active markets and have readily determinable fair values. These assets are classified as level 1.

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual and index funds	<u>\$ 6,281,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,281,570</u>

**PROMISES2KIDS FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7    NET ASSETS**

Net assets consist of the following at June 30, 2019:

Without donor restrictions:

Board designated - operations and general reserves	\$ 811,309
Unrestricted and undesignated	<u>3,796,795</u>
	4,608,104

With donor restrictions:

Subject to expenditure for specific purpose	
Hattie Brookes endowment	2,400,470
Polinsky Children's Center endowment	270,232
Camp Connect	168,105
Foster Funds	12,152
Junior League endowment	8,083
Driver's Education	<u>206</u>
	2,859,248

Held in perpetuity

Polinsky Children's Center endowment	381,410
General endowment	87,345
Junior League scholarship endowment	<u>70,000</u>
	538,755
	<u>3,398,003</u>
	<u>\$ 8,006,107</u>

**PROMISES2KIDS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

Guardian Scholars	\$ 1,017,277
Holiday gifts	887,953
Back to school days	231,193
Camp Connect	214,932
General programs	202,768
Something Special	96,256
Polinsky Children's Center	42,458
Programs director	42,230
Birthday Club	17,793
Theatrical tickets	6,500
Junior League Endowment	5,000
Driver's Education	1,175
Foster Funds	1,022
	<u>\$ 2,766,557</u>

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

**NOTE 8    ENDOWMENTS**

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 net assets with donor restrictions (to be held in perpetuity) (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. Donor-restricted endowment net assets of \$538,755 are held in perpetuity at June 30, 2019. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. Endowment funds without donor restrictions are classified as net assets without donor restrictions, available to be appropriated for expenditure by the Foundation. 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



**PROMISES2KIDS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

- 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, 2019.

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, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Hattie Brooks	\$ 1,071,293	\$ 2,400,470	\$ 3,471,763
Polinsky Children's Center	-	651,642	651,642
General	44,647	87,345	131,992
Junior League scholarship	-	78,083	78,083
Total endowment funds	<u>\$ 1,115,940</u>	<u>\$ 3,217,540</u>	<u>\$ 4,333,480</u>

**PROMISES2KIDS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Changes in endowment net assets as of June 30, 2019 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 967,915	\$ 3,195,102	\$ 4,163,017
Investment income	99,320	19,403	118,723
Amounts appropriated for expenditure	-	(5,000)	(5,000)
Net appreciation	48,705	8,035	56,740
Endowment net assets, end of year	\$ 1,115,940	\$ 3,217,540	\$ 4,333,480

**NOTE 9 IN-KIND DONATIONS**

The Foundation received donated office space and contributions of goods for program services, supplies, equipment and special event items. Included in special events revenue on the statement of activities and changes in net assets is approximately \$169,000 of in-kind auction items. These in-kind items have been recorded at fair value as in-kind contributions in the statement of activities and changes in net assets.

The in-kind donations consist of the following for the year ended June 30, 2019:

Children's programs	\$ 793,103
Occupancy	144,000
	\$ 937,103

**NOTE 10 PROGRAM SERVICES**

Children's programs - Children's programs consist of funds provided to the following agencies or programs for the year ended June 30, 2019:

Guardian Scholars	\$ 1,289,526
General programs	1,191,335
Community events and partnerships	511,927
Camp Connect	258,806
Polinsky Children's Center	237,366
Something Special	105,247
Volunteers	39,535
	\$ 3,633,742

**PROMISES2KIDS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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, 2019:

Community events and partnerships	\$ 607,593
General programs	144,226
Guardian Scholars	21,515
Polinsky Children's Center	6,000
	<u>\$ 779,334</u>

**NOTE 11 COMMITMENTS**

The Foundation maintains a memorandum of agreement with County of San Diego that states that the Foundation shall use its best efforts to provide the Polinsky Center monetary and in-kind support for programs that contribute to the well-being, health, recreation, and happiness of its residents in the annual amount of \$175,000. For the year ended June 30, 2019, the Foundation had met its requirement and was in compliance.

**NOTE 12 DEFERRED REVENUE**

The Foundation received \$285,000 of conditional funding for their back to school program. The funds are expected to be recognized in fiscal year 2020.

**NOTE 13 ESTATE FUNDS HELD**

The Foundation received funds in January 2018 from an estate of which it had no advanced knowledge. Management is working with legal counsel to ensure the funds were intended for the Foundation. Until resolution, the Foundation is holding those funds in a separate account and has not recognized the receipt of the funds as a donation.

**NOTE 14 LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Foundation is substantially supported by contributions without restrictions, but does also receive contributions with restrictions based on specific program use. The Foundation's management and board monitor contributions, expenses and assets on a monthly basis. The Foundation's goal is to function within the boundaries of the annual budget established by management and approved by the board every year. Typically, the budget is set to operate at a break-even every year. However, there are times when management recommends and the board approves investment to grow the Foundation and the Foundation will utilize some of its reserves to fund operations during the year.

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As part of the Foundation's liquidity management, it has structured its financial assets to be available as its general expenditures and liabilities come due. Its investments are invested in mutual and index funds and can be liquidated at the end of every trading day. The Foundation manages its liquidity following these guiding principles: operating within a prudent range of financial stewardship and stability, maintain adequate liquid assets to fund near term operating needs, and invest other funds to maintain long term stability for the Foundation. There are enough liquid resources to fund nearly 16 months of normal operations with no additional income.

The following reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at June 30, 2019	
Cash	\$ 1,280,237
Receivables	598,005
Other receivables	6,331
Estate funds held in cash	3,330,961
Investments	<u>6,281,570</u>
	11,497,104
Less:	
Assets unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by purpose restrictions	(2,859,248)
Held in perpetuity	(538,755)
Estate funds pending release	(3,330,961)
Board designated - operations and general reserves	<u>(811,309)</u>
Total amounts not available to be used within one year	(7,540,273)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,956,831</u>

**NOTE 15 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through September 17, 2019, the date at which the financial statements were available to be issued, and noted no material subsequent events that require disclosure.