PROMISES2KIDS FOUNDATION
A NONPROFIT ORGANIZATION
FINANCIAL STATEMENT
JUNE 30, 2022

PROMISES2KIDS FOUNDATION
A NONPROFIT ORGANIZATION

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, 2022, 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, 2022, 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

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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.

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CONSIDINE & CONSIDINE
An accountancy corporation

February 14, 2023

PROMISES2KIDS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS	
CURRENT ASSETS	
Cash	$ 2,193,249
Receivables (note 3)	767,166
Prepaid expenses	236,063
	3,196,478
PROPERTY AND EQUIPMENT (note 4)	642,744
OTHER ASSETS	
Investments (note 5)	11,577,641
Receivables - long-term (note 3)	2,125,000
Rental property (note 4)	398,092
TOTAL ASSETS	17,939,955
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	95,807
Accrued expenses	273,191
Deferred revenue (note 12)	167,500
	536,498
TOTAL LIABILITIES	536,498
NET ASSETS (note 7)	
Without donor restrictions	11,092,508
With donor restrictions	6,310,949
	17,403,457
TOTAL LIABILITIES AND NET ASSETS	$ 17,939,955

PROMISES2KIDS FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE			
Contributions	$ 2,768,163	$ 4,110,833	$ 6,878,996
Grants	122,976	705,040	828,016
In-kind donations	225,000	465,930	690,930
Other income (note 13)	425,316	-	425,316
Investment loss, net	(1,250,546)	(137,870)	(1,388,416)
	2,290,909	5,143,933	7,434,842
Special events, net			
Special events revenue	1,745,179	-	1,745,179
Direct benefit to donors	(377,484)	-	(377,484)
	1,367,695	-	1,367,695
Net assets released from restriction	3,036,891	(3,036,891)	-
Total revenue and support	6,695,495	2,107,042	8,802,537
EXPENSES			
Program services			
Children and young adult programs	5,024,026	-	5,024,026
In-kind children and young adult programs	468,752	-	468,752
Total program services	5,492,778	-	5,492,778
Management and general	179,820	-	179,820
Development	1,192,303	-	1,192,303
	6,864,902	-	6,864,902
CHANGE IN NET ASSETS	(169,407)	2,107,042	1,937,635
NET ASSETS, BEGINNING	11,261,915	4,203,907	15,465,822
NET ASSETS, ENDING	$ 11,092,508	$ 6,310,949	$ 17,403,457

PROMISES2KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Salaries and benefits expense	$ 2,033,561	$ 108,892	$ 596,547	$ 2,739,000
Youth support, stipends and recognition	869,402	-	-	869,402
Scholarships	703,715	-	-	703,715
Special event meals and entertainment	33,677	1,634	445,699	481,010
In-kind children's program	468,752	-	-	468,752
Outside services	232,789	21,863	123,345	377,997
Occupancy	164,250	15,750	45,000	225,000
Children's program services	211,578	-	-	211,578
Youth activities	181,529	-	-	181,529
Youth and volunteer training and education	130,156	-	-	130,156
Marketing and public relations	51,004	4,689	64,634	120,327
Printing and production	33,407	2,694	57,900	94,001
Volunteer and donor recognition	44,141	1,732	24,126	69,999
Bank fees	120	2,689	57,358	60,167
Dues and subscriptions	32,854	1,044	24,040	57,937
Children's program materials	56,922	-	-	56,922
Mileage and travel	45,969	636	3,320	49,925
Bad debt	-	-	31,525	31,525
Telephone and internet	24,185	1,639	5,176	31,000
Supplies	8,826	819	20,487	30,132
Staff and board development	25,313	1,109	3,249	29,671
Insurance	19,769	1,896	5,416	27,081
Graphic art and design	3,985	256	21,203	25,444
Postage and mailing	17,498	738	6,819	25,055
Professional services	12,483	1,197	3,420	17,100
Rental equipment	7,487	3,043	1,303	11,833
Tax and license	578	55	7,946	8,579
Repairs and maintenance	1,362	18	50	1,430
TOTAL EXPENSES BEFORE DEPRECIATION	5,415,311	172,392	1,548,563	7,136,267
Depreciation	77,467	7,428	21,224	106,119
TOTAL EXPENSES	$ 5,492,778	$ 179,820	$ 1,569,787	$ 7,242,386
Less: Direct benefit to donors at special events included in revenue	-	-	(377,484)	(377,484)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	$ 5,492,778	$ 179,820	$ 1,192,303	$ 6,864,902

PROMISES2KIDS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Increase in net assets	$ 1,937,635
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	
Depreciation	106,119
Bad debt expense	31,525
Net unrealized loss on investments	1,735,071
Income from loan forgiveness	(400,538)
Change in operating assets and liabilities:	
Receivables	(2,785,853)
Prepaid expenses	(46,400)
Accounts payable	(61,928)
Accrued expenses	77,428
Deferred revenue	(65,200)
	(1,409,776)
NET CASH PROVIDED BY OPERATING ACTIVITIES	527,859
CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchase of investments	(1,574,496)
Proceeds from sales of investments	709,544
Purchase of property and equipment	(391,683)
	(1,256,635)
NET DECREASE IN CASH	(728,776)
CASH, BEGINNING OF YEAR	2,922,025
CASH, END OF YEAR	$ 2,193,249

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, 2022:

- 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.

Fostering Opportunities - 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.

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.

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, 2022, the accounts had amounts in excess of deposit limits of approximately $1,854,000. 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 are 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.

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 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, 2022.

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.

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 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 tax returns are more likely than not to be sustained upon examination. As of June 30, 2022, 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.

Recent accounting pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the financial statements as of June 30, 2022.

NOTE 3 RECEIVABLES

Receivables consist of the following at June 30, 2022:

Pledges receivable	$ 2,865,000
Grants receivable	21,226
Other receivable	5,940
	$ 2,892,166

Pledges receivable due in:	
One year	$ 740,000
Two years	625,000
Three years	625,000
Four years	625,000
Five years	125,000
Six years	125,000
	$ 2,865,000

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

Office equipment	$ 577,927
Leasehold improvements	280,591
Software and other	226,755
Automobile	79,979
	1,165,252
Accumulated depreciation	(522,508)
	$ 642,744

Rental property summarized as follows:

Rental property	$ 415,000
Accumulated depreciation	(16,908)
	$ 398,092

Depreciation expense was $106,119 for the year ended June 30, 2022.

NOTE 5 INVESTMENTS

Investments at fair market value as of June 30, 2022 total $11,577,641.

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, 2022:

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	$ 419,265	$ 35,765	$ 455,030
Management fees	(59,332)	(5,303)	(64,635)
Realized and unrealized loss, net	(1,610,479)	(168,332)	(1,778,811)
Total investment income	$ (1,250,546)	$ (137,870)	$ (1,388,416)

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 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 following table summarizes assets measured at fair value by classification within the fair value hierarchy as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Assets				
Mutual and index funds	$ 11,234,075	$ -	$ -	$ 11,234,075
JCF investments	343,566	-	-	343,566
	$ 11,577,641	$ -	$ -	$ 11,577,641

NOTE 7 NET ASSETS

Net assets consist of the following at June 30, 2022:

Without donor restrictions:	
Board designated - operations and general reserves	$ 796,921
Unrestricted and undesignated	10,295,587
	11,092,508
With donor restrictions:	
Subject to expenditure for specific purpose	
Hattie Brookes endowment	2,400,470
Shopping	2,196,310
Housing	344,766
Polinsky Children's Center endowment	260,877
Camp Connect	172,777
Guardian Scholars	159,054
Fostering Opportunities	70,000
KidSTART	63,072
Parenting	25,000
Diversity inclusion	20,057
Ed Summit	17,075
Polinsky Children's Center	12,617
Theatrical tickets	8,400
Cuyamaca Youth	6,000
Birthday club	5,391
Ticket to dream food	5,000
Junior League endowment	2,828
Organizational development	2,500
	5,772,194
Held in perpetuity	
Polinsky Children's Center endowment	381,410
General endowment	87,345
Junior League scholarship endowment	70,000
	538,755
	6,310,949
	$ 17,403,457

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

Guardian Scholars	$ 1,551,235
Holiday gift drive	399,465
Shopping	303,690
Camp Connect	225,189
Polinsky Children's Center	112,242
Furniture/building	90,000
General programs	77,916
Tutoring	64,942
Polinksy Center Endowment	47,718
Career	45,521
Automobile purchase	32,998
Organization development	20,615
Back to school days	21,000
Software implementation	16,650
Housing	11,000
Something Special	8,904
Digital Divide	5,000
Diversity Inclusion	1,943
Birthday club	863
	$ 3,036,891

The Foundation's endowment consists of five 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 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, 2022. 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

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, 2022.

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.

Endowment composition by type of fund at June 30, 2022:

	Without donor restrictions	With donor restrictions	Total
Hattie Brooks	$ 1,513,040	$ 2,400,470	$ 3,913,510
Polinsky Children's Center	-	642,287	642,287
General	61,169	87,345	148,514
Junior League scholarship	-	72,828	72,828
Total endowment funds	$ 1,574,209	$ 3,202,930	$ 4,777,139

Changes in endowment net assets as of June 30, 2022 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 2,070,190	$ 3,345,084	$ 5,415,274
Investment income	163,396	28,296	191,692
Amounts appropriated for expenditure	-	(52,718)	(52,718)
Net depreciation	(659,377)	(117,732)	(777,109)
Endowment net assets, end of year	$ 1,574,209	$ 3,202,930	$ 4,777,139

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

NOTE 9 IN-KIND DONATIONS

The Foundation received donated office space, marketing services 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, 2022:

Children's programs	$ 465,930
Occupancy	225,000
	$ 690,930

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, 2022:

Guardian Scholars	$ 1,834,703
General Programs	1,752,643
Community events and partnerships	422,043
Polinsky Children's Center	418,567
Foster Funds	246,410
Camp Connect	225,189
Volunteers	116,603
Ed Summit	5,925
Diversity Equity Inclusion	1,943
	$ 5,024,026

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, 2022:

Community partnerships	$ 388,839
General programs	71,212
Polinsky Children's Center	8,701
	$ 468,752

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, 2022, the Foundation had met its requirement and was in compliance.

NOTE 12 DEFERRED REVENUE

The Foundation received $167,500 of conditional funding related to special event sponsorships and tickets.

NOTE 13 NOTE PAYABLE

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the Small Business Administration (SBA). Companies who met the eligibility requirements set forth by the PPP could qualify for the PPP loans. If the loan proceeds are fully utilized to pay for qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the companies.

In March 2021, the Foundation received a loan totaling $400,538 under the PPP – second draw. The PPP loans bear interest at 1.00%, with principal and interest payments deferred for the first six months of the loan. 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, if the loans are not forgiven under the terms of the PPP.

During the fiscal year of June 30, 2022, the Foundation received loan proceeds of $400,538 for the PPP second draw. The Foundation has accounted the revenue as other income. As GAAP does not contain guidance on the accounting for PPP grants, the Foundation is following the guidance in International Accounting Standards, or IAS. Under provisions of IAS 20, "a forgivable loan from the government is treated as a government grant and is recognized as income. The PPP second draw revenue has been included in other income on the statement of activities and changes in net assets for the year ended June 30, 2022.

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, 2022, 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, 2022:	
Cash	$ 2,193,249
Receivables	767,166
Investments	11,577,641
	14,538,056
Less:	
Assets unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by purpose restrictions	(5,772,194)
Held in perpetuity	(538,755)
Board designated - operations and general reserves	(796,921)
Total amounts not available to be used within one year	(7,107,870)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,430,186

NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through February 14, 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.