

**PROMISES2KIDS FOUNDATION
A NONPROFIT ORGANIZATION
FINANCIAL STATEMENT
JUNE 30, 2023**

**PROMISES2KIDS FOUNDATION
A NONPROFIT ORGANIZATION**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Promises2Kids Foundation

Opinion

We have audited the accompanying financial statements of Promises2Kids Foundation, a nonprofit organization, which comprise of the statement of financial position as of June 30, 2023, 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.

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, 2023, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Promises2Kids Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Promises2Kids Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with generally

accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Promises2Kids Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about Promises2Kids Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CONSIDINE & CONSIDINE
An accountancy corporation

November 21, 2023

PROMISES2KIDS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

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ASSETS

CURRENT ASSETS

Cash	\$ 2,941,209
Receivables (note 3)	1,502,031
Prepaid expenses	297,907
	<hr/>
	4,741,147

PROPERTY AND EQUIPMENT (note 4)	548,920
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OTHER ASSETS

Investments (note 5)	13,697,052
Pledges receivable - long-term (note 3)	530,000
Rental property (note 4)	389,638
	<hr/>

TOTAL ASSETS	<hr/> <hr/> <u>19,906,757</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	39,265
Accrued expenses (note 7)	208,308
Deferred revenue (note 13)	152,626
	<hr/>

TOTAL LIABILITIES	400,199
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NET ASSETS (note 8)

Without donor restrictions	13,189,705
With donor restrictions	6,316,853
	<hr/>
	19,506,558
	<hr/>

TOTAL LIABILITIES AND NET ASSETS	<hr/> <hr/> <u>\$ 19,906,757</u>
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See accompanying notes

PROMISES2KIDS FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE			
Contributions	\$ 3,837,571	\$ 1,509,627	\$ 5,347,198
Grants	34,200	1,582,915	1,617,115
Investment gain, net	996,402	90,248	1,086,650
In-kind donations (note 10)	235,437	440,340	675,777
Other income	30,400	-	30,400
	<u>5,134,010</u>	<u>3,623,130</u>	<u>8,757,140</u>
Special events, net			
Special events revenue	1,916,069	-	1,916,069
Direct benefit to donors	(369,961)	-	(369,961)
	<u>1,546,108</u>	<u>-</u>	<u>1,546,108</u>
Net assets released from restriction	<u>3,475,826</u>	<u>(3,475,826)</u>	<u>-</u>
Total revenue and support	10,155,944	147,304	10,303,248
EXPENSES			
Program services (note 11)			
Children and young adult programs	6,204,677	-	6,204,677
In-kind children and young adult programs	439,473	-	439,473
Total program services	6,644,150	-	6,644,150
Management and general	185,830	-	185,830
Development	1,370,167	-	1,370,167
Total expenses	<u>8,200,147</u>	<u>-</u>	<u>8,200,147</u>
CHANGE IN NET ASSETS	1,955,797	147,304	2,103,101
NET ASSETS, BEGINNING	<u>11,233,908</u>	<u>6,169,549</u>	<u>17,403,457</u>
NET ASSETS, ENDING	<u>\$ 13,189,705</u>	<u>\$ 6,316,853</u>	<u>\$ 19,506,558</u>

See accompanying notes

PROMISES2KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Salaries and benefits expense	\$ 2,356,767	\$ 114,730	\$ 843,883	\$ 3,315,380
Youth support, stipends and recognition	1,328,033	-	-	1,328,033
Scholarships	587,160	-	-	587,160
Special event meals and entertainment	15,252	717	438,183	454,152
In-kind children's program	439,473	-	-	439,473
Outside services	191,346	18,052	165,814	375,212
Youth and volunteer training and education	367,447	-	-	367,447
Children's program services	337,735	-	-	337,735
Youth activities	302,307	-	-	302,307
Occupancy	164,250	15,750	45,000	225,000
Marketing and public relations	92,184	6,573	32,143	130,900
Mileage and travel	64,723	596	6,774	72,093
Printing and production	35,411	3,331	28,843	67,585
Dues and subscriptions	37,767	1,450	27,073	66,290
Volunteer and donor recognition	37,262	2,242	13,136	52,641
Telephone and internet	37,073	3,182	9,417	49,672
Children's program materials	49,185	-	-	49,185
Postage and mailing	29,131	566	19,249	48,945
Bank fees	280	25	41,728	42,033
Insurance	21,972	2,107	6,020	30,099
Staff and board development	18,248	1,069	5,243	24,560
Professional services	12,994	1,246	3,560	17,800
Supplies	12,079	1,040	3,079	16,198
Rental equipment	8,008	3,736	1,699	13,443
Bad debt	-	-	10,148	10,148
Graphic art and design	1,417	136	7,027	8,580
Tax and license	796	91	5,850	6,737
Repairs and maintenance	2,378	228	652	3,258
TOTAL EXPENSES BEFORE DEPRECIATION	6,550,679	176,867	1,714,520	8,442,066
Depreciation	93,471	8,963	25,609	128,042
TOTAL EXPENSES	6,644,150	185,830	1,740,128	8,570,108
Less: Direct benefit to donors at special events included in revenue	-	-	(369,961)	(369,961)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	\$ 6,644,150	\$ 185,830	\$ 1,370,167	\$ 8,200,147

See accompanying notes

**PROMISES2KIDS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

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CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Increase in net assets	\$ 2,103,101
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	
Depreciation	128,042
Bad debt expense	10,148
Net unrealized loss on investments	(657,870)
Change in operating assets and liabilities:	
Receivables	(120,013)
Prepaid expenses	(61,844)
Pledges receivable - long-term	970,000
Accounts payable	(56,542)
Accrued expenses	(64,883)
Deferred revenue	(14,874)
	132,164
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,235,265
CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchase of investments	(5,361,019)
Proceeds from sales of investments	3,899,478
Purchase of property and equipment	(25,764)
	(1,487,305)
NET INCREASE IN CASH	747,960
CASH, BEGINNING OF YEAR	2,193,249
CASH, END OF YEAR	\$ 2,941,209

See accompanying notes

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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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, 2023:

- KidSTART
- Youth2Youth Advocates 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 or prepare for a career 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. Guardian Scholars provides multifaceted support through mentoring, career and vocational training, tutoring, college planning, financial aid, college application workshops, and case management.

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, and Community Drives.

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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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 - The Foundation follows the Financial Accounting Standards Board's (FASB) Financial Statements of Not-for-Profit Organizations for presentation of its financial statements which require that net assets, support, revenue and gains, expenses and losses be classified as with donor restrictions and without 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.

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.

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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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, 2023, the accounts had amounts in excess of the FDIC deposit limits of \$741,459. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant risk on its cash.

Investments - Investments are carried at fair market value. Income on investments is recognized as revenue in the period it is earned, and realized and unrealized gains and losses are recognized as changes in net assets in the accounting period in which they occur. The Foundation maintains its investments in brokerage accounts with national and local financial institutions of high credit ratings. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant risk for its investments.

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 3 to 27.5 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 special event receivables, pledged receivables, and advances to employees. 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, 2023.

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.

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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The Foundation follows the Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20, collectively implemented as FASB Accounting Standards Codification (“ASC”) Topic 606 (“ASC 606”) Revenue from Contracts with Customers, which provides guidance for revenue recognition. This ASC’s core principle requires an organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods or services. The standard also clarifies the principal versus agent considerations, providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the customer.

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 asset 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.

The Foundation follows the FASB-issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made which provides clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions.

In-kind goods - The Foundation recognizes the value of donated goods by recording donations at fair value. The fair value of donated goods has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs). See note 9 for additional information.

In-kind services - 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 the activities of the Foundation; however, only the services that meet the above requirements are recorded in the financial statements. The fair value of donated services has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs). See note 9 for additional information.

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.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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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 tax returns are more likely than not to be sustained upon examination. As of June 30, 2023, the Foundation has not 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.

Reclassification - Net assets with donor restrictions of \$141,401 have been reclassified to net assets without donor restrictions at June 30, 2022. There is no effect on the total of net assets or total change in net assets for the year ended June 30, 2023.

Recent accounting pronouncements

In February 2016, FASB issued ASU 2016-02 Leases (Topic 842). In July 2018, FASB issued two updates to ASU 2016-02, ASU 2018-10, Codification Improvements to Topic 842 Leases, and ASU 2018-11, Leases (Topic 812): Targeted Improvements. The new standard is effective for fiscal years beginning after December 15, 2021. ASU 2016-02 requires recognition of operating leases with lease terms of more than twelve months on the balance sheet as both assets and liabilities for the obligations created by the leases. Topic 842 also requires disclosures that provide qualitative and quantitative information for the lease assets and liabilities recorded in the financial statements. Upon completion of its review of relevant contracts, the Foundation has made a determination that there is no material impact to recognition of operating leases upon adoption of the new standard. The Foundation adopted Topic 842 as of July 1, 2022.

NOTE 3 RECEIVABLES

Accounts receivable consisted of the following at June 30, 2023:

Grants receivable	\$ 394,391
Special events receivable	78,500
Other receivable	19,140
	<u>\$ 492,031</u>

Pledges receivable consisted of the following at June 30, 2023:

Current:	
Due in less than one year	\$ 1,010,000
Noncurrent:	
Due in one to five years	530,000
Total pledges receivable, net	<u>\$ 1,540,000</u>

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at June 30, 2023:

Office equipment	\$ 598,487
Leasehold improvements	282,913
Software and other	226,755
Automobile	79,979
	1,188,134
Accumulated depreciation	(639,214)
	\$ 548,920

Rental property is summarized as follows at June 30, 2023:

Rental property	\$ 415,000
Accumulated depreciation	(25,362)
	\$ 389,638

Depreciation expense was \$128,042 for the year ended June 30, 2023.

NOTE 5 INVESTMENTS

Investments at fair market value as of June 30, 2023 totaled \$13,697,052.

The following schedule summarizes the Foundation's return on investments and its classification in the statement of activities and changes in net assets for the year ended June 30, 2023:

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	\$ 367,329	\$ 34,219	\$ 401,548
Management fees	(55,385)	(6,131)	(61,516)
Realized and unrealized loss, net	654,615	62,160	716,775
Total investment income	\$ 966,559	\$ 90,248	\$ 1,056,807

Included in investment gain, net on the statement of activities and changes in net assets is \$29,843 of interest earned from a savings account, which is grouped with cash on the statement of financial position at June 30, 2023.

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

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 bond funds, equity funds and exchange traded funds (“Funds”) are valued at market prices in active markets and have readily determinable fair values. These assets are classified as level 1.

The Jewish Community Foundation (JCF) investments are held and managed by JCF. The funds are held in JCF’s long-term index pool as well as mutual and index funds at JCF’s decision. The values are based on the fair market value of the underlying securities.

The San Diego Foundation investments are held and managed by the San Diego Foundation. The funds are held in a long-term index portfolio. The values are based on the fair market value of the underlying securities.

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Funds	\$ 12,294,254	\$ -	\$ -	\$ 12,294,254
San Diego Foundation investments	1,045,882	-	-	1,045,882
JCF investments	356,916	-	-	356,916
	<u>\$ 13,697,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,697,052</u>

NOTE 7 ACCRUED EXPENSES

Accrued expenses consisted of the following for the year ended June 30, 2023:

Accrued vacation	\$ 118,213
Accrued payroll	67,299
Credit cards payable	22,796
	<u>\$ 208,308</u>

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

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NOTE 8 NET ASSETS

Net assets consisted of the following at June 30, 2023:

Without donor restrictions:

Board designated - Bequests	\$ 1,371,123
Board designated - Mary's House	496,921
Board designated - Hattie Brooks	300,000
Unrestricted and undesignated	<u>11,021,661</u>
	13,189,705

With donor restrictions:

Subject to expenditure for specific purpose	
Hattie Brooks endowment	2,400,470
Holiday gift drive	1,615,231
Guardian Scholars	783,507
Housing	360,116
Polinsky Children's Center endowment	321,726
Foster Funds	111,741
Camp Connect	70,000
Diversity Inclusion	37,295
Tutoring	23,507
County board of supervisors - D1 Vargas	16,213
Parenting	10,032
Pet Therapy	9,425
Theatrical tickets	8,400
Cuyamaca Youth	5,000
Birthday club	3,557
Junior League endowment	<u>1,879</u>
	5,778,098

Held in perpetuity

Polinsky children's center endowment	381,410
General endowment	87,345
Junior league scholarship endowment	<u>70,000</u>
	538,755

6,316,853

Total net assets	<u><u>\$ 19,506,558</u></u>
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PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

Guardian Scholars	\$ 2,128,348
Holiday gift drive	439,678
Camp Connect	303,721
Prebys GS employee funding	195,153
Polinsky Children's Center	152,831
Diversity Inclusion	62,762
Parenting	62,718
Housing	34,000
County board of supervisors - D1 Vargas	33,787
Ed Summit	21,575
General Programs	7,500
Something Special	6,399
Cuyamaca Youth	6,000
Clothing	5,000
Ticket to dream food	5,000
Junior League endowment	5,000
Foster Funds	3,000
Birthday club	1,859
Tutoring	1,493
	\$ 3,475,826

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 9 ENDOWMENTS

The Board of Directors of the Foundation has interpreted the enacted version of the 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, 2023. 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.

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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
- 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, 2023.

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 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.

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Endowment composition by type of fund at June 30, 2023:

	Without donor restrictions	With donor restrictions	Total
Hattie Brooks	\$ 1,883,259	\$ 2,400,470	\$ 4,283,729
Polinsky Children's Center	-	703,136	703,136
General	74,954	87,345	162,299
Junior League scholarship	-	71,879	71,879
Total endowment funds	<u>\$ 1,958,213</u>	<u>\$ 3,262,830</u>	<u>\$ 5,221,043</u>

Changes in endowment net assets as of June 30, 2023 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 1,574,209	\$ 3,202,930	\$ 4,777,139
Net appreciation	249,554	40,990	290,544
Investment income, net	134,451	23,909	158,360
Amounts appropriated for expenditure	-	(5,000)	(5,000)
Endowment net assets, end of year	<u>\$ 1,958,214</u>	<u>\$ 3,262,829</u>	<u>\$ 5,221,043</u>

Included in the with donor restrictions amounts above are \$538,755 to be held in perpetuity.

NOTE 10 IN-KIND DONATIONS

The Foundation received donated office space, marketing services and contributions of goods for program services, supplies, equipment, and special event 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. A majority of in-kind goods for the children's program consists of clothing, school supplies, toys, gift cards and entertainment opportunities.

The in-kind donations consist of the following for the year ended June 30, 2023:

Children's programs	\$ 440,340
Occupancy	225,000
Marketing services	10,438
	<u>\$ 675,777</u>

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NOTE 11 PROGRAM SERVICES

Children's programs - Children's programs consisted of funds provided to the following agencies or programs for the year ended June 30, 2023:

Guardian Scholars	\$ 2,489,437
General Programs	1,828,244
Community events and partnerships	440,201
Camp Connect	360,792
Foster Funds	310,111
Polinsky Children's Center	291,478
KidSTART	250,092
Volunteers	146,011
Diversity Inclusion	56,539
Ed Summit	31,771
	<u>\$ 6,204,676</u>

In-kind children's programs - In-kind children's programs, the value of which is determined by estimating the fair value of the gift, consisted of in-kind contributions given to the following agencies or programs for the year ended June 30, 2023:

Community partnerships	\$ 265,468
General programs	168,170
Polinsky Children's Center	5,835
	<u>\$ 439,473</u>

NOTE 12 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 support for programs that contribute to the well-being, health, recreation, and happiness of its residents in the annual amount of \$225,000. For the year ended June 30, 2023, the Foundation had met its requirement and was in compliance.

NOTE 13 DEFERRED REVENUE

The Foundation received \$152,626 of conditional funding related to special event sponsorships and tickets.

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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.

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, 2023, 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, 2023:

Cash	\$ 2,941,209
Receivables	1,502,031
Investments	<u>13,697,052</u>
	18,140,292

Less:

Assets unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by purpose restrictions	(5,778,098)
Held in perpetuity	(538,755)
Board designated - operations and general reserves	<u>(1,371,123)</u>
Total amounts not available to be used within one year	<u>(7,687,976)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 10,452,316</u></u>
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NOTE 15 RETIREMENT PLAN

The Foundation maintains a 401(k) Retirement Plan (the “Plan”) which provides eligible employees an opportunity to defer a portion of their compensation through salary reduction. Effective January 1, 2023, the Foundation provides matching contributions to the Plan. The Foundation matches 100% of the employees’ contributions up to 3% and 50% of the employees’ contributions between 3% to 5% relative to the salaries of the participating employees.

NOTE 16 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 21, 2023, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.