Report of Independent Auditors and
Consolidated Financial Statements

San Diego Foundation

June 30, 2024 and 2023

MOSSADAMS

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Report of Independent Auditors

The Board of Governors
San Diego Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of San Diego Foundation (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. 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 the consolidated 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 consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Other Information included in the Annual Report

Management is responsible for the other information included in the Foundation’s annual report. The other information included in the Foundation’s annual report does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Moss Adams LLP

San Diego, California
November 14, 2024

Financial Statements

San Diego Foundation
Consolidated Statements of Financial Position (In Thousands)
June 30, 2024 and 2023

	2024	2023
ASSETS		
ASSETS		
Cash and cash equivalents	$ 144,340	$ 119,671
Investments	1,215,635	1,145,447
Property, plant, and equipment, net	5,390	5,790
Beneficial interest in deferred gifts, net	28,519	23,092
Other assets	170,379	169,340
Total assets	$ 1,564,263	$ 1,463,340
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 5,465	$ 6,634
Grants payable, net	11,847	10,910
Deferred revenue	3,110	4,808
Deferred gift liabilities	5,945	6,070
Amounts held on behalf of others	124,986	119,905
Notes payable, net	9,959	10,262
Total liabilities	161,312	158,589
NET ASSETS		
Without donor restrictions		
Undesignated	446,638	420,360
Board designated discretionary funds	41,541	34,198
Board designated endowment funds	96,169	104,737
Total without donor restrictions	584,348	559,295
With donor restrictions	818,603	745,456
Total net assets	1,402,951	1,304,751
Total liabilities and net assets	$ 1,564,263	$ 1,463,340

See accompanying notes.

San Diego Foundation
Consolidated Statement of Activities (in Thousands)
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2024 Total
REVENUE			
Gifts and bequests from donors – cash and other financial assets	$ 72,253	$ 31,060	$ 103,313
Gifts and bequests from donors – nonfinancial assets	7,450	-	7,450
Government grants and agreements	13,134	-	13,134
Less amounts raised or received on behalf of others	(2,325)	-	(2,325)
Net gifts and bequests from donors, and other support	90,512	31,060	121,572
Investment gain, net	52,558	62,692	115,250
Less net investment gain allocated to funds held for others	(11,125)	-	(11,125)
Net investment gain	41,433	62,692	104,125
Other income	8,209	20	8,229
Transfers to (from) funds	1,159	(1,159)	-
Change in value of beneficial interest in deferred gifts	-	2,122	2,122
Net assets released from restrictions	21,588	(21,588)	-
Total revenue	162,901	73,147	236,048
EXPENSES			
Grants awarded			
Education	47,479	-	47,479
Health and human services	23,633	-	23,633
Urban/civic and religion	30,280	-	30,280
Cultural activities	13,156	-	13,156
Total program grants	114,548	-	114,548
Less amounts distributed on behalf of others	(7,889)	-	(7,889)
Net grants awarded	106,659	-	106,659
Program	17,246	-	17,246
General and administrative	10,268	-	10,268
Fundraising and development	4,154	-	4,154
Less administrative expenses and investment management fees allocated to funds held for others	(479)	-	(479)
Total expenses	137,848	-	137,848
CHANGE IN NET ASSETS	25,053	73,147	98,200
NET ASSETS			
Beginning of year	559,295	745,456	1,304,751
End of year	$ 584,348	$ 818,603	$ 1,402,951

See accompanying notes.

San Diego Foundation
Consolidated Statement of Activities (in Thousands)
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2023 Total
REVENUE			
Gifts and bequests from donors – cash and other financial assets	$ 164,083	$ 30,055	$ 194,138
Gifts and bequests from donors – nonfinancial assets	4,111	-	4,111
Government grants and agreements	20,361	-	20,361
Less amounts raised or received on behalf of others	(6,008)	-	(6,008)
Net gifts and bequests from donors, and other support	182,547	30,055	212,602
Investment gain, net	34,337	47,436	81,773
Less net investment gain allocated to funds held for others	(7,513)	-	(7,513)
Net investment gain	26,824	47,436	74,260
Other income	6,284	24	6,308
Transfers to (from) funds	3,858	(3,858)	-
Change in value of beneficial interest in deferred gifts	-	1,686	1,686
Net assets released from restrictions	21,334	(21,334)	-
Total revenue	240,847	54,009	294,856
EXPENSES			
Grants awarded			
Education	38,614	-	38,614
Health and human services	42,288	-	42,288
Urban/civic and religion	35,525	-	35,525
Cultural activities	14,683	-	14,683
Total program grants	131,110	-	131,110
Less amounts distributed on behalf of others	(10,894)	-	(10,894)
Net grants awarded	120,216	-	120,216
Program	11,794	-	11,794
General and administrative	8,641	-	8,641
Fundraising and development	3,956	-	3,956
Less administrative expenses and investment management fees allocated to funds held for others	(486)	-	(486)
Total expenses	144,121	-	144,121
CHANGE IN NET ASSETS	96,726	54,009	150,735
NET ASSETS			
Beginning of year	462,569	691,447	1,154,016
End of year	$ 559,295	$ 745,456	$ 1,304,751

See accompanying notes.

San Diego Foundation
Consolidated Statements of Functional Expenses (in Thousands)
Years Ended June 30, 2024 and 2023

	Year Ended June 30, 2024			
	Program Services	General and Administrative	Fundraising and Development	Total
Program grants	$ 114,548	$ -	$ -	$ 114,548
Less grants distributed on behalf of others	(7,889)	-	-	(7,889)
Net program grants	106,659	-	-	106,659
Advertising and marketing	287	353	11	651
Conferences and donor meetings	245	582	92	919
Information technology	66	828	27	921
Insurance	129	68	47	244
Interest	110	58	40	208
Miscellaneous	235	438	39	712
Occupancy	561	611	184	1,356
Personnel	8,748	4,545	3,545	16,838
Professional services	6,865	2,785	169	9,819
Less administrative expenses allocated to funds held for others	(479)	-	-	(479)
Total expenses	$ 123,426	$ 10,268	$ 4,154	$ 137,848

	Year Ended June 30, 2023			
	Program Services	General and Administrative	Fundraising and Development	Total
Program grants	$ 131,110	$ -	$ -	$ 131,110
Less grants distributed on behalf of others	(10,894)	-	-	(10,894)
Net program grants	120,216	-	-	120,216
Advertising and marketing	109	212	18	339
Conferences and donor meetings	177	315	65	557
Information technology	58	755	29	842
Insurance	116	70	50	236
Interest	103	63	44	210
Miscellaneous	213	363	30	606
Occupancy	473	541	197	1,211
Personnel	6,752	4,212	3,314	14,278
Professional services	3,793	2,110	209	6,112
Less administrative expenses allocated to funds held for others	(486)	-	-	(486)
Total expenses	$ 131,524	$ 8,641	$ 3,956	$ 144,121

See accompanying notes.

San Diego Foundation
Consolidated Statements of Cash Flows (in Thousands)
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from gifts and bequests from donors, and other support	$ 88,998	$ 195,950
Investment gains and other income	43,617	32,807
Investment gains and other income on funds held for others	(11,125)	(7,513)
Payments for expenses – grants, program, general and administrative, fundraising, and development	(137,623)	(143,077)
Net cash (used in) provided by operating activities	(16,133)	78,167
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	(212)	(429)
Proceeds from sale of investments	280,439	327,148
Purchase of investments	(264,898)	(440,080)
Net cash provided by (used in) investing activities	15,329	(113,361)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(306)	(298)
Contributions restricted for long-term investments	25,779	8,859
Net cash provided by financing activities	25,473	8,561
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,669	(26,633)
CASH AND CASH EQUIVALENTS, beginning of year	119,671	146,304
CASH AND CASH EQUIVALENTS, end of year	$ 144,340	$ 119,671

See accompanying notes.

Note 1 – Organization and Significant Accounting Policies

Organization – Established in 1975 as a community foundation/public charity (Internal Revenue Service National Taxonomy of Exempt Entities Code T31), San Diego Foundation (the Foundation) inspires enduring philanthropy and enables community solutions to improve the quality of the region. The Foundation maximizes the impact of charitable giving by establishing and investing donor-advised funds for individuals, families, companies, and agencies, and with grantmaking and partnerships to support nonprofit organizations strengthening the San Diego region.

Significant Accounting Policies

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Foundation, supporting organizations, a wholly owned subsidiary, and a limited liability company (LLC) under the control of the Foundation. The supporting organizations and their approximate total asset balances as of June 30, 2024 and 2023, respectively, are the San Diego Charitable Real Estate Foundation, $7,499,000 and $4,081,000; the San Diego Women's Foundation, $6,049,000 and $5,739,000; and the San Diego Regional Disaster Fund, $292,000 and $282,000. The total asset balances of the San Diego Regional Policy and Innovation Center, a wholly owned subsidiary, as of June 30, 2024 and 2023, are $3,978,000 and $5,079,000, respectively. Building 907, LLC, was established by the Foundation to hold the title and debt related to the building where the Foundation's offices are located. The Foundation is the sole member of the LLC. The total asset balances of Building 907, LLC, as of June 30, 2024 and 2023, are $1,980,000 and $2,534,000, respectively.

During fiscal year 2024, the Foundation established entities to support housing initiatives. The entities are San Diego Housing Fund Holdco, LLC (Holdco), SDF Investment Management, LLC (Investment), San Diego Housing Fund GP, LLC (Housing GP), San Diego Housing Fund, LP (Housing LP), SDHF Bridge Deck LLC (Bridge Deck), and SDHF States, LLC (States). Holdco, Bridge Deck, and States are LLCs under the control of the Foundation. Housing GP is general partner of Housing LP, and Investment is the sole member of Housing GP. Holdco is the sole member of Investment. There was no activity in any of these entities during fiscal year 2024.

All inter-entity accounts and transactions have been eliminated.

Basis of presentation – In order to accommodate the various alternatives for donors' distribution objectives, the Foundation's records are maintained in accordance with the principles of fund accounting. This is the procedure by, which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. The consolidated financial statements of the Foundation have been presented in accordance with authoritative guidance, which requires that consolidated net assets, revenue, gains, and losses be classified as net assets with and without donor restrictions.

Net assets – Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

- **Without donor restrictions** – The portion of net assets that has no use or time restrictions. Without donor restriction amounts represent amounts that are available for various activities, including the Foundation's support of community activities and charitable endeavors at the discretion of the Foundation's Board of Governors (the Board). Also included are board-designated endowment amounts, which are donor-originated unconditional contributions considered by the Board to be endowments, even though the donors did not specify that the principal be invested in perpetuity. Restricted gifts whose restrictions are met in the same reporting period as the gift is recorded are included as gifts without donor restrictions.

- **With donor restrictions** – The portion of net assets that are restricted by a donor for a specific use or the occurrence of a certain future event. Contributions unconditionally promised to the Foundation, including deferred gifts in the form of trusts and annuities, which are scheduled to be received more than one year in the future, are recorded at fair value, classified as with donor restrictions until the funds are received, and are discounted at a rate commensurate with the risks involved. Net assets representing those assets contributed to the Foundation where the original dollar value is to remain in perpetuity subject to all stipulations of donor agreements are also classified as with donor restrictions. While the Foundation's bylaws provide for variance power permitting modifications to restrictions under certain unanticipated circumstances, management believes that such variance power does not apply to endowment funds and, accordingly, has recorded such amounts as a component of net assets with donor restrictions. The accumulation of assets, above historical gift value, and losses in donor-restricted endowment funds are classified as with donor restrictions until appropriated for use based on the Foundation's spending policy. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Cash and cash equivalents – The Foundation considers all cash accounts, and all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. These assets consist of operating and endowment fund distributable balances, as well as the entire short-term portfolio and small percentages of the total medium-term and endowment portfolios.

Investments – Investments of the Foundation are recorded at fair value with gains and losses included in the consolidated statements of activities. In accordance with the donor's election, proceeds are commingled in pooled investment funds or invested in separately managed accounts.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Foundation's policy is to liquidate all gifts of investments as timely as possible, taking into consideration the impact on the market price.

Investments are made according to the Investment Policy Statement adopted by the Foundation's Board. These guidelines provide for investments in equities, fixed income, and other securities, including investments classified as alternative investments with performance measured against appropriate indices. The Foundation contracts with an external investment consultant for the purpose of providing investment management and consulting services.

Realized gains or losses on the sale of investments are calculated using the average cost method. Unrealized gains and losses represent the change in the fair value of the individual investments for the year, or since the acquisition date, if acquired during the year, and are recorded as a component of net assets with or without donor restrictions until those amounts are appropriated for expenditure by the Foundation.

Endowment funds – The Board of the Foundation interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies net assets with donor restrictions as (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund; and (d) earnings on endowment funds invested until appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to invest or appropriate 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
7. The investment policies of the Foundation

The Foundation’s endowment investment policy and strategy is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income in an 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. Within this framework, specific investment objectives for endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to produce, after investment expenses, a minimum annual compound total rate of return of 5% in excess of the rate of inflation. Actual returns in any given year may vary from this amount.

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 equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Endowment funds are maintained in pooled investment portfolios. Interest, dividends, and realized and unrealized gains and losses in the investment pools are allocated monthly to the endowment funds in proportion to each fund's share in the investment pools. The Foundation's spending policy is to allocate 5% per annum of the preceding thirty six month average fair value invested in the pool to each fund's distributable balance, which is available for program grants. If the fair value of the endowment principal of any fund, at the end of each month, is less than the corpus, which includes the initial and all subsequent gifts from donors, the distribution is limited to interest and dividends received. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment assets to grow at or above the average rate of inflation annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

Property, plant, and equipment – Acquisitions of property and equipment with a cost in excess of $5,000, are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years.

Each year, the Foundation reviews the carrying value of its property, plant, and equipment to determine if facts and circumstances exist, which suggest that these assets may be impaired, or that the amortization period, if any, needs to be modified. The Foundation does not believe that there are any significant factors indicating a material adjustment for impairment as of June 30, 2024 and 2023.

Beneficial interest in deferred gifts

- **Charitable remainder trusts** – The Foundation is the beneficiary of several charitable remainder trusts administered by third parties. A charitable remainder trust is an arrangement whereby a donor contributes assets in exchange for distributions to a designated beneficiary over the remainder of the beneficiary's life. At the end of that time the remaining assets are donated to the Foundation. The beneficial interest in these trusts is recorded at fair value based on the present value of future benefits expected to be received from the trust.

- **Charitable lead annuity trusts** – The Foundation is the beneficiary of one charitable lead annuity trust administered by a third party. A fixed amount is received from the trust each fiscal year. The charitable lead annuity trust is recorded at fair value, which is calculated based on the present value of the expected future cash inflows.

- **Pooled income funds** – This is an arrangement whereby donors contribute cash into a fixed income investment account. Donors are assigned a specific number of units based on the fair value of their contribution to the pool. Investment income is distributed to each donor proportionally, based on the donor's units. When a donor passes, the donor's share in the fund is distributed to the Foundation. Pooled income funds are recorded at fair value, with related liabilities for investment income to be distributed, and an adjustment for the present value representing amounts to be paid over the lifetime of the donors. As of June 30, 2024 and 2023, these deferred gift liabilities total approximately $954,000 and $884,000, respectively. The present value calculation is calculated using current life expectancy tables and discounted at a rate commensurate with the risks involved.

- **Charitable gift annuities** – Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount over the life of the beneficiary to individuals or organizations designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by the Foundation. The deferred gift liability of approximately $4,991,000 and $5,186,000 as of June 30, 2024 and 2023, respectively, is an obligation of the Foundation. The Foundation records contribution revenue using the fair value of the assets, less the present value of the payments expected to be made to the beneficiaries. The present values of the payments to beneficiaries were calculated by using current life expectancy tables and discount rates in place at the time of the gift. The Foundation received approximately $47,000 and $2,044,000 in charitable gift annuities during fiscal years 2024 and 2023, respectively. There were 76 and 80 charitable gift annuities as of June 30, 2024 and 2023, respectively. The liability amount associated with the charitable gift annuities at each year-end represents the minimum required reserve and is held with the trustee. This reserve is required by the state of California and is invested in accordance with the California State Board of Insurance guidelines.

Units in limited partnerships – The Foundation has investments in units in limited partnerships where the fair value is not readily determinable. These investments are included in other assets on the consolidated statements of financial position. The Foundation measures its investments in units in limited partnerships at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment for valuing its units in limited partnerships.

Annually, the Foundation reviews the carrying value of its units in limited partnerships to determine if facts and circumstances exist, which would suggest that these assets may be impaired. Among the factors considered by the Foundation in making the evaluation are distributions from the limited partnerships, and other factors relevant to the partnerships. Using these factors, if indicators are present, which may indicate impairment is probable, the Foundation will prepare a projection of the undiscounted cash flows of the asset and determine if the carrying value of the asset is recoverable. If impairment is indicated, then an adjustment will be made to reduce the carrying value to equal the estimated undiscounted cash flows of the related assets. The Foundation concluded there were no significant factors indicating a material adjustment for impairment as of June 30, 2024 and 2023.

Annually, the Foundation also considers relevant transactions that occurred on or before the date the consolidated financial statements are available to be issued, that are known or can be reasonably known to identify whether there are observable price changes that may indicate an adjustment in the value of the units in a limited partnership. A significant observable price change that the Foundation is aware of is analyzed to determine whether the change occurred in an orderly transaction for the identical or similar investment and, if so, the fair value is estimated as of the date of the observable price change. There were no observable price changes in the fair value of the units in a limited partnership held by the Foundation identified during the years ended June 30, 2024 and 2023.

Grants payable – The Foundation records a liability for grants when considered unconditional and approved by the Chief Executive Officer for grants under $500,000, and by the Executive Officers of the Board for grants over $500,000. Grants, which are conditional are recorded as liabilities when the conditions to the grants have been substantially met. Each year, the Foundation evaluates the facts and circumstances to determine if a discount related to grants payable is necessary, see Note 8.

Amounts held on behalf of others – The Foundation accepts funds from unrelated nonprofit organizations who desire to have the Foundation provide efficient investment management, programmatic expertise, and technical assistance. A liability is recorded at the estimated fair value of assets deposited with the Foundation by nonprofit organizations. Assets are invested in the Foundation's investment pools.

Revenue recognition

- **Gifts and bequests from donors** – Unconditional contributions of cash and other assets and unconditional promises to give are recorded as revenue in the period received and are classified as without donor restrictions or with donor restrictions based on donor stipulations. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on estimated future cash flows. Conditional contributions are not recognized until they become unconditional; that is, when the conditions on, which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value.

- **Government grants and agreements** – Revenue from government contracts and agreements that is unconditional is recognized as revenue in the period received. Conditional grants, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on, which they depend have been met. A portion of the Foundation's revenue from government grants and agreements is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have been incurred in compliance with the specific contract or agreement. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statements of financial position. Deferred revenue was $3,110,000 and $4,808,000 as of June 30, 2024 and 2023, respectively.

Custodian, investment, and management fees – Custodian, investment, and management fees are recognized in the fiscal year in, which they occur. Third party investment, custodian fees, and internal investment management expenses are netted with investment gain on the accompanying consolidated statements of activities.

Functional allocation of expenses – Expenses, which apply to more than one functional category have been allocated among program, general and administrative, and fundraising and development based on the time spent on these functions by specific employees as estimated by management. Other indirect expenses, such as information technology, are allocated by functional departments based on direct staff usage. All other costs are allocated directly to the appropriate functional expense category.

Fair value measurements – Fair value is defined as 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. The Foundation classifies certain of its assets and liabilities based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities that the Foundation has the ability to access at the measurement date;

Level 2 – Valuations based on unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability; and

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of assets and liabilities within the hierarchy is based upon the pricing transparency and does not necessarily correspond to the Foundation's perceived risk of the assets and liabilities.

Investments that do not have a readily determinable fair value are measured using the net asset value (NAV) per share (or its equivalent) practical expedient and are not classified in the fair value hierarchy. Financial instruments are considered valued at NAV when the investment (i.e., commingled funds, hedge funds, private real assets, private credit, private equity funds) is valued based on capital statements provided by entities that calculate fair value using NAV per share or its equivalent.

Valuation process – Management determines the fair value measurement policies and procedures for assets and liabilities. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. A variety of qualitative factors are used to subjectively determine the most appropriate valuation methodologies. These are consistent with the market, income, and cost approaches. Unobservable inputs used in fair value measurements are evaluated and adjusted on an annual basis or as necessary based on current market conditions and other third-party information, including NAV received from fund managers based on their valuation processes and procedures. Certain unobservable inputs are assessed through review of contract terms, while others are substantiated utilizing available market data, including, but not limited to, market comparables, qualified opinions and discount rates, and mortality tables for deferred gifts.

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

Income tax status – The Foundation is exempt from income taxes under the current provisions of the Internal Revenue Code (IRC) Section 501(c)(3) and Section 23701(d) of the California Franchise Tax Code. All tax-exempt entities are subject to review and audit by federal, state, and other applicable agencies. Such agencies may review the taxability of unrelated business income or the qualification of the tax exempt entity under the IRC and applicable state statutes. The Foundation does not have any material uncertain tax positions.

Recently adopted accounting standards – Effective July 1, 2023, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which required the use of the current expected credit losses (CECL) impairment model for a broad scope of financial instruments, including financial assets measured at amortized cost, (which includes loans, held-to-maturity debt securities, and trade receivables), net investments in leases, and certain off balance sheet credit exposures. This ASU excludes grants and contributions receivable and financial assets measured at fair value through change in net assets. The CECL model required the immediate recognition of estimated expected credit losses over the life of the financial instrument. Under this standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The impact of the adoption was not considered material to the consolidated financial statements.

Reclassifications – Certain amounts in the 2023 consolidated financial statements have been reclassified to conform to the 2024 classifications. These reclassifications have no effect on net assets and are not material to the consolidated financial statements.

Note 2 – Concentrations and Credit Risks

Banking and investment risks – The Foundation maintains cash and cash equivalent balances at multiple banks. Accounts at these institutions are secured by the Federal Deposit Insurance Corporation. Balances regularly exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to any significant credit risk with respect to its cash and cash equivalents.

The Foundation's cash equivalents consist of U.S. Treasury, government, and prime money market funds. For money market funds, the Foundation has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates.

The Foundation's investments include domestic and foreign equities, U.S. government securities, corporate debt instruments, corporate stocks, and various alternative investments. 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 investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Gifts and bequests from donors and other support – During the year ended June 30, 2024, gifts from four donors and one government grant accounted for 41% of net gifts and bequests from donors and other support. During the year ended June 30, 2023, gifts from two donors and one government grant accounted for 56% of net gifts and bequests from donors and other support.

Note 3 – Fair Value Measurements

The following table summarizes the assets carried at fair value on the consolidated statements of financial position as of June 30, 2024:

	June 30, 2024				
(In thousands)	Level 1	Level 2	Level 3	NAV	Total
ASSETS					
Investments					
Equities					
Domestic equity	$ 25,820	$ -	$ -	$ 291,201	$ 317,021
Foreign equity	52,476	-	-	121,487	173,963
Global equity	-	-	-	50,833	50,833
Bonds					
Global fixed income	-	-	-	7,720	7,720
High yield fixed income	14	-	-	8,709	8,723
Core fixed income	28,881	-	-	-	28,881
Core plus fixed income	130,104	-	-	-	130,104
Short-term fixed income	28,962	-	-	-	28,962
Alternatives					
Hedge funds	869	-	-	150,327	151,196
Private real assets	7,085	10,065	-	113,932	131,082
Private credit	-	-	-	45,755	45,755
Private equity	-	-	-	141,395	141,395
Total investments	274,211	10,065	-	931,359	1,215,635
Beneficial interest in deferred gifts					
Pooled income funds					
Domestic equity	859	-	-	-	859
Global and domestic fixed income	1,271	-	-	-	1,271
	2,130	-	-	-	2,130
Charitable gift annuities					
Domestic equity	3,235	-	-	-	3,235
Global and domestic fixed income	3,070	-	-	-	3,070
	6,305	-	-	-	6,305
Charitable remainder trusts	-	-	19,756	-	19,756
Charitable lead annuity trusts	-	-	328	-	328
Total beneficial interest in deferred gifts	8,435	-	20,084	-	28,519
Cash surrender value of life insurance	-	-	1,158	-	1,158
Total fair value of assets	$ 282,646	$ 10,065	$ 21,242	$ 931,359	$ 1,245,312

The following table summarizes the assets carried at fair value on the consolidated statements of financial position as of June 30, 2023:

	June 30, 2023				
(In thousands)	Level 1	Level 2	Level 3	NAV	Total
ASSETS					
Investments					
Equities					
Domestic equity	$ 27,617	$ -	$ -	$ 243,828	$ 271,445
Foreign equity	72,033	-	-	99,315	171,348
Global equity	-	-	-	64,856	64,856
Bonds					
Global fixed income	-	-	-	7,723	7,723
High yield fixed income	13	-	-	7,838	7,851
Core fixed income	27,895	-	-	-	27,895
Core plus fixed income	134,344	-	-	-	134,344
Short-term fixed income	29,301	-	-	-	29,301
Alternatives					
Hedge funds	843	-	-	149,384	150,227
Private real assets	6,324	-	-	102,246	108,570
Private credit	-	-	-	38,992	38,992
Private equity	-	-	-	132,895	132,895
Total investments	298,370	-	-	847,077	1,145,447
Beneficial interest in deferred gifts					
Pooled income funds					
Domestic equity	788	-	-	-	788
Global and domestic fixed income	1,412	-	-	-	1,412
	2,200	-	-	-	2,200
Charitable gift annuities					
Domestic equity	3,130	-	-	-	3,130
Global and domestic fixed income	3,156	-	-	-	3,156
	6,286	-	-	-	6,286
Charitable remainder trusts	-	-	13,919	-	13,919
Charitable lead annuity trusts	-	-	687	-	687
Total beneficial interest in deferred gifts	8,486	-	14,606	-	23,092
Cash surrender value of life insurance	-	-	1,113	-	1,113
Total fair value of assets	$ 306,856	$ -	$ 15,719	$ 847,077	$ 1,169,652

Investments are stated at fair value, which is based on quoted market prices, except for Level 2 private real assets, which are based on the purchase price at the closing date (which occurred near year-end) and alternative investments and assets categorized at NAV for which quoted market prices are not available. Investments include those held in individual funds established by donors, supporting organizations, charitable trusts, and a variety of investment pools made available to donor funds for investment of gifted assets. Separate asset allocations are maintained for each investment pool. The asset allocation of any individual donor fund is dependent on the donor's choice of approved investment pool. Advised funds of $250,000 or more are eligible to be invested separately from the pools, subject to review and approval by the Foundation's management.

Alternative investments include interests in hedge funds, private real assets, private credit, and private equity funds. Alternative investments may be structured as limited partnerships, limited liability companies, commingled trusts, and offshore investment funds.

The Foundation uses the following methods and assumptions to estimate the fair value for its assets and liabilities measured and carried at fair value in the consolidated financial statements:

Equities – Investments in actively managed equity portfolios, and indexes of exchange traded equity securities, are recorded at fair value based on either the NAV or listed price of each fund.

Bonds – Investments in actively managed bond funds and portfolios, comprised of U.S. Treasury notes, mortgage-backed securities, municipal and corporate bonds, and global debt securities denominated in various non-U.S. currencies, are recorded at either the NAV or listed price of each fund.

Alternatives – Investments in alternatives include hedge funds, private real assets, private credit, and private equity securities for, which no active market exists. The Foundation has estimated the investments' fair value by using the NAV provided by the funds' managers and the purchase price of Level 2 private real assets. Other alternative investments are traded in active markets for which prices are readily available.

The Foundation generally records alternative investments at NAV provided by the funds' managers, as the managers have the greatest insight into the investments of their fund and the related industry. The Foundation assesses the NAV and takes into consideration events such as suspended redemptions, imposition of gates, restructuring, secondary sales, and investor defaults to determine if an adjustment is necessary. Additionally, asset holdings are reviewed within the investment manager's audited financial statements, as are interim financial statements and fund manager communications, for purposes of assessing valuation. The Foundation's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the Foundation's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, the Foundation has determined, through its monitoring activities, to rely on the fair value as determined by the investment managers.

Beneficial interest in deferred gifts – The Foundation's beneficial interest in deferred gifts includes charitable remainder trusts, charitable lead annuity trusts, pooled income funds, and charitable gift annuities. Charitable remainder trusts and charitable lead annuity trusts are valued at net present value of the estimated future amounts to be received utilizing discount rates and life expectancy tables from the National Center for Health Statistics. Pooled income funds and charitable gift annuities are valued at fair value based on the quoted market prices of the underlying securities, see Note 6.

Cash surrender value (CSV) of life insurance policies – The Foundation has been identified on various life insurance policies as the owner and beneficiary. Fair value is based on the amount to be paid if the policy is surrendered prior to the death of the insured as predetermined by the insurance companies, see Note 7.

The following schedule summarizes the changes in fair value for Level 3 assets for the years ended June 30, 2024 and 2023:

(In thousands)	Beneficial Interest in Deferred Gifts: Charitable Remainder Trusts	Beneficial Interest in Deferred Gifts: Charitable Lead Annuity Trusts	Beneficial Interest in Deferred Gifts: Total	CSV Life Insurance
BALANCE, June 30, 2022	$ 12,598	$ 887	$ 13,485	$ 1,090
Settlements/other	-	(228)	(228)	-
Change in value of deferred gifts	1,321	28	1,349	23
BALANCE, June 30, 2023	13,919	687	14,606	1,113
Contributions	4,535	-	4,535	-
Settlements/other	-	(228)	(228)	-
Change in value of deferred gifts	1,302	(131)	1,171	45
BALANCE, June 30, 2024	$ 19,756	$ 328	$ 20,084	$ 1,158

The change in value of deferred gifts is included in the change in value of beneficial interest in deferred gifts on the accompanying consolidated statements of activities.

The following summarizes the investments by major class where NAV or its equivalent is used to measure fair value as of June 30, 2024:

Investment Class	Fair Value *(in thousands)*	Unfunded Commitments *(in thousands)*	Redemption Frequency	Redemption Notice	Note
Equities	$ 463,521	$ -	Daily–monthly	0–15 days	a
Bonds	16,429	-	Monthly	5–10 days	b
Hedge funds	150,327	-	Quarterly–2 years	30–90 days	c
Private real assets	113,932	38,481	Illiquid	N/A	d
Private credit	45,755	38,593	Illiquid	N/A	e
Private equity	141,395	50,078	Illiquid	N/A	f
Total	$ 931,359	$ 127,152			

a – Equities – This class includes investments in passively and actively managed funds that invest in stocks and other securities issued by companies in domestic and foreign markets. Investments are held within commingled trusts or limited partnership structures. The portions that can be redeemed on a daily, weekly, bi-monthly, and monthly basis are 58%, 7%, 11%, and 24%, respectively.

b – Bonds – This class includes investments in actively managed funds that invest in government, corporate, or sovereign bonds. Investments are held within a commingled trust or limited partnership structure. 100% of bond funds held at NAV can be redeemed on a monthly basis.

c – Hedge funds – This class includes investments in actively managed hedge funds employing a variety of strategies, including, but not limited to, multi-strategy, absolute return, long/short equity, arbitrage, event-driven, distressed debt, and credit. Hedge funds have the ability to invest in long and short positions, shift from a net long position to a net short position, apply leverage, invest in derivatives, and invest in the debt or equity of public and private companies in domestic and foreign markets. Hedge funds generally invest through limited partnerships. 82% of the assets in this class can be redeemed quarterly with no restrictions, and the remaining 18% can be redeemed subject to lockup periods of 90 days or more. All managers in this asset class may also employ fund-level or investor-level gates.

d – Private real assets – This class includes investments in actively managed private real estate funds that invest primarily in private debt or equity of real estate properties, including, but not limited to, residential, multi-family, office, retail, hotel, industrial, and other specialties, both in domestic and foreign markets. Other private real assets include infrastructure investments and debt and equity investments in commodity-producers. One investment in this class representing 14% of the assets consists of a daily liquid commingled fund. Another investment in this class representing 12% of the assets consists of an open-ended real estate investment trust that is liquid on a quarterly basis, subject to fund level gates. The remaining 74% is invested in limited partnerships that make investments that are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of underlying assets of the fund, typically over 5 to 10 years.

e – Private credit assets – This class includes investments in actively managed private debt funds that invest in private and public companies through a variety of strategies, including, but not limited to, senior secured debt, unsecured debt, junior debt, mezzanine debt, special situations, and distressed debt and restructurings. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund, typically over seven years or more.

f – Private equity securities – This class includes investments in actively managed private equity funds that invest in private and public companies through a variety of strategies, including, but not limited to, early and late-stage venture capital, leveraged buyouts, distressed assets, and special situations. Investments are focused on common equity but may also include preferred equity and debt. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund, typically over 10 years or more.

Investment commitments – Included in alternative and other investments at June 30, 2024, are certain investments totaling approximately $412,300,000, which cannot be liquidated for a minimum of one year, but not more than 15 years, unless the Foundation can find an assignee. Total initial commitments for these investments are approximately $316,700,000. Remaining capital calls associated with these investments are approximately $95,600,000, and recallable distributions total approximately $31,600,000 as of June 30, 2024.

While the Foundation believes the valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the consolidated financial statements.

The following table represents the Level 3 financial instruments as of June 30, 2024, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

	Fair Value *(in thousands)*	Valuation Technique	Unobservable Inputs	Range
Charitable remainder trusts	$ 19,756	Discounted cash flow	Discount rate Life expectancies	5% 3–15 years
Charitable lead annuity trusts	$ 328	Discounted cash flow	Discount rate Remaining payments	5% 2 years
Cash surrender value of life insurance	$ 1,158	Market, cost, or income	Policy surrender date	Various

Note 4 – Net Assets

Net assets with donor restrictions consisted of the following at June 30:

(In thousands)	2024	2023
Subject to the passage of time		
Deferred giving		
Beneficial interest in deferred gifts, net	$ 22,574	$ 17,022
Receivable from estates	611	618
Cash surrender value of life insurance policies	1,158	1,113
	24,343	18,753
Subject to the Foundation's spending policy and appropriation		
Donor corpus restricted in perpetuity	577,002	537,223
Unappropriated endowment earnings	217,258	189,480
	794,260	726,703
	$ 818,603	$ 745,456

During fiscal years 2024 and 2023, net assets with donor restrictions totaling approximately $21,588,000 and $21,334,000, respectively, were released due to the satisfaction of donor-imposed restrictions related to the timing or purpose of the contribution.

The composition of endowment funds at June 30, 2024 and 2023, was as follows:

(In thousands)	2024	2023
Board designated endowment funds	$ 96,169	$ 104,737
Donor restricted endowment funds		
Donor corpus restricted in perpetuity	577,002	537,223
Unappropriated endowment earnings	217,258	189,480
	$ 890,429	$ 831,440

Changes in endowment net assets for the years ended June 30, 2024 and 2023, were as follows:

	Without Donor Restrictions	With Donor Restrictions			
(In thousands)	Board Designated	Accumulated Endowment Earnings	Original Gift Amount	Total With Donor Restrictions	Total
Endowment net assets at June 30, 2022	$ 33,987	$ 165,555	$ 508,490	$ 674,045	$ 708,032
Gifts and transfers, net	81,520	-	28,733	28,733	110,253
Investment income, net	5,373	50,847	-	50,847	56,220
Endowment assets appropriated for expenditure	(16,143)	(26,922)	-	(26,922)	(43,065)
Endowment net assets at June 30, 2023	104,737	189,480	537,223	726,703	831,440
Gifts and transfers, net	13	-	39,779	39,779	39,792
Investment income, net	8,713	63,660	-	63,660	72,373
Endowment assets appropriated for expenditure	(17,294)	(35,882)	-	(35,882)	(53,176)
Endowment net assets at June 30, 2024	$ 96,169	$ 217,258	$ 577,002	$ 794,260	$ 890,429

Funds with deficiencies – From time to time, certain donor-restricted endowment funds may have fair values below historic gift value. Deficiencies between original fair values and current fair values are reflected in net assets with donor restrictions on the accompanying consolidated statement of financial position.

At June 30, 2024 and 2023, the amounts by, which funds were underwater were calculated as follows:

(In thousands)	2024	2023
Aggregate fair value	$ 1,046	$ 36,455
Aggregate original gift amount	1,071	37,169
Aggregate deficiency	$ (25)	$ (714)

Note 5 – Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at June 30:

(In thousands)	2024	2023
Building	$ 8,256	$ 8,256
Building improvements	4,242	4,265
Office and computer equipment	3,398	3,163
Less accumulated depreciation and amortization	(11,721)	(11,109)
Net depreciable property and equipment	4,175	4,575
Land	1,215	1,215
Total property, plant, and equipment, net	$ 5,390	$ 5,790

Depreciation and amortization expense for fiscal years 2024 and 2023 was approximately $616,000 and $592,000, respectively.

Note 6 – Beneficial Interest in Deferred Gifts

The beneficial interest in deferred gifts consisted of the following at June 30:

(In thousands)	2024	2023
Charitable remainder trusts	$ 19,756	$ 13,919
Charitable gift annuities	6,305	6,286
Pooled income funds	2,130	2,200
Charitable lead annuity trusts	328	687
Beneficial interest in deferred gifts	28,519	23,092
Less deferred gift liabilities	(5,945)	(6,070)
Beneficial interest in deferred gifts, net	$ 22,574	$ 17,022

Note 7 – Other Assets

Other assets consisted of the following at June 30:

(In thousands)	2024	2023
Units in limited partnerships	$ 158,227	$ 159,767
Property held for resale	7,450	3,860
Other receivable	1,579	2,588
Cash surrender value of life insurance policies	1,158	1,113
Miscellaneous	884	887
Receivable from estates	611	618
Prepaid expenses	470	507
Total other assets	$ 170,379	$ 169,340

Units in limited partnerships – The Foundation is a limited partner in a partnership whose purpose is to hold, manage, develop, license, market, and/or dispose of intellectual property rights associated with certain literary figures. The Foundation owns a 3.82% and 36.32% interest in the partnership's book and non-book revenues, respectively. The Foundation does not have significant influence over the partnership. The carrying value of the Foundation's interest in the partnership was approximately $157,234,000 at June 30, 2024 and 2023, and is included in the total units in limited partnerships above. The Foundation received distributions from the limited partnership of approximately $7,091,000 and $4,784,000 during the years ended June 30, 2024 and 2023, respectively.

Property held for resale – The Foundation received gifts of real estate during the years ended June 30, 2024 and 2023. The value at June 30, 2024 and 2023, represents the appraised value of the property. The property held at June 30, 2024, is listed for sale and the property held at June 30, 2023, was sold during fiscal year 2024.

Other receivable – The receivable is related to a loan program established in conjunction with the County of San Diego (the County), to support small businesses during the coronavirus pandemic. The Foundation received $5,000,000 from the County to establish the loan program. These funds were advanced to a nonprofit partner to process the loans. The amount advanced to the partner was approximately $1,579,000 and $2,588,000 as of June 30, 2024 and 2023, respectively. Amounts advanced are required to be repaid to the Foundation as the loans are collected from borrowers. As such, a receivable for $1,579,000 and $2,588,000 is included in other assets as of June 30, 2024 and 2023, respectively. Additionally, the $5,000,000 received is to be repaid to the County quarterly as loan repayments are collected from borrowers, with the entire $5,000,000 less fees to be returned to the County no later than January 31, 2026. This amount is included in accounts payable and accrued liabilities as of June 30, 2024 and 2023, in the accompanying consolidated statements of financial position.

Cash surrender value of life insurance policies – Cash surrender value of life insurance policies are those policies where the donor has identified the Foundation as the owner and beneficiary. The value is predetermined by the insurance company as the value to be paid if the policy were to be surrendered prior to the death of the insured. The change in the fair value of these assets is included in the change in value of beneficial interest in deferred gifts on the accompanying consolidated statements of activities.

Miscellaneous – Included in other assets is a non-recourse promissory note in the amount of approximately $3,708,000 dated March 28, 1997, which has been fully reserved at June 30, 2024 and 2023. Repayments were interest-only, subject to availability of residual receipts, with principal and unpaid accrued interest payable in full on March 15, 2039. Interest income, calculated at 5.5% per annum, will not be recorded until repayment of the note receivable becomes probable. Interest payments received by the Foundation are recorded in the consolidated statements of activities in the year that they are received. The note is secured by a deed of trust related to land used for low-income housing.

Receivable from estates – Receivables from estates are recognized as contribution revenue in the period the Foundation receives notification of the irrevocable gift from a donor's estate and the amount, which management expects to collect is able to be estimated. Receivables are expected to be collected in approximately five years as provided for in the gift instrument. There is no allowance recorded related to the receivables from estates as of June 30, 2024 and 2023.

Note 8 – Grants Payable

Grants payable consisted of the following at June 30:

(In thousands)	2024	2023
Payable in less than one year	$ 5,859	$ 7,302
Payable in one to five years	6,853	4,040
Present value discount	(865)	(432)
Total grants payable, net	$ 11,847	$ 10,910

Grants payable are discounted using rates ranging from 4.33% to 5.40%, depending on duration of the payable period.

Note 9 – Amounts Held on Behalf of Others

The Foundation receives contributions on behalf of others that are included in total contributions on the consolidated statements of activities, but then are deducted out as amounts raised or received on behalf of others, as they do not represent revenue to the Foundation.

Amounts held on behalf of others consisted of the following at June 30:

(In thousands)	2024	2023
Endowment funds	$ 44,947	$ 42,182
Non-endowment funds	80,039	77,723
Total amounts held on behalf of others	$ 124,986	$ 119,905

Note 10 – Note Payable and Line of Credit

The following is a summary of the note payable at June 30:

(In thousands)	2024	2023
Note payable, JPMorgan Chase Bank, monthly payments of approximately $43 including principal and interest at 1.99% for 20 years, amortized over 30 years, due in full in September 2049, secured by certain financial resources without donor restrictions, and subject to certain financial covenants	$ 10,070	$ 10,378
Less unamortized note issuance costs	(111)	(116)
Note payable, net	$ 9,959	$ 10,262

During the years ended June 30, 2024 and 2023, interest expense was approximately $207,000 and $210,000, respectively.

Future minimum principal payments are as follows (in thousands):

Years Ending June 30,	$ 311
2025	318
2026	324
2027	330
2028	337
2029	8,450
Thereafter	
	$ 10,070

The Foundation has a $3,000,000 line of credit agreement with JPMorgan Chase bearing interest at Secured Overnight Financing Rate (SOFR) plus 3.530% per annum with a maturity date of June 25, 2025. The line of credit is secured by certain financial resources (cash, investments, and gross revenues) without donor restrictions of the Foundation. There was no outstanding balance on the line of credit as of June 30, 2024 and 2023.

Note 11 – Commitments and Contingencies

Future investment in housing initiatives - During fiscal year 2024, the Foundation committed funding through joint venture agreements with developers in housing projects that will improve affordability and quality of life for impacted populations in the San Diego region. The timing of the funding of these commitments is unknown and uncertain due to conditions precedent and milestones that must occur prior to funding. Potential future commitments must be approved by the Foundation and are not yet legally binding. The Foundation intends to make additional capital commitments from time to time, through the San Diego Housing Fund, to further facilitate housing projects and initiatives.

Government grants and agreements – The Foundation's government grants and agreements are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Foundation has no provisions for the possible disallowance of program costs on its consolidated financial statements.

Future grants – Certain government grants and agreements made through fiscal year 2023, include terms which require the Foundation to grant funds totaling $14 million through fiscal year 2026. As of June 30, 2023, all of the required funds have been granted.

Legal matters – At times, the Foundation may be party to claims and legal actions arising in the ordinary course of business. Management believes there are no known claims or legal actions that will have a significant impact on the Foundation's financial position or on the accompanying consolidated financial statements.

Note 12 – Retirement Plans

The Foundation maintains an employee benefit plan that is qualified as tax deferred under Section 403(b) of the IRC. Elective pre-tax compensation deferrals are available to employees who have been employed by the Foundation and who work at least 1,000 hours per year. The Foundation currently matches employee contributions to the plan dollar for dollar, up to 4% of each employee's compensation. Employer matching contributions to the plan in fiscal years 2024 and 2023, were approximately $493,000 and $359,000, respectively. The plan also allows for four categories of participants to receive employer discretionary annual contributions of up to 9%. Employer discretionary contributions to the plan in fiscal years 2024 and 2023 were approximately $905,000 and $872,000, respectively.

The Foundation also maintains a benefit plan that is qualified as tax deferred under Section 457(b) of the IRC. The plan is for employees of a select group of management. The employees may elect to make contributions to the plan under a salary reduction agreement. The Foundation is not required to make contributions to the plan. Plan assets are included in investments, and liabilities related to the plan are included in accounts payable and accrued liabilities on the consolidated statements of financial position. Plan assets and liabilities are not considered material to the consolidated financial statements.

Note 13 – Contributions of Nonfinancial Assets

Contributions of nonfinancial assets for the years ended June 30, 2024 and 2023, included in the consolidated financial statements were as follows:

(In thousands)	2024	2023
Real estate	$ 7,450	$ 4,111

Real estate – The Foundation strives to sell all contributions of real estate as soon as it can unless restricted for use in a specific program by the donor. The Foundation values each real estate gift at fair value based on qualified appraisals or recent comparable sales in the geographical market that the real estate is located. If a property is sold within a short period after receipt of the gift, the valuation assigned to the gift is based on the sales price.

There were no donor restrictions associated with the contributions of real estate for the years ended June 30, 2024 and 2023.

The following table summarizes the monetization of all nonfinancial assets contributed for the years ended June 30, 2024 and 2023. All unsold real estate at year end is included in other assets on the consolidated statements of financial position.

(In thousands)	Original Gift Value	Proceeds from Sale	Realized Gain / (Loss)	Value of Remaining Investments
2024				
Real estate	$ 11,310	$ 4,051	191	$ 7,450
2023				
Real estate	$ 4,111	$ 245	$ (6)	$ 3,860

Note 14 – Liquidity and Funds Available

The following table reflects the Foundation's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general expenditures due to contractual or donor-imposed restrictions within one year. Amounts not available include trust assets, estate receivables, assets held for others, endowments, and accumulated earnings net of appropriations within one year, and board-designated endowments. These board designations could be drawn upon if the Board approves that action. General expenditures include grant awards, operating and administrative expenses, capital spending, and other financial liabilities, expected to be paid in the subsequent year.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2024 and 2023, are as follows:

(In thousands)	2024	2023
Financial assets		
Cash and cash equivalents	$ 144,340	$ 119,671
Investments	1,215,635	1,145,447
Beneficial interest in deferred gifts	28,519	23,092
Other assets	2,190	3,206
Total financial assets	1,390,684	1,291,416
Less assets unavailable for general expenditures within one year		
Endowments and accumulated earnings subject to appropriation beyond one year, net of amounts held on behalf of others, receivables from estates, and deferred gifts	(861,702)	(808,710)
Amounts held on behalf of others	(124,986)	(119,905)
Beneficial interest in deferred gifts	(28,519)	(23,092)
Commitments of other assets	(2,190)	(3,206)
Total assets unavailable for general expenditure within one year	(1,017,397)	(954,913)
Financial assets available to meet cash needs for general expenditures within one year	$ 373,287	$ 336,503

Included in the financial assets available to meet cash needs for general expenditures within one year are approximately 751 non-endowed donor-advised funds totaling approximately $245,183,000 and 722 non-endowed donor-advised funds totaling approximately $231,956,000 as of June 30, 2024 and 2023, respectively. While the balance is available for granting, historically approximately 20% of the balance of these funds is granted within one year.

The Foundation manages its cash available as general expenditures come due and invests cash in excess of immediate requirements in short-term or other investment pools. The Foundation designates a portion of any operating surplus to its liquidity reserve, which was approximately $6,370,000 and $5,721,000 as of June 30, 2024 and 2023, respectively, and was established through approval of the Finance and Administration Committee to be drawn upon in the event of financial distress or immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In addition, since June 2014, the Foundation has maintained a line of credit agreement in the amount of $3,000,000, see Note 10. In July 2023, the Foundation borrowed and repaid $2,500,000 under this agreement. No funds were borrowed under this agreement during the year ended June 30, 2023.

Note 15 – Subsequent Events

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

The Foundation has evaluated subsequent events through November 14, 2024, which is the date the consolidated financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to the consolidated statement of financial position date that would require adjustment to, or disclosure in, the consolidated financial statements other than those disclosed below.

In July 2024, the Foundation entered into an Agreement of Merger with Coastal Community Foundation, a California Corporation. The Board of the Foundation has unanimously approved and declared advisable the Merger Agreement, the Merger and the other transactions contemplated thereby.

In September 2024, the Foundation dissolved San Diego Regional Disaster Fund.

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