

PROMISES2KIDS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2009



Leaf & Cole, LLP
Certified Public Accountants

**PROMISES2KIDS FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2009**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 19



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Steven W. Northcote, C.P.A.
Michael S. Schreiber, C.P.A.
Michael J. Zizzi, C.P.A.
Julie A. Firl, C.P.A.
Nicholas M. Gines, C.P.A.

Members
American Institute of Certified Public Accountants
California Society of Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Promises2Kids Foundation
9440 Ruffin Court, Suite 2
San Diego, California 92123

We have audited the accompanying statement of financial position of Promises2Kids Foundation as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Promises2Kids Foundation's 2008 financial statements and in our report dated June 8, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Promises2Kids Foundation as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP
San Diego, California
June 16, 2010

PROMISES2KIDS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

ASSETS

	<u>2009</u>	<u>2008</u>
<u>Assets:</u> (Notes 1, 2, 3, 4, 5 and 6)		
Cash and cash equivalents - unrestricted	\$ 180,359	\$ 111,377
Cash and cash equivalents - restricted	1,939,640	490,356
Investments	1,773,028	3,644,842
Interest receivable	6,988	24,707
Other assets	-	6,118
Unconditional promises to give	51,350	40,000
Property and equipment, net	<u>414,370</u>	<u>423,270</u>
TOTAL ASSETS	\$ <u>4,365,735</u>	\$ <u>4,740,670</u>

LIABILITIES AND NET ASSETS

<u>Liabilities:</u> (Note 6)		
Accrued liabilities	\$ 83,670	\$ 150,770
Capital lease obligation	<u>2,732</u>	<u>4,107</u>
Total Liabilities	<u>86,402</u>	<u>154,877</u>
<u>Net Assets:</u> (Notes 1, 7 and 8)		
Unrestricted	584,146	783,170
Temporarily restricted	3,156,432	3,263,868
Permanently restricted	<u>538,755</u>	<u>538,755</u>
Total Net Assets	<u>4,279,333</u>	<u>4,585,793</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>4,365,735</u>	\$ <u>4,740,670</u>

The accompanying notes are an integral part of the financial statements.

PROMISES2KIDS FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2008
<u>Public Support and Revenue:</u>					
Public support:					
Contributions	\$ 241,265	\$ 765,355	\$ -	\$ 1,006,620	\$ 905,102
In-kind contributions	739,788	18,780	-	758,568	742,443
Special events (net of related expenses of \$190,817 and \$82,393, for the years ended December 31, 2009 and 2008, respectively)	271,589	15,000	-	286,589	198,972
Auxiliary contributions	<u>3,042</u>	<u>3,042</u>	<u>-</u>	<u>3,042</u>	<u>2,075</u>
Total Public Support	<u>1,252,642</u>	<u>802,177</u>	<u>-</u>	<u>2,054,819</u>	<u>1,848,592</u>
Revenue:					
Interest income	83,276	3,817	-	87,093	169,450
Unrealized gain (loss) on investments	<u>6,667</u>	<u>(51,273)</u>	<u>-</u>	<u>(44,606)</u>	<u>5,704</u>
Total Revenue	<u>89,943</u>	<u>(47,456)</u>	<u>-</u>	<u>42,487</u>	<u>175,154</u>
Net Assets Released From Restrictions	<u>862,157</u>	<u>(862,157)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>2,204,742</u>	<u>(107,436)</u>	<u>-</u>	<u>2,097,306</u>	<u>2,023,746</u>
<u>Expenses:</u>					
Program Services:					
Children's and young adult's programs	1,095,066	-	-	1,095,066	1,276,379
In-kind children's and young adult's programs	<u>709,836</u>	<u>-</u>	<u>-</u>	<u>709,836</u>	<u>661,396</u>
Total Program Services	<u>1,804,902</u>	<u>-</u>	<u>-</u>	<u>1,804,902</u>	<u>1,937,775</u>
Supporting Services:					
Fundraising	478,919	-	-	478,919	402,523
General and administrative	<u>119,945</u>	<u>-</u>	<u>-</u>	<u>119,945</u>	<u>230,913</u>
Total Supporting Services	<u>598,864</u>	<u>-</u>	<u>-</u>	<u>598,864</u>	<u>633,436</u>
Total Expenses	<u>2,403,766</u>	<u>-</u>	<u>-</u>	<u>2,403,766</u>	<u>2,571,211</u>
Change in Net Assets	(199,024)	(107,436)	-	(306,460)	(547,465)
Net Assets, Beginning of Year	<u>783,170</u>	<u>3,263,868</u>	<u>538,755</u>	<u>4,585,793</u>	<u>5,133,258</u>
NET ASSETS, END OF YEAR	<u>\$ 584,146</u>	<u>\$ 3,156,432</u>	<u>\$ 538,755</u>	<u>\$ 4,279,333</u>	<u>\$ 4,585,793</u>

The accompanying notes are an integral part of the financial statements.

PROMISES2KIDS FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	2009				<u>2008</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	
<u>Salaries and Related Expenses:</u>					
Salaries and benefits	\$ 213,664	\$ 87,563	\$ 274,866	\$ 576,093	\$ 666,897
Payroll taxes	16,035	6,262	20,101	42,398	50,010
Total Salaries and Related Expenses	<u>229,699</u>	<u>93,825</u>	<u>294,967</u>	<u>618,491</u>	<u>716,907</u>
<u>Other Expenses:</u>					
Prevention, advocacy, and education	730,017	-	-	730,017	900,201
In-kind designated gifts	709,836	-	-	709,836	661,396
Consultants	50,144	231	21,404	71,779	33,938
Printing and production	8,881	440	46,465	55,786	49,412
Office and storage space rental	15,171	3,825	18,996	37,992	37,407
Computer expense	7,777	1,986	18,483	28,246	17,699
Insurance	5,659	2,457	8,117	16,233	21,769
Financial services	537	3,610	10,451	14,598	4,147
Graphic art and design	2,571	-	7,404	9,975	2,018
Audit fees	-	5,880	3,920	9,800	9,550
Postage and courier	1,353	444	7,882	9,679	10,142
Office supplies and equipment	3,607	950	4,554	9,111	8,135
Telephone	3,291	1,052	4,551	8,894	9,659
Training and education	3,132	97	3,423	6,652	4,288
Repairs and maintenance	4,465	462	1,720	6,647	8,287
Travel expense	2,710	459	1,820	4,989	6,901
Donor cultivation	-	-	4,381	4,381	2,314
Website expenses	2,252	-	1,867	4,119	8,312
Dues and subscriptions	362	215	3,254	3,831	3,871
Miscellaneous	1,308	1,330	1,083	3,721	3,692
Donor recognition	-	-	2,826	2,826	2,892
Meetings expense	830	407	975	2,212	5,877
Equipment rental	510	164	673	1,347	1,441
Other purchased services	571	245	373	1,189	708
Total Other Expenses	<u>1,554,984</u>	<u>24,254</u>	<u>174,622</u>	<u>1,753,860</u>	<u>1,814,056</u>
Total Expenses Before Depreciation	1,784,683	118,079	469,589	2,372,351	2,530,963
Depreciation	<u>20,219</u>	<u>1,866</u>	<u>9,330</u>	<u>31,415</u>	<u>40,248</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,804,902</u>	<u>\$ 119,945</u>	<u>\$ 478,919</u>	<u>\$ 2,403,766</u>	<u>\$ 2,571,211</u>

The accompanying notes are an integral part of the financial statements.

PROMISES2KIDS FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	<u>2009</u>	<u>2008</u>
<u>Cash Flows From Operating Activities:</u>		
Cash in net assets	\$ (306,460)	\$ (547,465)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	31,415	40,248
Donated property and equipment	(8,200)	(33,684)
Unrealized (gains) and losses on investments	44,606	(5,704)
(Increase) Decrease in:		
Interest receivable	17,719	29,078
Other assets	6,118	(6,118)
Unconditional promises to give	(11,350)	24,280
Grants receivable	-	50,000
Increase (Decrease) in:		
Accrued liabilities	(67,100)	44,577
Net Cash Used in Operating Activities	<u>(293,252)</u>	<u>(404,788)</u>
<u>Cash Flows From Investing Activities:</u>		
Addition to property and equipment	(14,315)	(1,763)
Purchase of investments	(958,503)	(4,605,532)
Maturities of investments	2,785,711	5,106,293
Net Cash Provided by Investing Activities	<u>1,812,893</u>	<u>498,998</u>
<u>Cash Flows From Financing Activities:</u>		
Capital lease obligation	(1,375)	(1,368)
Net Cash Used in Financing Activities	<u>(1,375)</u>	<u>(1,368)</u>
Increase in Cash and Cash Equivalents	1,518,266	92,842
Cash and Cash Equivalents at Beginning of Year	<u>601,733</u>	<u>508,891</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,119,999</u>	<u>\$ 601,733</u>

The accompanying notes are an integral part of the financial statements.

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 1 - Organization and Significant Accounting Policies:

Organization

The Promises2Kids Foundation (formerly: Child Abuse Prevention Foundation) (the "Foundation") is a California Nonprofit Corporation formed in 1981 for public and charitable purposes. The mission of the Foundation is to break the cycle of child abuse through prevention, education, advocacy and funding.

The following is a brief description of the Foundation's programs:

A.B. and Jessie Polinsky Children's Center

Previously the Foundation raised \$12 million to build the A.B. and Jessie Polinsky Children's Center (the "Polinsky Center"), the County's emergency shelter for abused and neglected children. In October 1994, the Foundation deeded the facility to the County of San Diego. The Polinsky Center offers a full range of assessment and care programs to more than 2,000 children every year. The Foundation continues to support the Polinsky Center by raising funds for the urgent and long-term needs of the young residents during their stay. The following are just a few examples of the programs and projects at the Polinsky Center supported by the Foundation during 2009:

- Developmental screening
- Recreation program
- Youth to Youth Mentor program
- Annual holiday gift drives
- Pet therapy program

Guardian Scholar Program

The Guardian Scholar Program is a scholarship program that is established to assist current and former foster youth to further their education and become successful, independent adults. The program is much more than just financial aid - it is an investment in the future of each individual recipient. Depending on their individual needs, scholarship recipients receive assistance with items such as college tuition and fees, mentoring, vocational training, books and supplies, as well as housing and transportation costs. Scholarships are available to current and former foster youth between the ages of 16 and 24 years of age from throughout San Diego County.

Former Foster Youth Housing

The Foundation joined forces with HomeAid San Diego, William Lyon Homes and YMCA Youth & Families Services to open North County's first transitional living program for former foster youth. In the fall of 2003 Mary's House became home to six young women emancipated from San Diego's foster care system. The Foundation does not operate Mary's House, but continues to provide financial support. Expansion plans are currently under way for two additional homes on the property.

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Organization (Continued)

Additional Programs

In addition to the above major programs, the Foundation also has many other programs including, but not limited to, the Holiday Gift Drive, Something Special Fund, Birthday Club, Adoption Recruitment, School Success Fund, Camp Connect, Internet Safety, Investigators' Institute/Training, Foster Teen Driver's Education, Back to School Drive, Stuff the Bus Drive, and Family Day that support the thousands of abused and neglected children of all ages in San Diego County.

Significant Accounting Policies

Method of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting which is in accordance with U.S. generally accepted accounting principles and, accordingly, reflect all significant receivables, payables, and other liabilities.

In June 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) was issued. The Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification is effective for financials statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard did not have a material impact on the financial position and results of operations.

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The FASB has issued reporting standards for endowments of not-for-profit Organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. In October, 2008 California adopted UPMIFA. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds. The Foundation adopted the reporting standards effective December 31, 2008. The adoption of these reporting standards had no effect on the classification of net assets as of December 31, 2008.

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties

The Foundation invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Fair Value Measurements

The Foundation has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). These standards do not change existing guidance as to whether or not an instrument is carried at fair value.

The Foundation's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in certificates of deposit and debt securities are considered Level 2 assets and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.
- Other securities are considered Level 3 assets and are reported at fair value based on management's assumptions as described in Note 3.

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Capitalization and Depreciation

Property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over the estimated useful asset lives as follows:

Building and improvements	5-30 years
Furniture and equipment	3-10 years
Vehicle	5 years

Depreciation aggregated \$31,415 and \$40,248 for the years ended December 31, 2009 and 2008, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of land, buildings and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale. Any resultant gain or loss is credited or charged to earnings.

Impairment of Long-Lived Assets

The Foundation reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flows expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2009 or 2008.

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Donated Services, Office Space and Materials

The Foundation utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services totaling \$4,100 and \$10,000 have been reflected in the accompanying financial statements for the years ended December 31, 2009 and 2008, respectively.

The Foundation received donated office space with an estimated fair value of \$36,360 and \$36,360 for the years ended December 31, 2009 and 2008, respectively. The amount has been included in both in-kind contributions revenue and expense in the accompanying financial statements.

In-kind contributions of goods used for program services with an estimated fair value of \$673,836 and \$625,396, donated equipment with an estimated fair value of \$8,200 and \$33,684 and other services and supplies of \$3,114 and \$3,078 for the years ended December 31, 2009 and 2008, respectively, are included in in-kind contributions in the statement of activities.

The Foundation donated facility space to the YMCA of San Diego County for the operation of Mary's House. Rent totaling \$36,000 and \$36,000 for the years ended December 31, 2009 and 2008, respectively, has been included in in-kind contributions and in-kind children's programs.

Allocated Expenses

The Foundation allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Foundation's management.

Income Tax Status

The Foundation is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation is not a private foundation.

The Foundation uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Concentration of Credit Risk

The Foundation maintains its cash and investments in bank accounts and brokerage accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Comparative Totals for December 31, 2008

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include 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, 2008, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 16, 2010, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of December 31:

	2009			Balance as of December 31, 2009
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Certificates of Deposit	\$ -	\$ 250,026	\$ -	\$ 250,026
Index funds	-	112,636	-	112,636
Corporate bonds	-	299,691	-	299,691
U.S. Agency Securities	-	109,844	-	109,844
RiverSource Annuity	-	-	529,551	529,551
Piedmont REIT	-	-	450,433	450,433
Residential Capital Mortgage Income Fund	-	-	20,847	20,847
	<u>\$ -</u>	<u>\$ 772,197</u>	<u>\$ 1,000,831</u>	<u>\$ 1,773,028</u>

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 2 - Fair Value Measurements: (Continued)

	2008			Balance as of December 31, 2008
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Certificates of Deposit	\$ -	\$ 2,059,361	\$ -	\$ 2,059,361
Corporate bonds	-	364,574	-	364,574
U.S. Agency Securities	-	112,125	-	112,125
RiverSource Annuity	-	-	600,078	600,078
Piedmont REIT	-	-	508,704	508,704
	<u>\$ -</u>	<u>\$ 2,536,060</u>	<u>\$ 1,108,782</u>	<u>\$ 3,644,842</u>

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

	RiverSource Annuity	Piedmont REIT	Residential Capital Mortgage Income Fund	Total
Balance, January 1, 2008	\$ 680,938	\$ 474,493	\$ -	\$ 1,155,431
Investment income	21,308	34,211	-	55,519
Withdrawals	(102,168)	-	-	(102,168)
Balance, December 31, 2008	600,078	508,704	-	1,108,782
Investment income	19,507	25,565	-	45,072
Gains or losses (realized/unrealized)	-	(58,271)	(1,159)	(59,430)
Donation of investment	-	-	22,006	22,006
Withdrawals	(90,034)	(25,565)	-	(115,599)
Balance, December 31, 2009	<u>\$ 529,551</u>	<u>\$ 450,433</u>	<u>\$ 20,847</u>	<u>\$ 1,000,831</u>

Note 3 - Investments:

Investments in certificates of deposits and debt securities are stated at fair value. The investment in the RiverSource Annuity is stated at purchase plus reinvested earnings less distributions at the contract rate. The investment in Piedmont REIT is stated at the lower of cost plus reinvested earnings per share or the estimated value per share. The investment in Residential Capital Mortgage Income Fund is stated at the lower of cost plus reinvested earnings per share or the most recent redemption price per unit (80% of cost basis).

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 3 - Investments: (Continued)

	<u>2009</u>	<u>2008</u>
<u>Certificates of Deposit</u>	\$ 250,026	\$ 2,059,361
<u>Index Funds</u>	112,636	-
<u>Debt Securities</u>		
Corporate bonds	299,691	364,574
U.S. Agency Securities	109,844	112,125
	409,535	476,699
<u>Other Securities</u>		
RiverSource Annuity	529,551	600,078
Piedmont REIT	450,433	508,704
Residential Capital Mortgage Income Fund	20,847	-
	1,000,831	1,108,782
Total Investments	\$ 1,773,028	\$ 3,644,842

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>	<u>Total 2008</u>
Interest and dividend income	\$ 83,276	\$ 3,817	\$ 87,093	\$ 169,450
Net realized and unrealized gains/(losses) on investments	6,667	(51,273)	(44,606)	5,704
	\$ 89,943	\$ (47,456)	\$ (42,487)	\$ 175,154

Note 4 - Unconditional Promises to Give:

Unconditional promises to give consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 31,350	\$ 35,000
Receivable in one to five years	15,000	-
Receivable in more than five years	5,000	5,000
Total Unconditional Promises to Give	\$ 51,350	\$ 40,000

Management believes that all unconditional promises to give were fully collectible; therefore, no allowance for doubtful accounts was recorded at December 31, 2009 and 2008.

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 5 - Property and Equipment:

Property and equipment consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Land	\$ 55,597	\$ 55,597
Building and improvements	509,807	507,092
Furniture and equipment	128,242	115,649
Vehicle	20,000	20,000
Subtotal	<u>713,646</u>	<u>698,338</u>
Less: Accumulated depreciation	<u>(299,276)</u>	<u>(275,068)</u>
Property and Equipment, Net	<u>\$ 414,370</u>	<u>\$ 423,270</u>

Note 6 - Capital Lease Obligation:

In 2007, the Foundation acquired a copy machine under a capital lease. The economic substance of the lease is that the Foundation is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the Foundation's assets and liabilities. The leased property under capital lease has a cost of \$6,843, accumulated depreciation of \$4,218 and \$2,850 and a net book value of \$2,625 and \$3,993 at December 31, 2009 and 2008, respectively.

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments at December 31, 2009 are as follows:

Total minimum lease payments	\$ 2,955
Less: Amount representing interest	<u>(223)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 2,732</u>

Future minimum lease payments are summarized as follows:

<u>Years Ended</u> <u>December 31,</u>	
2010	\$ 1,689
2011	<u>1,266</u>
	<u>\$ 2,955</u>

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 7 - Temporarily Restricted Net Assets:

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2009</u>	<u>2008</u>
Sunshine Brooks	\$ 2,648,073	\$ 2,806,344
Polinsky Children's Center	190,614	168,401
Camp Connect	89,124	11,568
Guardian Scholar	64,060	79,692
Polinsky Children's Center Endowment	39,756	39,756
Foster Teen Driver's Education Program	36,110	54,557
Investigators' Institute/Training	25,310	41,573
Family Finding Program	18,440	18,440
Birthday Club	14,041	19,076
Other	10,749	2,560
Pledges Receivable	5,000	5,000
Mary's House	4,597	-
Foster Fund	3,763	10,661
School Success Fund	3,534	-
Military Initiative	3,261	-
Lumina College Connections	-	6,240
Total Temporarily Restricted Net Assets	<u>\$ 3,156,432</u>	<u>\$ 3,263,868</u>

Net assets totaling of \$862,157 were released from donor restrictions by incurring expenses satisfying the purpose or by occurrence of other events such as the passage of time restrictions specified by donors for the year ended December 31, 2009.

Note 8 - Endowment Net Assets:

The Foundation's endowment consists of three individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the enacted version of the Uniform Prudent management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment (2) investment income or increases in fair value if required to be restricted by the donors. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are 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 appropriate or accumulate donor-restricted endowment funds:

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 8 - Endowment Net Assets: (Continued)

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2009 or 2008.

The Foundation has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

The Foundation's endowment funds are invested in debt and other securities that are structured to satisfy its long-term rate-of-return objectives. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation's spending policy is to disburse funds available to meet the current program needs of the Foundation.

Endowment composition by type of fund at December 31, 2009:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Polinsky Children's Center Endowment	\$ 4,821	\$ 381,410	\$ 386,231
General Endowment	-	87,345	87,345
Junior League Scholarship Endowment	8,441	70,000	78,441
Total Donor-Restricted Endowment Funds	<u>\$ 13,262</u>	<u>\$ 538,755</u>	<u>\$ 552,017</u>

Endowment composition by type of fund at December 31, 2008:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Polinsky Children's Center Endowment	\$ 2,227	\$ 381,410	\$ 383,637
General Endowment	-	87,345	87,345
Junior League Scholarship Endowment	7,484	70,000	77,484
Total Donor-Restricted Endowment Funds	<u>\$ 9,711</u>	<u>\$ 538,755</u>	<u>\$ 548,466</u>

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 8 - Endowment Net Assets: (Continued)

Changes in Endowment Net Assets for the years ended December 31:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, January 1, 2008	\$ -	\$ 87,641	\$ 538,755	\$ 626,396
Investment Income	4,018	16,506	-	20,524
Appropriation of endowment assets for expenditure	<u>(4,018)</u>	<u>(94,436)</u>	<u>-</u>	<u>(98,454)</u>
Endowment Net Assets, December 31, 2008	-	9,711	538,755	548,466
Investment income	4,290	3,551	-	7,841
Appropriation of endowment assets for expenditure	<u>(4,290)</u>	<u>-</u>	<u>-</u>	<u>(4,290)</u>
Endowment Net Assets, December 31, 2009	<u>\$ -</u>	<u>\$ 13,262</u>	<u>\$ 538,755</u>	<u>\$ 552,017</u>

Note 9 - Auxiliaries:

The Foundation's supporting auxiliaries contributed the following amounts to the Foundation for the years ended December 31:

	<u>2009</u>	<u>2008</u>
The Polinsky Children's Center Auxiliary	\$ <u>3,042</u>	\$ <u>2,075</u>

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 10 - Program Services:

Children's Programs

Children's programs consist of funds provided to the following agencies or programs for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Guardian Scholar Program	\$ 260,556	\$ 298,311
Holiday Toys Gift Drive	220,338	133,715
Polinsky Children's Center	191,665	383,861
Community Awareness	60,931	11,020
Camp Connect	55,567	60,192
Investigators' Institute/Training	41,900	76,243
Military Initiative	33,421	9,987
Community Forum	30,985	4,415
Mary's House	26,529	69,574
Foster Youth Driver's Education Program	22,458	14,043
Family Day	19,915	-
Something Special Fund	17,562	21,192
Youth Housing	13,181	-
School Success Program	12,934	-
Birthday Club	12,820	16,971
Internet Safety	12,813	35,175
Economic Impact Program	12,760	-
Foster Youth Website Makeover	10,000	1,304
Adoption Recruitment Program	9,526	11,207
Costumes for Kids	7,969	18,160
Stuff the Bus	7,034	-
Back to School Drive	6,486	14,060
Former Foster Youth Assistance	4,946	-
Clean Start Program	1,900	1,387
Children's Services Bureau	815	-
Other	55	-
Give Your Heart to Kids	-	80,357
College Access Program	-	6,900
P.R.I.C.E.	-	6,155
Town Hall Meeting	-	2,150
	<u>\$ 1,095,066</u>	<u>\$ 1,276,379</u>

During 2003, the Foundation finished renovating a house located in Escondido, California. The Foundation donated the use of the house to the YMCA, which operates a transitional living program for former foster youths. Rent totaling \$36,000 and \$36,000 for the donated space for the years ended December 31, 2009 and 2008, respectively, has been reflected in the accompanying financial statements. Depreciation of this asset is considered a program service expense for financial statement purposes and is included in children's programs.

PROMISES2KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

Note 10 - Program Services: (Continued)

In-Kind Children's Programs

In-kind children's programs, the value of which is determined by estimating the fair value of the gift, consists of in-kind contributions given to the following agencies or programs for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Holiday Gift Program	\$ 312,457	\$ 280,460
Costumes for Kids	216,700	184,765
Back to School Program	69,183	63,161
Mary's House	36,000	38,430
Polinsky Children's Center	26,674	32,144
Stuff the Bus Toy Drive	21,322	21,025
Guardian Scholar Program	13,791	7,240
Camp Connect West	2,521	4,685
Something Special Fund	2,286	-
School Success Fund	1,989	-
San Pasqual Academy	1,250	1,125
San Diego Center for Children	1,039	5,765
ParentCare	500	-
Family Day	250	-
Other	3,874	3,406
San Diego Adolescent Pregnancy and Parenting Program	-	9,500
Children's Services Bureau	-	5,980
Walden Family Services	-	2,300
New Alternative	-	1,265
Emancipated Foster Youth Program	-	145
Total In-kind Children's Programs	<u>\$ 709,836</u>	<u>\$ 661,396</u>

Note 11 - Related Party Transactions:

The Foundation received contributions from certain members of its board of directors. Contributions totaled \$148,905 and \$159,937 for the years ended December 31, 2009 and 2008, respectively.

Note 12 - Subsequent Events

Subsequent to year end, one-fourth of the Piedmont REIT went public on February 10, 2010, at an opening price of \$14.75. As of June 16, 2010, the closing price was \$19.57; no adjustment as a result of this has been made as of December 31, 2009.