

**SAN DIEGO COUNTY
MEDICAL SOCIETY FOUNDATION
DBA CHAMPIONS FOR HEALTH
FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
DBA CHAMPIONS FOR HEALTH**

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
San Diego County Medical Society Foundation
DBA Champions for Health

Opinion

We have audited the accompanying financial statements of San Diego County Medical Society Foundation dba Champions for Health (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego County Medical Society Foundation dba Champions for Health as of September 30, 2022 and 2021, 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. 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 San Diego County Medical Society Foundation dba Champions for Health 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 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 San Diego County Medical Society Foundation dba Champions for Health ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

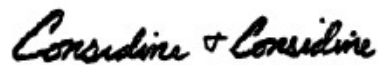
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Diego County Medical Society Foundation dba Champions for Health internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego County Medical Society Foundation dba Champions for Health ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



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An accountancy corporation

October 11, 2023

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
DBA CHAMPIONS FOR HEALTH
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021**

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	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,164,844	\$ 178,946
Investments (Note 3)	150,019	127,423
Grants and contracts receivable (Note 4)	463,298	334,911
Accounts receivable	17,801	14,334
Prepaid expenses	11,900	673
	1,807,862	656,287
PROPERTY AND EQUIPMENT	53,075	-
OTHER ASSETS		
Grants receivable - long term (Note 4)	-	24,250
TOTAL ASSETS	1,860,937	680,537
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	9,294	45,432
Accrued expenses	23,627	22,248
Fiscal agency payable	9,663	9,663
Deferred revenue	16,050	-
Related party note payable - current (Note 6)	-	18,000
	58,634	95,343
LONG-TERM LIABILITIES		
Related party note payable - long term (Note 6)	-	135,640
TOTAL LIABILITIES	58,634	230,983
NET ASSETS (Note 7)		
Without donor restrictions	1,615,590	35,638
With donor restrictions	186,713	413,916
	1,802,303	449,554
TOTAL LIABILITIES AND NET ASSETS	\$ 1,860,937	\$ 680,537

See accompanying notes

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
DBA CHAMPIONS FOR HEALTH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contract income	\$ 2,308,977	\$ -	\$ 2,308,977
Grant revenue	-	606,141	606,141
In-kind donations	202,859	50,000	252,859
Contributions	45,902	-	45,902
Investment loss, net (Note 3)	(35,790)	1,000	(34,790)
Rent revenue	6,000	-	6,000
Funds released from restrictions	884,344	(884,344)	-
	3,412,292	(227,203)	3,185,089
SPECIAL EVENTS (Note 10)			
Events revenue	70,652	-	70,652
Less: Direct benefit to donors	(3,000)	-	(3,000)
	67,652	-	67,652
Total revenues	3,479,944	(227,203)	3,252,741
EXPENSES			
Program	1,578,985	-	1,578,985
General and administrative	159,343	-	159,343
Fundraising	161,664	-	161,664
	1,899,992	-	1,899,992
CHANGE IN NET ASSETS	1,579,952	(227,203)	1,352,749
NET ASSETS, BEGINNING OF YEAR	35,638	413,916	449,554
NET ASSETS, END OF YEAR	\$ 1,615,590	\$ 186,713	\$ 1,802,303

See accompanying notes

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
DBA CHAMPIONS FOR HEALTH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Grant revenue	\$ 99,969	\$ 1,337,527	\$ 1,437,496
In-kind donations	298,618	-	298,618
Contributions	171,068	-	171,068
PPP loan forgiveness (Note 7)	54,158	-	54,158
Investment income, net (Note 3)	23,358	1,291	24,649
Rent revenue	4,500	-	4,500
Funds released from Restriction	961,290	(961,290)	-
	<u>1,612,961</u>	<u>377,528</u>	<u>1,990,489</u>
SPECIAL EVENTS (Note 10)			
Events revenue	63,768	-	63,768
Less: Direct benefit to donors	(10,300)	-	(10,300)
	<u>53,468</u>	<u>-</u>	<u>53,468</u>
Total revenues	1,666,429	377,528	2,043,957
EXPENSES			
Program	1,217,511	-	1,217,511
General and administrative	141,612	-	141,612
Fundraising	97,754	-	97,754
	<u>1,456,877</u>	<u>-</u>	<u>1,456,877</u>
CHANGE IN NET ASSETS	209,552	377,528	587,080
NET ASSETS, BEGINNING OF YEAR	<u>(173,914)</u>	<u>36,388</u>	<u>(137,526)</u>
NET ASSETS, END OF YEAR	<u>\$ 35,638</u>	<u>\$ 413,916</u>	<u>\$ 449,554</u>

See accompanying notes

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
DBA CHAMPIONS FOR HEALTH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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	Program Services	General and Administrative	Fundraising	Total
EXPENSES				
Bank charges	\$ 15	\$ 1,656	\$ -	\$ 1,671
Depreciation	11,915	-	-	11,915
Grants and scholarships	-	675	-	675
Insurance	2,498	-	-	2,498
Marketing	9,913	27,812	-	37,725
Medical services	658,382	-	-	658,382
Medical services in-kind	173,746	-	-	173,746
Medical supplies	11,810	-	-	11,810
Meetings and education	329	2,737	58,340	61,406
Office expenses	12,682	5,719	-	18,401
Outside services and consulting	8,250	-	60,741	68,991
Payroll costs	532,655	101,861	-	634,516
Printing and postage	1,738	1,967	-	3,705
Professional fees	20,640	5,160	-	25,800
Rent and utilities	37,282	4,660	4,660	46,602
Special event expenses (Note 10)	-	-	40,923	40,923
Tax and licenses	-	640	-	640
Technology and communication	15,506	6,084	-	21,590
Travel	81,624	372	-	81,996
	1,578,985	159,343	164,664	1,902,992
Less: Direct benefit to donors at special events included in revenue	-	-	(3,000)	(3,000)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	\$ 1,578,985	\$ 159,343	\$ 161,664	\$ 1,899,992

See accompanying notes

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
DBA CHAMPIONS FOR HEALTH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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	Program Services	General and Administrative	Fundraising	Total
EXPENSES				
Bank charges	\$ -	\$ 979	\$ -	\$ 979
Grants and scholarships	-	100	-	100
Insurance	11,143	1,652	-	12,795
Marketing	14,050	25,077	-	39,127
Medical services	285,334	-	-	285,334
Medical services in-kind	253,175	1,169	-	254,344
Medical supplies	6,110	-	-	6,110
Meetings and education	84,707	676	-	85,383
Office expenses	1,495	14,219	-	15,714
Outside services and consulting	15,000	2,300	52,380	69,680
Payroll costs	438,135	78,273	-	516,408
Printing and postage	101	4,463	-	4,564
Professional fees	22,520	-	-	22,520
Rent and utilities	44,393	5,549	5,549	55,491
Special event expenses (Note 10)	-	-	50,125	50,125
Tax and licenses	-	488	-	488
Technology and communication	8,509	6,614	-	15,123
Travel	32,791	53	-	32,844
Volunteer recognition	48	-	-	48
	1,217,511	141,612	108,054	1,467,177
Less: Direct benefit to donors at special events included in revenue	-	-	(10,300)	(10,300)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	\$ 1,217,511	\$ 141,612	\$ 97,754	\$ 1,456,877

See accompanying notes

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
DBA CHAMPIONS FOR HEALTH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

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	2022	2021
CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 1,352,749	\$ 587,080
ADJUSTMENT TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Depreciation	11,915	-
Net realized and unrealized (gain)/loss	36,716	(24,649)
PPP loan forgiveness	-	(54,158)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(104,137)	(334,761)
Accounts receivable	(3,467)	(10,062)
Prepaid expenses	(11,227)	11,464
Accounts payable	(36,138)	9,020
Deferred revenue	16,050	(26,000)
Accrued expenses	1,379	2,899
	(137,540)	(426,247)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	1,263,840	160,833
CASH FLOWS PROVIDED/(USED) BY INVESTING ACTIVITIES		
Proceeds of investments	179,469	32,977
Purchases of investments	(238,781)	-
Purchases of property and equipment	(64,990)	-
	(124,302)	32,977
CASH FLOWS USED BY FINANCING ACTIVITIES		
Principal borrowings on note payable	37,472	9,954
Principal payments made on note payable	(191,112)	(58,263)
	(153,640)	(48,309)
NET INCREASE IN CASH	985,898	145,501
CASH, BEGINNING	178,946	33,445
CASH, ENDING	\$ 1,164,844	\$ 178,946
SUPPLEMENTAL DISCLOSURES:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying notes

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
DBA CHAMPIONS FOR HEALTH
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

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NOTE 1 THE ORGANIZATION

The San Diego Medical Society Foundation DBA Champions for Health (the "Foundation") is a California Nonprofit Organization. The Foundation's mission is to improve community health and wellness, access to care for all, and support physicians through engaged volunteerism. The Foundation was formed as a separate non-for-profit corporation by the leadership of the San Diego County Medical Society ("SDCMS") in 2004 to facilitate volunteerism on the part of the SDCMS members, and SDCMS remains committed to the success of the Foundation, as demonstrated through donated services annually.

The Foundation's programs consist of the following initiatives:

Community Health and Wellness

The Foundation supports community health and wellness through a variety of prevention activities, including free COVID, flu immunizations and other vaccinations, blood pressure screening, and community health education via the Speaker's Bureau. These programs are provided to the community without charge.

Medical Student Support

Students participate with physicians from around California learning about legislative impact on healthcare policy and interacting with legislators in Sacramento during legislative day. These programs are developed to sensitize students to the needs of the San Diego community and to promote physician retention in San Diego after graduation and residency.

Retired Physicians Society

The Foundation is convening retired physicians living in the San Diego community who are interested in continuing to use their talents and skills in a voluntary capacity. At quarterly meetings, members have an opportunity to network with a variety of community organizations that would value and utilize their concerns facing our community. The goal is to provide opportunities for retired physicians to connect with, become involved with, participate in, and offer leadership to organizations that serve the healthcare needs of the underserved in our community.

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The accompanying financial statements are prepared using the accrual method of accounting in conformity with generally accepted accounting principles.

Basis of presentation – Under accounting standards on financial statements of not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net assets without donor restrictions – Net assets without donor restrictions consist of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in its program or supporting services. Net assets without donor restrictions also include amounts designated for certain purposes by the Board of Directors.

Net assets with donor restrictions – Net assets with donor restrictions consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

Concentration of credit risk - The Foundation maintains its cash in bank deposit account 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 - The Foundation considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Foundation maintains its bank accounts with a national bank.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Gains and losses are included in the statements of activities and changes in net assets.

Realized and unrealized gains and losses are included in the accompanying statement of activities and changes in net assets. Investment income is recognized as revenue in the period it is earned. The Foundation did not incur any material direct or indirect investment management fees during the years ended September 30, 2022 and 2021.

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
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Fair value measurement - The Foundation follows accounting standards which define fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Fiscal agency - The Foundation acts as a fiscal agent for the Cancer Care Fund. When nonprofit Foundations function as an agent helping donors make contributions to another entity, they do not receive a contribution when they receive the assets, nor do they make a contribution when they disburse the assets to the other entity. Instead they act as go-betweens, passing the assets from the donor through the Foundation to the specified entity, and accordingly, record the funds as a liability. FASB ASC 958-605 establishes standards for transactions in which an entity, the donor, makes a contribution by transferring assets to a nonprofit, a recipient entity, that accepts the assets from the donor and agrees to use those assets as specified by the donor.

Funds held by the Foundation for use by the Cancer Care Fund at September 30, 2022 and 2021 were \$9,663.

Revenue recognition – The Foundation follows accounting standards for recognition of revenue on contracts with customers. This standard’s core principle requires an organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods and services. The standards also clarify the principal versus agent considerations, providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the customer.

Deferred revenue - Revenue received in advance of a special event are deferred and recognized when earned.

The Foundation follows the FASB issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions, and (2) determining whether a contribution is conditional. Under this new guidance conditional grants are not recorded until grantees meet the terms of the conditions.

Donor-imposed restrictions - All contributions received are considered to be without donor restrictions and available for general use unless designated by the donor for a specific purpose. Amounts received designated for future periods or restricted by the donor for specific purpose are reported as an increase in net assets with donor restrictions. When a restriction expires, (that is, 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 statement of activities and changes in net assets as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as net assets with donor restrictions and then released from restriction in the same period.

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
DBA CHAMPIONS FOR HEALTH
NOTES TO THE FINANCIAL STATEMENTS
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In-kind contributions - In-kind contributions are reflected as contributions at fair value at the date of donation and are reported as unrestricted support unless specific donor stipulations specify how donated assets must be used. All donated services recognized created a non-financial asset or required specialized skills that would have been purchased if not donated. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed. The Organization bases the fair value of medical services on normalized Medicare rates. There are numerous other individuals who volunteer their time and perform a variety of tasks to assist the Foundation with the medical program, fundraising, and administrative support. These donated services are not reflected in the financial statements as they do not meet the criteria for recognition as contributions.

During 2022 and 2021, the Foundation received in-kind donations as follows:

	2022	2021
Medical services	\$ 173,746	\$ 253,175
Stock donations	59,013	10,525
Marketing	20,100	15,324
Rent	-	18,425
Other	-	1,169
	\$ 252,859	\$ 298,618

Contract revenue - Contract revenue is recognized in the period in which the related work is performed in accordance with the terms of the contract. A receivable is recorded when revenue earned under a contract exceeds the cash received. Deferred contract revenue is recorded when cash received under a contract exceeds the revenue earned.

Grants receivable – Grants receivable consist of grants and are recorded in the year the grant is awarded. Conditional grants are not recognized until the conditions are substantially met. Unconditional grants that are expected to be collected within one year are recorded at their net realizable value. Grants that are expected to be collected in future years are recorded at the present value of estimated cash flows. The Foundation provides for probable losses on grants receivable using the allowance method. The allowance is determined based on management’s experience and collection efforts.

Functional allocation of expenses - The Foundation allocates its expenses on a functional basis among its program and support services. Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
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Advertising - The Foundation follows the policy of expensing advertising costs as incurred. Advertising expense consisting of magazine placements was \$17,625 and \$20,702 for the years ended September 30, 2022 and 2021, respectively, and is included in marketing expense on the statement of functional expenses. The majority of advertising expenses incurred by the Company were contributed by SDCMS and recorded as an in-kind contribution.

Income taxes - The Foundation 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 files tax returns in the U.S. Federal jurisdiction and the State of California. The Foundation, however, may be subject to tax on income which is not related to its exempt purpose. For the years ended September 30, 2022 and 2021, no such unrelated business taxable income was reported and, therefore, no provision for income taxes has been made.

The Foundation follows accounting standards which clarify the accounting for uncertainty in income taxes recognized in the Foundation's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition and measurement of a tax position taken or to be taken in a tax return. As of September 30, 2022 and 2021, the Foundation has not accrued interest or penalties related to uncertain tax positions.

Recent Accounting Pronouncement

In February 2016, the FASB issued a new leases standard which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The new standard will be effective for the Foundation beginning on October 1, 2022, with early adoption permitted, though the Foundation currently anticipates adopting the new standard on the effective date. The new standard must be adopted using a modified retrospective method, which requires application of the new guidance at the beginning of the earliest comparative period presented and provides for certain practical expedients. The Foundation is assessing the effect of the new standard on its financial statements, though it does not anticipate changes to its current rent revenue recognition practices.

NOTE 3 INVESTMENTS

The Foundation's investments consist of the following:

	2022	2021
Mutual funds	\$ 82,795	\$ 63,142
Fixed income	59,480	-
Alternative investments	7,744	-
Common stocks	-	64,281
	\$ 150,019	\$ 127,423

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS
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The following schedule summarizes the investment return and its classification in the statement of activities for the years ended September 30:

	Unrestricted	Temporarily restricted	Total
2022 Realized and unrealized losses	\$ (35,790)	\$ 1,000	\$ (34,790)
2021 Realized and unrealized gains	\$ 23,358	\$ 1,291	\$ 24,649

NOTE 4 GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of the following at September 30:

	2022	2021
Grants and contracts receivable (due in less than one year)	\$ 463,298	\$ 334,911
Grants and contracts receivable (due in excess of one year)	-	25,000
	463,298	359,911
Less: discount	-	(750)
	\$ 463,298	\$ 359,161

NOTE 5 FAIR VALUE MEASUREMENT

The Foundation follows the methods of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below.

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The investments in common stock, mutual funds, fixed income, and alternative investments are valued at market prices in active markets and are classified as Level 1.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement and the reporting date. There are no Foundation assets requiring the use of Level 3 inputs for the years presented and there were no changes in the methods used to measure fair value at September 30, 2022 and 2021.

Financial assets and liabilities carried at fair value measured on a recurring basis at September 30, 2022 are classified in one of the three categories previously described as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 82,795	\$ -	\$ -	\$ 82,795
Fixed income	59,480	-	-	59,480
Alternative investments	7,744	-	-	7,744
	<u>\$ 150,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,019</u>

Financial assets and liabilities carried at fair value measured on a recurring basis at September 30, 2021 are classified in one of the three categories previously described as follows:

	Level 1	Level 2	Level 3	Total
Common stock	\$ 64,281	\$ -	\$ -	\$ 64,281
Mutual funds	63,142	-	-	63,142
	<u>\$ 127,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,423</u>

NOTE 6 RELATED PARTY NOTE PAYABLE

In September 2017, the Foundation entered into a loan agreement with San Diego County Medical Society, a related party through common board membership. The note payable bears no interest and matures in May 2025. As of September 30, 2021 the balance of the note was \$153,640. During 2022, the Foundation paid off the full balance of the loan.

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NOTE 7 NET ASSETS

Net assets consist of the following:

	2022	2021
Without donor restrictions:	\$ 1,615,590	\$ 35,638
With donor restrictions:		
Speakers bureau	117,626	183,821
Colorectal cancer	14,087	14,087
Simon/Hertzka	5,000	5,273
Immunizations	-	95,241
HHSA Alzheimers	-	6,508
Physician education	-	10,910
Project access	-	98,076
	136,713	413,916
Perpetual in nature (see note 9)	50,000	-
	186,713	413,916
Total net assets	\$ 1,802,303	\$ 449,554

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

	2022	2021
Immunizations	\$ 518,386	\$ 239,502
Project access	269,571	336,058
Speakers bureau	77,695	275,056
Physician education	10,910	-
HHSA Alzheimers	6,508	93,792
Hay Award	1,000	-
Simon/Hertzka	274	-
CMSP Imperial County	-	14,742
Colorectal cancer	-	2,140
	\$ 884,344	\$ 961,290

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NOTE 8 RETIREMENT PLAN

The Foundation sponsors a 401 (k) plan for all eligible employees. The Foundation matches 100% of all eligible employees' contributions up to 6% of gross pay. The Foundation's contribution to the retirement plan for the years ended September 30, 2022 and 2021 was \$17,115 and \$11,576, respectively.

NOTE 9 ENDOWMENT FUND

In 2022 the Foundation received funds totaling \$50,000 from a board member, for the purpose of establishing a restricted endowment fund. As a result, the Organization is now subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization's Board of Directors has interpreted the UPMIFA as permitting the expenditure or accumulation of as much of endowment funds as the Organization determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund was established, even if this results in the occasional invasion of the endowment's historical gift value. Thus, at times, the value of donor-restricted assets may fall below the level that a donor requires the Organization to maintain as restricted net assets. As of September 30, 2022, the value of the donor-restricted assets had not fallen below the original donated level.

The Organization classifies as restricted endowment net assets (a) the original value of gifts used to establish endowments and (b) the original value of subsequent gifts to endowments: collectively known as "historical gift value."

Included in investments on the Statement of Financial Position are donor restricted long-term investments held in an endowment fund. The objective of the endowment fund is to provide an award to be presented by the outgoing board president each year to a physician who has gone above and beyond the call of duty and leaves a legacy in the medical field as well as to support the continuing operations of the Foundation. The Foundation's Board of Directors have delegated authority over the investment of the Endowment Fund to the Investment Committee (the "Committee"). The Committee is responsible for the oversight of the investments of the Endowment Fund and for reporting on the Fund's performance to the Board. The Committee is authorized to retain an investment manager to make investment decisions.

To achieve the desired objective, the Organization will adopt an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are typically invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to meet the annual distribution policy rules while growing the fund if possible. Investment risk is measured in terms of the total endowment fund, investment assets, and allocation between asset classes. Strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment payout is defined as all earnings on the historical value of the original gift that can be used for appropriation every year. The first \$1,000 of this amount will be used as an award and any remainder will be available for Organization-wide operating purposes, including investment management fees for the Endowment Fund.

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The portion of the Endowment Fund that is classified as with donor restrictions (to be held in perpetuity) is not reduced by losses on the investments of the fund. Losses on the investments of the funds reduce the net assets with donor restrictions to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce net assets without donor restrictions. All additions over the historical gift value may, subject to the discretion of the board of directors, to be used to fund distributions supporting the purposes of the fund.

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

	Total endowment net assets
Endowment net assets, beginning of year	\$ -
Contributions	50,000
Investment income	1,000
Distributions	(1,000)
Endowment net assets, end of year	\$ 50,000

NOTE 10 SPECIAL EVENTS

Special event revenues and expenses are directly related to the Champions Soiree and Solana Beach Sunset 5k Run and wellness expo and consist of the following for the years ended September 30:

	2022	2021
Revenue:		
Champions Soiree	\$ 70,652	\$ 63,768
Expenses:		
Champions Soiree	40,923	48,285
Solana beach 5k	-	1,840
	40,923	50,125
Net special events income	\$ 29,729	\$ 13,643

NOTE 11 RELATED PARTY TRANSACTIONS

The Foundation receives contributions from SDCMS, a related party through common board membership. Amounts received from SDCMS, which were forwarded from individual contributions that were collected through dues payments, for the year ended September 30, 2022 and 2021 were \$12,078 and \$14,821, respectively, and are recorded as unrestricted contributions on the Statement of Activities and Changes in Net Assets.

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The Foundation reimburses SDCMS, a related party through common board membership, for certain operational expenses. The Foundation had amounts due to SDCMS for reimbursement of expenses of \$0 at September 30, 2022 and 2021. The following is a summary of expenses reimbursed to SDCMS for the year ended September 30, 2022 and 2021:

	2022	2021
Rent and utilities	\$ -	\$ 15,324
Other overhead expenses	57,722	18,425
	\$ 57,722	\$ 33,749

In September 2017, the Foundation entered into a loan agreement with a related party through common board membership (See Note 6). During 2022, the Foundation paid off the full balance of the loan.

In June 2016, the Foundation entered into an agreement to sublease facility space from SDCMS, a related party through common board membership (see Note 12). The agreement expired in December 2020.

In December 2020, the Foundation entered into a new facility lease agreement (see Note 12). As part of the new facility lease agreement, the Foundation entered into a sublease agreement with SDCMS, a related party through common board membership, to sublease space to SDCMS. As part of the agreement, SDCMS is obligated to pay the Foundation \$500 per month for the duration of the lease (See Note 12).

NOTE 12 COMMITMENTS

In December 2020, the Foundation entered into an operating lease agreement for office in San Diego, CA. The agreement expires in December 2023. The monthly lease payments consist of base rent. Utilities are paid separately and directly to the utility provider. At September 30, 2022 and 2021 the monthly payment for this lease was \$3,756 and \$3,647, respectively. In December 2020, the Foundation entered into an agreement with SDCMS to sublease space to SDCMS (see Note 11).

In June 2016, the Foundation entered into a sub-lease agreement with San Diego County Medical Society, a related party through common board membership. As part of the agreement, the Foundation is obligated to pay \$1,847 per month, for 54 months, for rent. The Foundation is also obligated to pay \$52, per employee, per month, for the use of equipment and \$80, per employee, per month, for the use of telephone and internet services. This agreement expired in December 2020.

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Minimum future lease payments related to office space are due as follows for the years ended September 30:

	2023	\$	46,204
	2024		7,738
		\$	<u>53,942</u>

NOTE 13 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization is substantially supported by contributions with donor restrictions and In-kind donations. Contributions and expenses are monitored on a monthly basis by the Organization's management and a committee of the Board of Directors. The level of assets are monitored on an annual basis. The Organization's goal is to be able to function within the boundaries of the income received throughout the year.

The following reflects the Organization's financial assets as of September 30, 2022, reduced by any amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets, at year-end:	
Cash	\$ 1,164,844
Investments	150,019
Grants receivable - current portion	463,298
Accounts receivable	<u>17,801</u>
Total financial assets	1,795,962
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by purpose	<u>(186,713)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,609,249</u>

NOTE 14 SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 11, 2023, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.