



*foundation*  
for the children  
*of the californias*

Financial Report  
December 31, 2023



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the Foundation for the Children of the Californias

### **Opinion**

We have audited the accompanying financial statements of Foundation for the Children of the Californias (the Foundation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, 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 Foundation for the Children of the Californias, as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 the 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; and for 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 the 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 the 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 the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

#### **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2022 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



WEST RHODE & ROBERTS

San Diego, California  
March 26, 2024

**FOUNDATION FOR THE CHILDREN OF THE CALIFORNIAS**

## STATEMENT OF FINANCIAL POSITION

December 31, 2023

(With Summarized Financial Information for the December 31, 2022)

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	2023	2022 (Note 10)
<b>Assets</b>		
Cash and cash equivalents	\$ 55,549	\$ 121,822
Investments	5,035,436	4,861,745
Employee retention credit receivable	102,662	-
Prepaid expenses	28,754	16,838
Right-of-use assets	55,911	77,742
Furniture and equipment	1,340	4,019
Total assets	<u>\$ 5,279,652</u>	<u>\$ 5,082,166</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 27,170	\$ 8,827
Lease liabilities	58,618	79,988
Total liabilities	<u>85,788</u>	<u>88,815</u>
Net assets:		
Without donor restrictions	759,790	838,151
With donor restrictions	4,434,074	4,155,200
Total net assets	<u>5,193,864</u>	<u>4,993,351</u>
Total liabilities and net assets	<u>\$ 5,279,652</u>	<u>\$ 5,082,166</u>

**FOUNDATION FOR THE CHILDREN OF THE CALIFORNIAS**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	2022 (Note 10)
<u>Operating activities</u>				
<b>Support and revenues</b>				
Contributions and grants	\$ 207,189	\$ 561,280	\$ 768,469	\$ 721,763
Net assets released from restrictions	<u>337,527</u>	<u>(337,527)</u>	-	-
Total support and revenues	<u>544,716</u>	<u>223,753</u>	<u>768,469</u>	<u>721,763</u>
<b>Expenses</b>				
Program services	537,037	-	537,037	701,373
Supporting services:				
General and administrative	146,251	-	146,251	133,518
Fundraising	<u>138,364</u>	-	<u>138,364</u>	<u>121,294</u>
Total program and supporting services	821,652	-	821,652	956,185
Costs of direct benefits to donors	-	-	-	54,025
Total operating expenses	<u>821,652</u>	<u>-</u>	<u>821,652</u>	<u>1,010,210</u>
Operating revenue and support in deficits of expenses	<u>(276,936)</u>	<u>223,753</u>	<u>(53,183)</u>	<u>(288,447)</u>
<u>Non-operating activities</u>				
Net investment income	132,708	18,709	151,417	61,029
Realized and unrealized gain (loss) on investments	<u>65,867</u>	<u>36,412</u>	<u>102,279</u>	<u>(84,662)</u>
Total nonoperating activities	<u>198,575</u>	<u>55,121</u>	<u>253,696</u>	<u>(23,633)</u>
Change in net assets	(78,361)	278,874	200,513	(312,080)
Net assets at beginning of year	838,151	4,155,200	4,993,351	5,305,431
Net assets at end of year	<u>\$ 759,790</u>	<u>\$ 4,434,074</u>	<u>\$ 5,193,864</u>	<u>\$ 4,993,351</u>

**FOUNDATION FOR THE CHILDREN OF THE CALIFORNIAS**

## SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

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	Program Services	General & Administrative	Fundraising	2023 Total	2022 (Note 10)
<b>Expenses</b>					
Salaries	\$ 83,686	\$ 61,664	\$ 74,878	\$ 220,228	\$ 235,403
Payroll taxes and employee benefits	15,318	11,287	13,705	40,310	27,717
	<u>99,004</u>	<u>72,951</u>	<u>88,583</u>	<u>260,538</u>	<u>263,120</u>
Indigent care	121,033	-	-	121,033	290,169
Cleft lip and palate/reconstructive surgery	110,025	-	-	110,025	57,794
Professional services	30,909	43,985	27,655	102,549	58,882
Physical therapy	43,630	-	-	43,630	28,800
U.S. nutrition education	40,811	-	-	40,811	46,660
Building expense	33,000	-	-	33,000	-
Occupancy costs	11,998	8,841	10,734	31,573	30,403
Office expense	8,149	11,669	8,260	28,078	29,354
Clinic - programs	25,278	-	-	25,278	138,620
Marketing and appeals	10,766	-	954	11,720	-
Miscellaneous	2,434	6,126	2,178	10,738	9,704
Depreciation and amortization	-	2,679	-	2,679	2,679
Total expenses	<u>\$ 537,037</u>	<u>\$ 146,251</u>	<u>\$ 138,364</u>	<u>\$ 821,652</u>	<u>\$ 956,185</u>

**FOUNDATION FOR THE CHILDREN OF THE CALIFORNIAS**

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	<u>2023</u>	<u>2022</u> (Note 10)
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 200,513	\$ (312,080)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	2,679	2,679
Non cash lease expense	461	2,246
Realized and unrealized (gain) loss on investments	(102,279)	84,662
Change in operating assets and liabilities		
Employee retention credit receivable	(102,662)	-
Prepaid expenses	(11,916)	217
Accounts payable	18,343	3,658
Net cash provided by (used in) operating activities	<u>5,139</u>	<u>(218,618)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(1,020,922)	(2,076,388)
Proceeds from sale of investments	373,870	-
Net cash used in investing activities	<u>(647,052)</u>	<u>(2,076,388)</u>
Change in cash and cash equivalents	(641,913)	(2,295,006)
Cash and cash equivalents at beginning of year	<u>1,515,056</u>	<u>3,810,062</u>
Cash and cash equivalents at end of year	<u>\$ 873,143</u>	<u>\$ 1,515,056</u>
<b>Cash, cash equivalents and restricted cash consist of</b>		
Cash and cash equivalents	\$ 55,549	\$ 121,822
Cash and cash equivalents included in investments	817,594	1,393,234
	<u>\$ 873,143</u>	<u>\$ 1,515,056</u>

# FOUNDATION FOR THE CHILDREN OF THE CALIFORNIAS

## Notes to Financial Statements

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### **Note 1. Organization and Significant Accounting Policies**

#### **Organization and Activities**

The Foundation for the Children of the Californias (the Foundation) was incorporated in May 1990 as a California non-profit organization for the primary purpose of improving the health and nutrition of children in the border region of San Diego, California and Tijuana, Mexico and in the funding of a pediatric medical complex (Hospital Infantil de las Californias) operated in Tijuana, Mexico by Fundación para los Niños de las Californias, a non-profit Mexican organization.

#### **Significant Accounting Policies**

**Method of Accounting** – The financial statements of the Foundation have been prepared on the accrual basis of accounting.

**Basis of Presentation** – The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**Measure of Operations** – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

**Revenue Recognition** – Contributions are recognized as revenue when they are received or unconditionally pledged. The Foundation reports contributions as restricted if they are received with donor stipulations as to the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as endowment funds. The income earned from such assets is generally considered as purpose restricted.

**Cash and Cash Equivalents** – The Foundation considers all highly liquid investments with an original maturity of less than three months to be cash equivalents. Cash and cash equivalents include cash in readily available checking accounts.

**Investments** – Investments are recorded at fair value based on quoted market prices.

# FOUNDATION FOR THE CHILDREN OF THE CALIFORNIAS

## Notes to Financial Statements

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**Employee Retention Tax Credit** - Employee Retention Tax Credit (ERTC) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, in March 2020 to help businesses retain employees. Eligible businesses that experienced a full or partial government ordered suspension of operations or a significant decline in gross receipts in any quarter (more than 50% decrease in 2020 from 2019, and more than 20% in 2021) could receive a quarterly refundable payroll tax credit. ERTCs are claimed on federal payroll tax forms. The Foundation qualified and claimed a total of \$102,662 during the year ended December 31, 2023, which is recorded as contributions and grants on the statement of activities. The amount claimed excludes program staff covered by state funding.

**Furniture and Equipment** – The Foundation capitalizes all furniture and equipment over \$500. Furniture and equipment are depreciated on a straight-line basis over useful lives of 3 years. Depreciation expense for the year ended December 31, 2023, was \$2,679.

**Leases** – Under ASC 842, the Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the balance sheet. ROU assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Foundation does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**Functional Allocation of Expenses** – The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of a program or supporting service.

**Cost of Direct Benefits to Donors** – The costs of special events that represent a direct benefit to donors are separately reported. For the year ended December 31, 2023, there were no special event costs.

**Income Taxes** – The Foundation is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, *Accounting for Uncertainties in Income Tax*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Foundation has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events** – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date and before the financial statements are available to be issued.

The Foundation has evaluated subsequent events through March 26, 2024, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

# FOUNDATION FOR THE CHILDREN OF THE CALIFORNIAS

## Notes to Financial Statements

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### Note 2. Liquidity and Availability of Resources

The Foundation's financial assets available for general expenditure, that is without donor restrictions limiting their use within one year of the statement of position date, are as follows:

<u>Financial Assets</u>	
Cash and cash equivalents	\$ 55,549
Investments	5,035,436
Total financial assets available within one year	<u>5,090,985</u>
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	(3,170,385)
Restricted by donors in perpetuity	<u>(1,263,689)</u>
Total amounts unavailable for general expenditures within one year	<u>(4,434,074)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 656,911</u>

The Foundation maintains policies of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

### Note 3. Investments and Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

The hierarchy for fair value measurement are described as follows:

Level 1 - quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - observable market-based inputs or unobservable inputs that are corroborated by market data. May include quoted prices in a market that is not active.

Level 3 - unobservable inputs that cannot be corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following are descriptions of the valuation inputs and techniques that the Foundation utilizes to determine fair value for each major category of assets and liabilities.

Due to the short-term nature of cash equivalents, other assets, accounts payable and accrued expenses, carrying value approximates fair value.

The Foundation's statement of financial position includes investments in publicly traded mutual funds that have been considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

# FOUNDATION FOR THE CHILDREN OF THE CALIFORNIAS

## Notes to Financial Statements

The following table summarizes the Foundation's investments by type, including placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis:

	Fair Value Measurements at December 31, 2023, Using:			
	Level 1	Level 2	Level 3	Total
Assets				
Exchange traded funds	\$ 3,674,157	\$ -	\$ -	\$ 3,674,157
Cash and money market	817,594	-	-	817,594
Fixed income	543,685	-	-	543,685
Total	<u>\$ 5,035,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,035,436</u>

The management of the Foundation is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of the Foundation has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with U.S. GAAP.

Total investment income shown on the statement of activities at December 31, 2023, is made up of interest and dividends of \$176,075, realized gain of \$8,797, unrealized gain of \$93,482 and \$24,658 in investment expenses.

#### Note 4. Leases

The Foundation evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Foundation's right to use underlying assets for the lease term, and the lease liabilities represent the Foundation's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Foundation has made an accounting policy election to use US treasury rate to discount future lease payments. The US treasury rate applied to calculate lease liabilities was 1.37%.

The Foundation leases equipment under non-cancellable agreements expiring in 2026. Under this agreement, the Foundation is required to pay a base monthly rent of \$1,754, with an annual increase of 4%.

For the year ended December 31, 2023, total operating lease cost was \$31,573, and is included with occupancy costs on the statement of functional expenses.

Right-of-use assets consists of the following at December 31, 2023:

Right-of-use asset	\$ 99,277
Less: accumulated amortization	<u>(43,366)</u>
	<u>\$ 55,911</u>

# FOUNDATION FOR THE CHILDREN OF THE CALIFORNIAS

## Notes to Financial Statements

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Future minimum base lease payments required under the lease agreement for the years ended December 31 is as follows:

Years Ending December 31,	
2024	\$ 23,219
2025	24,148
2026	<u>12,310</u>
Total lease payments	59,677
Less discount	<u>(1,059)</u>
Present value of lease liability	<u>\$ 58,618</u>

### Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2023:

Medical clinics	\$ 2,075,378
Jones Nutrition fund	245,000
U.S. Education / Nutrition Projects	234,377
Dr. Betty Jones Legacy Fund	193,508
Cleft lip and palate	135,181
Other programs	113,284
Physical therapy training	93,609
Indigent care	<u>80,048</u>
	<u>\$ 3,170,385</u>

Endowments, subject to the Foundation's spending policy and appropriations, the income from which is expendable for:

Langdon Endowment Fund	\$ 1,019,320
Nutrition Endowment Fund	141,008
DARTE Endowment PMA Trust	<u>103,361</u>
	<u>\$ 1,263,689</u>

Total net assets with donor restrictions at December 31, 2023, is \$4,434,074.

### Note 6. Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

Cleft lip and palate	\$ 110,025
Indigent care	105,172
Other programs	58,351
U.S. Education / Nutrition Projects	40,811
Medical clinics and equipment	<u>23,168</u>
	<u>\$ 337,527</u>

### Note 7. Endowment

The Foundation follows the standards codified in FASB ASC 958-205-65, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA). The endowments include only donor-restricted endowment funds.

**Interpretation of Relevant Law** – The Board of Trustees of the Foundation has interpreted 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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Foundation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policies of the Foundation.

**Endowment Investment and Spending Policies** – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Actual returns in any given year may vary from this amount.

The Foundation's spending policy is approved by the board each year as set forth in the annual budget. For the year ended December 31, 2023, there were no distributions from the endowment funds. It is also the Foundation's policy not to take distributions from an endowment's principal value.

**Funds with Deficiencies** – From time to time, the fair value of 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. Deficiencies of this nature are reported in net assets without donor restrictions. As of December 31, 2023, the Foundation had one fund with a deficiency. The original give value of the funds totaled \$103,583, and the balance at December 31, 2023 was \$103,361.

The Foundation maintains records of the sum of (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to such permanent endowment, and (c) the value of accumulations to such permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Strategies Employed for Achieving Objectives** – 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 targets a diversified asset allocation that places a greater emphasis on money market and exchange traded investments to achieve its long-term return objectives within prudent risk constraints.

# FOUNDATION FOR THE CHILDREN OF THE CALIFORNIAS

## Notes to Financial Statements

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Changes in endowment funds during the year ending December 31, 2023, is as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 1,208,568
Investment return:	
Net investment income	18,709
Net appreciation (realized and unrealized)	<u>36,412</u>
Total investment return	55,121
Appropriation of assets for expenditure	-
Endowment net assets, end of year	<u>\$ 1,263,689</u>

### Note 8. Commitments

**Pension Plan** – The Foundation has a SIMPLE IRA Plan covering all employees, which allows for an annual employer matching contribution of up to 3% of the employee’s compensation for the year and employer non-elective contributions equal to 2% of compensation. The Foundation’s contributions to the plan for the year ended December 31, 2023, was approximately \$1,630.

### Note 9. Risks and Uncertainties

Concentration of Credit Risk – The Foundation maintains cash in bank accounts which at times may exceed the federally insured deposit limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

In addition, the Foundation invests in various investments, including mutual funds and money market accounts. Investment securities, in general, are subject to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments could occur in the near term and that such change could materially affect amounts reported on the financial statements.

### Note 10. December 31, 2022, Financial Information

The financial statements include certain prior year summarized comparative information in total, but not in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended December 31, 2022, from which the summarized information was derived. Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the changes in net assets.