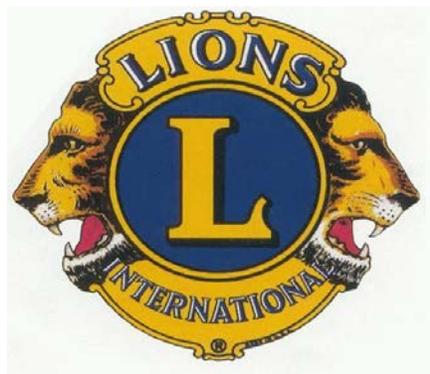


**SAN DIEGO LIONS WELFARE FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**



Leaf & Cole, LLP  
*Certified Public Accountants*

**SAN DIEGO LIONS WELFARE FOUNDATION  
FINANCIAL STATEMENTS  
JUNE 30, 2014**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 14



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## **Independent Auditor's Report**

To the Board of Trustees  
San Diego Lions Welfare Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of San Diego Lions Welfare Foundation, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Lions Welfare Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited San Diego Lions Welfare Foundation's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leaf & Cole LLP

San Diego, California  
November 5, 2014

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

**ASSETS**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
<b><u>Assets:</u></b> (Notes 1, 2, 3, 4, 5 and 6)					
Cash and cash equivalents	\$ 250,317	\$ 37,467	\$ -	\$ 287,784	\$ 205,794
Accounts receivable	355	-	-	355	355
Investments	3,401,944	938,460	-	4,340,404	4,009,031
Charitable remainder trust	-	225,813	-	225,813	199,231
Property and equipment, net	-	-	-	-	82
Beneficial interest in San Diego Foundation	-	-	307,265	307,265	280,122
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>\$ 3,652,616</b>	<b>\$ 1,201,740</b>	<b>\$ 307,265</b>	<b>\$ 5,161,621</b>	<b>\$ 4,694,615</b>

**LIABILITIES AND NET ASSETS**

<b><u>Liability:</u></b> (Note 4)					
Liability under charitable remainder trust	\$ -	\$ 157,579	\$ -	\$ 157,579	\$ 142,092
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>Net Assets</u></b> (Notes 1, 7 and 8)	<b>3,652,616</b>	<b>1,044,161</b>	<b>307,265</b>	<b>5,004,042</b>	<b>4,552,523</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,652,616</b>	<b>\$ 1,201,740</b>	<b>\$ 307,265</b>	<b>\$ 5,161,621</b>	<b>\$ 4,694,615</b>

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

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	2014 <u>Total</u>	2013 <u>Total</u>
<b><u>Support and Revenue:</u></b>					
Investment income, net	\$ 538,367	\$ 153,408	\$ 31,752	\$ 723,527	\$ 524,963
Program revenue	66,997	-	-	66,997	61,211
Pledge to serve	12,960	1,530	-	14,490	12,805
Contributions and donations	10,145	-	-	10,145	8,322
Miscellaneous revenue	14	-	-	14	25,014
Net assets released from restrictions	<u>51,119</u>	<u>(46,510)</u>	<u>(4,609)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>679,602</u>	<u>108,428</u>	<u>27,143</u>	<u>815,173</u>	<u>632,315</u>
<b><u>Expenses:</u></b>					
<b>Program Services:</b>					
Contributions and program expenses	<u>296,314</u>	<u>-</u>	<u>-</u>	<u>296,314</u>	<u>297,434</u>
<b>Supporting Services:</b>					
Management and general	<u>67,340</u>	<u>-</u>	<u>-</u>	<u>67,340</u>	<u>69,218</u>
Total Expenses	<u>363,654</u>	<u>-</u>	<u>-</u>	<u>363,654</u>	<u>366,652</u>
Change in Net Assets	315,948	108,428	27,143	451,519	265,663
Net Assets at Beginning of Year	<u>3,336,668</u>	<u>935,733</u>	<u>280,122</u>	<u>4,552,523</u>	<u>4,286,860</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 3,652,616</u></u>	<u><u>\$ 1,044,161</u></u>	<u><u>\$ 307,265</u></u>	<u><u>\$ 5,004,042</u></u>	<u><u>\$ 4,552,523</u></u>

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

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)**

	<u>2014</u>	<u>2013</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 451,519	\$ 265,663
<b>Adjustments to reconcile change in net assets to net cash used in operating activities:</b>		
Depreciation	82	863
Realized and unrealized gains on investments	(584,753)	(394,019)
Permanently restricted investment gains	(31,752)	(16,684)
Permanently restricted distributions	4,609	4,066
Net Cash Used in Operating Activities	<u>(160,295)</u>	<u>(140,111)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Proceeds from sale of investments	1,035,739	935,773
Purchase of investments	(793,454)	(813,231)
Change in beneficial interest in San Diego Foundation	(27,143)	(12,618)
Net Cash Provided by Investing Activities	<u>215,142</u>	<u>109,924</u>
<b><u>Cash Flows From Financing Activates:</u></b>		
Permanently restricted investment gains	31,752	16,684
Permanently restricted distributions	(4,609)	(4,066)
Net Cash Provided by Financing Activates	<u>27,143</u>	<u>12,618</u>
Net Increase (Decrease) in Cash and Cash Equivalents	81,990	(17,569)
Cash and Cash Equivalents at Beginning of Year	<u>205,794</u>	<u>223,363</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 287,784</u></u>	<u><u>\$ 205,794</u></u>

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

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

**Note 1 - Organization and Significant Accounting Policies:**

**Organization**

San Diego Lions Welfare Foundation (the “Foundation”) is a California Not-For-Profit Corporation organized in 1944. The Foundation was organized for the promotion of the welfare of humanity, including the sight impaired, the hearing impaired and the under-privileged.

**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 accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

**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.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the Foundation. The income from these assets is available for either general operations or specific programs as specified by the donor.

The FASB has issued reporting standards for endowments of not-for-profit Organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

**Note 1 - 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**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**

Fair value accounting 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).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

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

- Investments in mutual funds and corporate stocks are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

**Note 1 - Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Fair Value Measurements (Continued)**

- Charitable remainder trust is considered a Level 3 asset and is reported at fair value based on management's assumptions about the expected investment return on the underlying trust assets, an applicable discount rate and the life expectancy of the donor.
- Beneficial interest in San Diego Foundation is considered a Level 3 asset and is reported at fair value based on the fair value of the underlying assets which approximates the future discounted cash flows.

**Allowance for Doubtful Accounts**

Management believes that all accounts receivable were fully collectible; therefore, no allowance for doubtful accounts was recorded as of June 30, 2014 and 2013.

**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 restriction expires 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. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

**Capitalization and Depreciation**

The Foundation capitalizes all property and equipment in excess of \$1,000 while 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 these donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation 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:

Community room improvements	7 - 10 years
Office equipment and furniture	5 - 7 years
Computer equipment	5 years

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

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

**Significant Accounting Policies (Continued)**

Depreciation totaled \$82 and \$863 for the years ended June 30, 2014 and 2013, respectively.

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

**Donated Services**

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. The donated services for the years ended June 30, 2014 and 2013, did not meet the requirements above, therefore no amounts were recognized in the financial statements.

**Allocated Expenses**

Expenses by function have been allocated among program and supporting services classifications on the basis of records and on estimates made by the Foundation's management.

Income Taxes

**Income Taxes**

The Foundation is a public charity 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 believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation is not a private foundation.

The Foundation's Return of Organization Exempt from Income Tax for the years ended June 30, 2014, 2013, 2012 and 2011 is subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

**Concentration of Credit Risk**

The Foundation maintains its cash in bank deposit 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.

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

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

**Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Comparative Information for June 30, 2013**

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, 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 disclosures through November 5, 2014, 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 June 30:

	2014			Balance as of June 30, 2014
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Corporate stocks:				
Common stock	\$ 3,347,386	\$ -	\$ -	\$ 3,347,386
Preferred stock	90,615	-	-	90,615
Mutual funds:				
Growth	141,998	-	-	141,998
Fixed income	760,405	-	-	760,405
Charitable remainder trust (Note 4)	-	-	225,813	225,813
Beneficial interest in San Diego Foundation (Note 6)	-	-	307,265	307,265
	<u>\$ 4,340,404</u>	<u>\$ -</u>	<u>\$ 533,078</u>	<u>\$ 4,873,482</u>

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

**Note 2 - Fair Value Measurements: (Continued)**

	2013			Balance as of June 30, 2013
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Corporate stocks:				
Common stock	\$ 2,844,457	\$ -	\$ -	\$ 2,844,457
Preferred stock	88,900	-	-	88,900
Mutual funds:				
Growth	213,033	-	-	213,033
Fixed income	862,641	-	-	862,641
Charitable remainder trust (Note 4)	-	-	199,231	199,231
Beneficial interest in San Diego Foundation (Note 6)	-	-	280,122	280,122
	<u>\$ 4,009,031</u>	<u>\$ -</u>	<u>\$ 479,353</u>	<u>\$ 4,488,384</u>

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in the Notes as indicated above.

**Note 3 - Investments:**

Investments consist of the following at June 30:

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
Corporate stocks	\$ 2,671,869	\$ 766,132	\$ 3,438,001	\$ 2,933,357
Mutual funds	730,075	172,328	902,403	1,075,674
Total Investments	<u>\$ 3,401,944</u>	<u>\$ 938,460</u>	<u>\$ 4,340,404</u>	<u>\$ 4,009,031</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Interest and dividend income	\$ 114,139	\$ 26,634	\$ -	\$ 140,773	\$ 145,580
Net realized and unrealized gains	450,154	134,599	32,267	617,020	411,192
Investment expense	(25,926)	(7,825)	(515)	(34,266)	(31,809)
Total Investment Return	<u>\$ 538,367</u>	<u>\$ 153,408</u>	<u>\$ 31,752</u>	<u>\$ 723,527</u>	<u>\$ 524,963</u>

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

**Note 4 - Charitable Remainder Trust:**

The Foundation has been named as the Trustee for a charitable remainder trust (the Trust). The Trust provides for the payment of distributions to the designated beneficiaries over the designated beneficiaries' lifetimes. At the end of the Trust's term, the remaining assets are available for the Foundation's use.

The fair value of the Trust's assets totaled \$225,813 and \$199,231 at June 30, 2014 and 2013, respectively, and have been reported as an asset on the statement of financial position.

The activity of the charitable remainder trust consisted of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Balance at Beginning of Year	\$ 199,231	\$ 203,993
Distributions to designated beneficiaries	(15,981)	(27,837)
Change in discount and fair value	42,563	23,075
Balance at End of Year	<u>\$ 225,813</u>	<u>\$ 199,231</u>

On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments to the designated beneficiaries totaling \$157,579 and \$142,092, at June 30, 2014 and 2013 respectively, has been calculated using a discount rate of 7% and applicable mortality tables and has been reported as a liability in the statement of financial position.

**Note 5 - Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Community room improvements	\$ 75,916	\$ 75,916
Office equipment and furniture	35,086	37,027
Computer equipment	526	13,498
Subtotal	<u>111,528</u>	<u>126,441</u>
Less: Accumulated depreciation	<u>(111,528)</u>	<u>(126,359)</u>
Property and Equipment, Net	<u>\$ -</u>	<u>\$ 82</u>

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

**Note 6 - Beneficial Interest in San Diego Foundation:**

The Foundation has a beneficial interest in endowment funds held at San Diego Foundation, which are classified as permanently restricted for these investments must be maintained in perpetuity. The beneficial interest in San Diego Foundation is invested in a portfolio of cash, equity and debt securities which is structured for long-term total return consisting of 27% domestic equities, 24% international equities, 20% alternative investments, 10% domestic fixed income, 7% global and international fixed income, 6% real estate, and 6% global equities.

The activity in the beneficial interest in San Diego Foundation consisted of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Balance at Beginning of Year	\$ 280,122	\$ 267,504
Investment income	31,752	16,684
Distributions	(4,609)	(4,066)
Balance at End of Year	<u>\$ 307,265</u>	<u>\$ 280,122</u>

**Note 7 - Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2014</u>	<u>2013</u>
Community Manor	\$ 648,298	\$ 590,194
Sheffield	323,799	283,819
Charitable remainder trust, net	68,234	57,139
Powers trust	2,226	2,982
Pledge to Serve	1,530	1,525
Blind Community Center	74	74
Total Temporarily Restricted Net Assets	<u>\$ 1,044,161</u>	<u>\$ 935,733</u>

Net assets totaling \$46,510 were released from donor restrictions from the year ended June 30, 2014, by incurring expenses satisfying the purpose or time restrictions specified by donors.

**SAN DIEGO LIONS WELFARE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

**Note 8 - Endowment Net Assets:**

The endowment funds of the Foundation held by San Diego Foundation (“SDF”) are managed in accordance with UPMIFA. The SDF’s objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require the Foundation to retain as a fund of perpetual duration. The Foundation classifies permanently restricted net assets held by the SDF as:

- The original value of gifts donated to the fund
- The original value of the Foundation funds transferred to the fund
- The original value of subsequent gifts donated to the fund
- Investment income and realized and unrealized gains and losses on investments
- Distributions from the fund in accordance with the spending policy

The SDF 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 held by SDF are invested in a portfolio of cash, equity and debt securities that is structured to satisfy its long-term rate-of-return objectives. SDF 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). SDF spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis.

Endowment composition by the type of fund and changes in endowment net assets for the years ended June 30:

	Permanently Restricted
Endowment Net Assets at June 30, 2012	\$ 267,504
Investment income	16,684
Appropriation of endowment assets for expenditure	(4,066)
Endowment Net Assets at June 30, 2013	280,122
Investment income	31,752
Appropriation of endowment assets for expenditure	(4,609)
Endowment Net Assets at June 30, 2014	\$ 307,265