

**PROMISES2KIDS FOUNDATION
A NONPROFIT ORGANIZATION
FINANCIAL STATEMENT
JUNE 30, 2020**

**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, 2020, 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

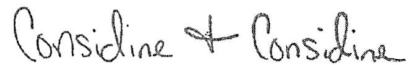
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020, 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

October 1, 2020

PROMISES2KIDS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

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ASSETS

CURRENT ASSETS

Cash	\$ 3,654,198
Receivables (note 3)	127,459
Prepaid expenses	<u>206,161</u>
	3,987,818

PROPERTY AND EQUIPMENT (note 4)	300,043
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OTHER ASSETS

Investments (note 5)	<u>7,422,208</u>
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TOTAL ASSETS	<u><u>11,710,069</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	39,795
Accrued expenses	184,182
Deferred revenue (note 12)	<u>84,010</u>
	307,987

LONG TERM LIABILITIES

Note payable (note 14)	<u>342,300</u>
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TOTAL LIABILITIES	650,287
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NET ASSETS (note 7)

Without donor restrictions	7,409,151
With donor restrictions	<u>3,650,631</u>
	<u>11,059,782</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,710,069</u></u>
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See accompanying notes

PROMISES2KIDS FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE			
Contributions	\$ 5,548,208	\$ 1,384,047	\$ 6,932,255
In-kind donations	56,700	816,799	873,499
Grants	61,000	548,857	609,857
Investment income, net	159,183	2,286	161,469
Other income	127,510	-	127,510
	<u>5,952,601</u>	<u>2,751,989</u>	<u>8,704,590</u>
Special events, net			
Special events revenue	125,381	-	125,381
Direct benefit to donors	(60,048)	-	(60,048)
	<u>65,333</u>	<u>-</u>	<u>65,333</u>
Net assets released from restriction	<u>2,499,361</u>	<u>(2,499,361)</u>	<u>-</u>
Total revenue and support	8,517,295	252,628	8,769,923
EXPENSES			
Program services			
Children and young adult programs	4,009,833	-	4,009,833
In-kind children and young adult programs	731,717	-	731,717
Total program services	4,741,550	-	4,741,550
Management and general	136,380	-	136,380
Development	838,318	-	838,318
	<u>5,716,248</u>	<u>-</u>	<u>5,716,248</u>
CHANGE IN NET ASSETS	2,801,047	252,628	3,053,675
NET ASSETS, BEGINNING	<u>4,608,104</u>	<u>3,398,003</u>	<u>8,006,107</u>
NET ASSETS, ENDING	<u>\$ 7,409,151</u>	<u>\$ 3,650,631</u>	<u>\$ 11,059,782</u>

See accompanying notes

PROMISES2KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Salaries and benefits expense	\$ 1,558,690	\$ 89,357	\$ 556,630	\$ 2,204,677
Youth support, stipends and recognition	1,021,747	-	-	1,021,747
In-kind children's program	731,717	-	-	731,717
Scholarships	522,240	-	-	522,240
Outside services	133,439	12,490	63,781	209,710
Youth activities	159,020	-	-	159,020
Occupancy	105,120	10,080	28,800	144,000
Children's program services	130,735	-	-	130,735
Special event meals and entertainment	9,422	744	75,088	85,254
Marketing and public relations	52,769	5,060	20,822	78,651
Youth and volunteer training and education	60,476	-	-	60,476
Dues and subscriptions	29,482	1,972	12,877	44,331
Printing and production	13,797	1,322	28,828	43,947
Mileage and travel	36,493	820	5,542	42,855
Volunteer and donor recognition	20,076	1,397	12,821	34,294
Telephone and internet	22,288	1,559	6,823	30,670
Staff and board development	18,073	1,123	7,406	26,602
Postage and mailing	15,901	489	5,392	21,782
Bank fees	247	19	20,704	20,970
Graphic art and design	3,427	329	16,665	20,421
Insurance	13,135	1,259	3,598	17,992
Professional services	10,994	1,054	3,012	15,060
Bad debt	-	-	14,158	14,158
Rental equipment	8,904	2,664	1,852	13,420
Children's program materials	13,336	-	-	13,336
Supplies	7,852	676	2,235	10,763
Tax and license	2,474	237	678	3,389
Repairs and maintenance	1,124	98	280	1,502
TOTAL EXPENSES BEFORE DEPRECIATION	4,702,978	132,749	887,992	5,723,719
Depreciation	38,572	3,631	10,374	52,577
TOTAL EXPENSES	4,741,550	136,380	898,366	5,776,296
Less: Direct benefit to donors at special events included in revenue	-	-	(60,048)	(60,048)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	\$ 4,741,550	\$ 136,380	\$ 838,318	\$ 5,716,248

See accompanying notes

**PROMISES2KIDS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

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CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Increase in net assets	\$ 3,053,675
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	
Depreciation	52,577
Bad debt expense	14,158
Net realized and unrealized gains on investments	(12,997)
Change in operating assets and liabilities:	
Receivables	462,719
Prepaid expenses	(106,576)
Accounts payable	(67,538)
Accrued expenses	27,431
Deferred revenue	(200,990)
	<u>168,784</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,222,459
CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchase of investments	(3,705,750)
Proceeds from sales of investments	2,578,109
Purchase of property and equipment	(63,157)
	<u>(1,190,798)</u>
CASH FLOWS PROVIDED FROM FINANCING ACTIVITY	
Proceeds from note payable	<u>342,300</u>
NET INCREASE IN CASH	2,373,961
CASH, BEGINNING OF YEAR	<u>1,280,237</u>
CASH, END OF YEAR	<u><u>\$ 3,654,198</u></u>

See accompanying notes

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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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, 2020:

- 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 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.

COVID-19 Emergency Support - As a result of COVID-19, we provide emergency financial assistance to ensure our most vulnerable youth are supported. This includes food cards, cash assistance and other support. We anticipate this support to reduce as the impact of the virus diminishes.

**PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

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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.

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.

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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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, 2020, the accounts had amounts in excess of deposit limits of approximately \$3,100,000. 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 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, 2020.

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.

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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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, 2020, 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.

Recent accounting pronouncements

Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20, collectively implemented as Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") Revenue from Contracts with Customers, provides guidance for revenue recognition. This ASC's core principle requires a Foundation to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the Foundation 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. The new standard permits the use of either the modified retrospective or full retrospective transition method.

The Foundation has performed a review of the new guidance as compared to its current accounting policies, and evaluated all services rendered to its customers as well as underlying contracts to determine the impact of this standard to its revenue recognition processes. There was not a material impact to fiscal 2020 revenues as a result of applying ASC 606, and there have not been significant changes to the Foundation's business processes, systems, or internal controls as a result of implementing the standard. The Foundation adopted the standard on July 1, 2019 using the retrospective transition method.

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NOTES TO THE FINANCIAL STATEMENTS
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In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU includes 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. The Foundation adopted ASU 2018-08, under the modified prospective approach to agreements that were either not completed as of July 1, 2019 or entered into after July 1, 2019. The adoption of this ASU did not have a material effect on the financial statements for contributions received.

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 statement of financial position 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. The Foundation is still assessing the impact this standard will have on its financial statements.

NOTE 3 RECEIVABLES

Receivables consist of the following at June 30, 2020:

Special events receivable	\$ 65,973
Pledges receivable	31,441
Grants receivable	30,000
Other receivable	45
	<u>\$ 127,459</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

Office equipment	\$ 246,480
Leasehold improvements	240,171
Software and other	123,258
Automobile	38,644
	<u>648,553</u>
Accumulated depreciation	(348,510)
	<u>\$ 300,043</u>

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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NOTE 5 INVESTMENTS

Investments at fair market value as of June 30, 2020 total \$7,422,208.

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, 2020:

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	\$ 159,970	\$ 20,163	\$ 180,133
Realized and unrealized gain, net	12,997	-	12,997
Management fees	(13,784)	(17,877)	(31,661)
Total investment income	<u>\$ 159,183</u>	<u>\$ 2,286</u>	<u>\$ 161,469</u>

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, 2020:

	Level 1	Level 2	Level 3	Total
Mutual and index funds	<u>\$ 7,422,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,422,208</u>

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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NOTE 7 NET ASSETS

Net assets consist of the following at June 30, 2020:

Without donor restrictions:

Board designated - operations and general reserves	\$ 796,921
Unrestricted and undesignated	<u>6,612,230</u>
	7,409,151

With donor restrictions:

Subject to expenditure for specific purpose	
Hattie Brookes endowment	2,400,470
Polinsky Children's Center endowment	271,990
Camp Connect	242,461
Covid emergency fund	72,659
Software implementation	50,000
Education summit	21,000
Junior Guardian Scholars	19,415
Foster Funds	15,673
Pet therapy	9,390
Spa event	5,000
Junior League endowment	3,612
Driver's education	<u>206</u>
	3,111,876

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>3,650,631</u>
	<u><u>\$ 11,059,782</u></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:

General programs	\$ 866,759
Guardian Scholars	594,813
Holiday gifts	289,005
Back to school days	249,527
COVID19	229,531
Camp Connect	202,214
Polinsky Children's Center	49,973
Something Special	12,050
Endowment expenditures	5,000
Birthday Club	489
	<u>\$ 2,499,361</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, 2020. 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
- Other resources of the Foundation
- The investment policies of the Foundation

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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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, 2020.

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, 2020:

	Without donor restrictions	With donor restrictions	Total
Hattie Brooks	\$ 1,110,137	\$ 2,400,470	\$ 3,510,607
Polinsky Children's Center	-	653,400	653,400
General	43,131	87,345	130,476
Junior League scholarship	-	73,612	73,612
Total endowment funds	<u>\$ 1,153,268</u>	<u>\$ 3,214,827</u>	<u>\$ 4,368,095</u>

Changes in endowment net assets as of June 30, 2020 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 1,115,940	\$ 3,217,540	\$ 4,333,480
Investment income	80,875	16,603	97,478
Amounts appropriated for expenditure	-	(5,000)	(5,000)
Net appreciation	(43,547)	(14,316)	(57,863)
Endowment net assets, end of year	<u>\$ 1,153,268</u>	<u>\$ 3,214,827</u>	<u>\$ 4,368,095</u>

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

PROMISES2KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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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 \$7,000 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, 2020:

Children's programs	\$ 729,499
Occupancy	144,000
	<u>\$ 873,499</u>

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, 2020:

General programs	\$ 1,355,418
Guardian Scholars	1,211,843
Community events and partnerships	542,347
Covid emergency fund	229,531
Camp Connect	202,214
Polinsky Children's Center	240,106
Something Special	180,382
Volunteers	47,992
	<u>\$ 4,009,833</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, consist of in-kind contributions given to the following agencies or programs for the year ended June 30, 2020:

General programs	\$ 711,203
Community events and partnerships	17,634
Polinsky Children's Center	2,880
	<u>\$ 731,717</u>

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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, 2020, the Foundation had met its requirement and was in compliance.

NOTE 12 DEFERRED REVENUE

The Foundation received approximately \$84,000 of conditional funding for special event revenue. The funds are expected to be recognized in fiscal year 2021.

NOTE 13 ESTATE FUNDS

Estate funds were received in January 2018. Management worked with legal counsel to ensure the funds were intended for the Foundation. In November 2019, the funds were secured for the use of the Foundation and recognized as a donation without restriction at that time.

NOTE 14 NOTE PAYABLE

On April 1, 2020, the Foundation entered into note payable agreement with Bank of Southern California for \$342,300, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note matures two years from the disbursement date and bears interest at a rate of 1.000% per annum, with the first six months of interest deferred. Principal and interest are payable monthly commencing six months after the disbursement date and may be prepaid by the Foundation at any time prior to maturity with no prepayment penalties. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. The note is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (qualifying expenses), pursuant to the terms and limitations of the PPP. The Foundation believes that it used all of the proceeds from the note for the qualifying expenses. However, no assurance is provided that the Foundation will obtain forgiveness of the note in whole or in part.

NOTE 15 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, 2020, 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, 2020

Cash	\$ 3,654,198
Receivables	127,459
Investments	<u>7,422,208</u>
	11,203,865

Less:

Assets unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:

Restricted by purpose restrictions	(3,111,876)
Held in perpetuity	(538,755)

Board designated - operations and general reserves	<u>(796,921)</u>
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Total amounts not available to be used within one year	(4,447,552)
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Financial assets available to meet cash needs for
general expenditures within one year

\$ 6,756,313

NOTE 16 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 1, 2020, the date which the financial statements were available to be issued. As a result of the spread of COVID-19 Coronavirus and the resulting orders issued by the State of California, the state in which the Foundation operates, the Foundation is planning for reduced revenues. The duration of the concern of reduction in revenues may be only temporary. However, the related financial impact and duration cannot be reasonably estimated at this time.