



Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

Burn Institute Audited Financial Statements December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Burn Institute

Opinion

We have audited the accompanying financial statements of the Burn Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Burn Institute as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Burn Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 the Burn Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Report on Summarized Comparative Information

We have previously audited the Burn Institute's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



May 11, 2022

Sonnenberg & Company, CPAs

BURN INSTITUTE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents (Note 2 & 3)	\$ 381,958	\$ 527,473
Grants and contributions receivable	37,300	17,454
Prepaid expenses and deposits	31,577	26,897
Property and equipment, net (Note 5)	13,399	21,482
Board-designated investments (Note 6)	2,068,107	1,640,775
Beneficial interest in endowment (Note 7)	72,696	64,861
TOTAL ASSETS	\$ <u>2,605,037</u>	\$ <u>2,298,942</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 11,176	\$ 42,151
Accrued expenses	60,817	50,558
Total Liabilities	<u>71,993</u>	<u>92,709</u>
Net Assets		
Without donor restrictions		
Undesignated	338,643	478,001
Board-designated (Note 6)	2,068,107	1,640,775
With donor restrictions (Note 2 & 9)	<u>126,294</u>	<u>87,457</u>
Total Net Assets	<u>2,533,044</u>	<u>2,206,233</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,605,037</u>	\$ <u>2,298,942</u>

The accompanying notes are an integral part of these financial statements

BURN INSTITUTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
REVENUE AND SUPPORT				
Contributions	\$ 766,391	\$ 47,500	\$ 813,891	\$ 756,260
Grants and contracts	541,954	-	541,954	435,344
Paycheck Protection Program federal grant	-	-	-	116,700
Support for campaigns	40,774	-	40,774	23,852
Special event	-	-	-	25,350
Less: cost of direct benefits to donors	-	-	-	(8,606)
Miscellaneous income	83	-	83	197
Net investment return	193,640	10,430	204,070	183,096
Net assets released from restrictions:	19,093	(19,093)	-	-
TOTAL REVENUE AND SUPPORT	<u>1,561,935</u>	<u>38,837</u>	<u>1,600,772</u>	<u>1,532,193</u>
EXPENSES				
Program Services				
Community outreach	668,881	-	668,881	512,497
Burn care, research, and patient support	317,004	-	317,004	299,674
Total Program Services	<u>985,885</u>	<u>-</u>	<u>985,885</u>	<u>812,171</u>
Supporting Services				
Management and general	166,977	-	166,977	153,640
Fundraising	121,099	-	121,099	113,232
Total Supporting Services	<u>288,076</u>	<u>-</u>	<u>288,076</u>	<u>266,872</u>
TOTAL EXPENSES	<u>1,273,961</u>	<u>-</u>	<u>1,273,961</u>	<u>1,079,043</u>
CHANGES IN NET ASSETS	287,974	38,837	326,811	453,150
NET ASSETS, BEGINNING OF YEAR	<u>2,118,776</u>	<u>87,457</u>	<u>2,206,233</u>	<u>1,753,083</u>
NET ASSETS, END OF YEAR	<u>\$ 2,406,750</u>	<u>\$ 126,294</u>	<u>\$ 2,533,044</u>	<u>\$ 2,206,233</u>

The accompanying notes are an integral part of these financial statements

BURN INSTITUTE

	Community Outreach	Burn care, Research, and Patient Support	Total Program	Management and General	Fundraising	Totals	
						2021	2020
PERSONNEL AND RELATED							
Staff salaries	\$ 227,342	\$ 122,717	\$ 350,059	\$ 92,838	\$ 71,338	\$ 514,235	\$ 471,824
Payroll taxes and benefits	58,836	31,759	90,595	22,964	11,272	124,831	137,110
TOTAL PERSONNEL AND RELATED	286,178	154,476	440,654	115,802	82,610	639,066	608,934
OPERATIONS							
Burn survivor support	-	16,500	16,500	-	-	16,500	5,985
CERT funds	71,111	-	71,111	-	-	71,111	94,500
Depreciation	3,474	1,875	5,349	1,536	1,198	8,083	12,939
Educational/media	71,948	400	72,348	-	-	72,348	16,592
In-kind - public service announcements	8,032	4,335	12,367	-	-	12,367	-
Insurance	6,513	3,516	10,029	2,881	2,248	15,158	21,431
Occupancy	48,659	26,266	74,925	21,529	16,795	113,249	117,889
Office supplies and expense	72,161	66,027	138,188	10,378	4,908	153,474	131,380
Postage	2,394	1,445	3,839	423	976	5,238	3,419
Printing, publications, visual aids	52,056	3,045	55,101	539	421	56,061	31,728
Professional fees	33,780	32,408	66,188	8,557	7,783	82,528	18,743
Repairs and maintenance	4,544	2,308	6,852	1,891	1,476	10,219	6,210
Telephone	4,593	2,547	7,140	1,984	1,547	10,671	10,039
Travel	144	78	222	-	-	222	246
Utilities	3,294	1,778	5,072	1,457	1,137	7,666	7,614
TOTAL OPERATIONS	382,703	162,528	545,231	51,175	38,489	634,895	478,715
TOTAL EXPENSES	668,881	317,004	985,885	166,977	121,099	1,273,961	1,087,649
Less expenses reported with revenue on the statement of activities	-	-	-	-	-	-	(8,606)
TOTAL EXPENSES PER STATEMENT OF ACTIVITIES	\$ 668,881	\$ 317,004	\$ 985,885	\$ 166,977	\$ 121,099	\$ 1,273,961	\$ 1,079,043

The accompanying notes are an integral part of these financial statements

BURN INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 326,811	\$ 453,150
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,083	12,939
Realized and unrealized gain on investments	(173,578)	(154,897)
(Increase) decrease in operating assets:		
Grants and contributions receivable	(19,846)	(12,167)
Prepaid expenses and deposits	(4,680)	9,711
Increase (decrease) in operating liabilities:		
Accounts payable	(30,975)	30,184
Accrued expenses	10,259	9,989
Net cash provided by operating activities	<u>116,074</u>	<u>348,909</u>
Cash flows from investing activities:		
Reinvested investment income	(30,492)	(28,199)
Purchase of Board-designated investments	(233,692)	(162,984)
Distribution from beneficial interest in endowment	2,595	2,583
Net cash used in investing activities	<u>(261,589)</u>	<u>(188,600)</u>
Net change in cash and cash equivalents	(145,515)	160,309
Cash and cash equivalents, beginning of year	<u>527,473</u>	<u>367,164</u>
Cash and cash equivalents, end of year	<u><u>\$ 381,958</u></u>	<u><u>\$ 527,473</u></u>

The accompanying notes are an integral part of these financial statements

BURN INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. ORGANIZATION

The Burn Institute ("Organization") was incorporated in the State of California under the Non Profit Public Benefit Corporation Law on January 16, 1973. The Organization was originally incorporated under the name of Institute for Burn Medicine and amended its articles of incorporation on June 14, 1983, changing its name to the Burn Institute.

The mission of the Organization is to educate and inspire communities to reduce burn injuries and empower those affected by burn trauma.

The following is a description of the Organization's programs:

Community Outreach - The Organization provides school-based and community-based fire and burn prevention education programs (in both English and Spanish) and distributes fire and burn prevention literature to childcare centers, preschools, grade schools K-6, community health centers, community resource centers, libraries, at health fairs and senior centers in an effort to prevent fire and burn injuries and deaths. The Organization's wildfire prevention and preparation and senior fire and burn prevention programs all provide the public with services that save lives and property through education.

Burn Care, Research and Patient Support - The Organization grants funds for burn care and research projects to further advancements in burn care treatment. Patient support (burn survivor support) services include Camp Beyond the Scars for burn-injured children, a retreat for adult burn survivors, a family retreat for burn survivors and their immediate family, scholarship opportunities for adult burn survivors to attend World Burn Congress and teenagers to attend a young adult retreat, emergency housing and transportation for burn survivors and their families for burn care treatment and follow-up clinical visits, and other medical therapies not covered by insurance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor imposed) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and specific programs.

BURN INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation, continued

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

Contributions are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreased in net assets without donor restrictions. When a restriction expires (that is, when the stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the Statement of Activities as net assets released from restrictions.

As of December 31, 2021, the Organization had \$126,294 in net assets with donor restrictions.

Relevant Upcoming New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its balance sheet for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2021. The Organization is currently in the process of determining the impact this standard will have on its financial statements, but initial analysis indicate that its implementation will not have a significant impact on the Organization's financial statements.

In September 2020, FASB issued Accounting Standards Update 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB is issuing this update to increase the transparency of contributed nonfinancial assets for not-for profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency about the measurement of contribute nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. NFPs that receive contributed nonfinancial assets are subject to the Amendments in this Update. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization does not anticipate this ASU will have a significant impact on its financial statements.

BURN INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summarized Comparative Information

The accompanying 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 principals generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior-year financial statements may have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates under different assumptions or conditions.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California State Revenue and Taxation Code. The Organization qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes.

Management has determined that the Organization is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the year ended December 31, 2021. The Organization's management has evaluated its tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. Accordingly, there are no tax positions that qualify for recognition or disclosure in the financial statements.

Cash and Cash Equivalents

Cash includes interest and non-interest-bearing operating accounts with insured financial institutions. Cash equivalents consist primarily of money market funds and other investments with original maturities of 90 days or less.

BURN INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Investments are reported at fair value in the Organization's financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Generally Accepted Accounting Principles (U.S. GAAP) establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

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

Investments held by the Rancho Santa Fe Foundation are considered Level 2 assets and are reported at fair value based on the Organization's investment allocation of the "investment pool" held by the Rancho Santa Fe Foundation.

Beneficial interests in perpetual trusts are determined by the Organization using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. The fair value of the Organization's beneficial interest in assets held by The San Diego Foundation is based on the fair value of fund investments as reported by The San Diego Foundation. This is considered to be a Level 3 measurement.

Grants and Contributions Receivable

Grants and contributions receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible amounts. The allowance, if any, is established based on factors such as historical experience and the age of the account balances. Grants and contributions receivable as of December 31, 2021, are fully collectible, therefore, no allowance for uncollectible accounts has been recorded.

Property and Equipment

Property and equipment are recorded at cost and depreciated under the straight-line method over their estimated useful lives of 5 to 7 years. Repair and maintenance costs, which do not extend the useful lives of the asset, are charged to expense. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the respective accounts, and any resulting gain or loss is included in earnings in the year of disposal. Management has elected to capitalize and depreciate all assets costing \$5,000 or more; all other asset purchases are expensed in the year incurred.

BURN INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services and Materials

The Organization 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 year ended December 31, 2021, did not meet the requirements above, therefore no amounts were recognized in the financial statements. Contributed goods and use of facilities are recorded at fair value on the date of donation.

During 2021, the Organization received in-kind donations with a fair value totaling \$12,367 for public services announcements.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization did not receive any donated property and equipment during the year ended December 31, 2021.

Compensated Absences

Unpaid employee leave benefits are recognized as a liability of the Organization. The accrued vacation liability of \$31,446 is included in accrued expenses on the statement of financial position as of December 31, 2021.

Revenue Recognition

Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Grant and contract revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant or contract. Deferred revenue is recorded when the cash received under the grant exceeds the revenue earned. There was no deferred revenue as of December 31, 2021.

BURN INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Organization records investments purchased at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return on the Statement of Activities represents the realized and unrealized gain/(loss), interest and dividends on investment and endowment funds, net of fees.

Fundraising Costs

Fundraising costs are expensed as incurred.

Functional allocation of expenses

The Organization 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 service 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 Organization's management.

Risks and Uncertainties

The Organization 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.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2021, consisted of the following:

Cash and cash equivalents in banks:	
Checking	\$ 220,898
Money Market	160,660
Cash on hand:	
Petty cash	400
Total cash and cash equivalents	<u>\$ 381,958</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. As of December 31, 2021, the Organization had approximately \$128,000 in excess of FDIC insured limits. Management believes that the Organization is not exposed to any significant risk with respect to its cash and cash equivalent accounts.

BURN INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

4. FAIR VALUE MEASUREMENTS

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of December 31, 2021:

	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Rancho Santa Fe Foundation -				
Jerry and Carolyn Davee Fund	\$ -	\$ 761,269	\$ -	\$ 761,269
The Burn Institute Fund	-	1,221,625	-	1,221,625
Red Line of Courage Fund	-	85,213	-	85,213
Beneficial interest in endowment at				
The San Diego Foundation	-	-	72,696	72,696
Total Investments	\$ -	\$ 2,068,107	\$ 72,696	\$ 2,140,803

The following table represents the Organizations Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the range of values for those inputs for 2021:

Instrument	Fair value	Principal valuation technique	Unobservable inputs	Significant input values
Beneficial interest in endowment at		Valuation of underlying assets as provided by		
The San Diego Foundation	\$ 72,696	issuer	Base price	N/A

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021, consisted of the following:

Equipment	\$ 98,850
Automobiles	176,530
	<u>275,380</u>
Less: accumulated depreciation	(261,981)
Property and equipment, net	<u>\$ 13,399</u>

Depreciation expense for the year ended December 31, 2021 was \$8,083.

BURN INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

6. BOARD-DESIGNATED INVESTMENT FUNDS

In 2004, the Board of Directors established the Jerry and Carolyn Davee Fund with the Rancho Santa Fe Foundation (RSFF) to be used for Camp Beyond the Scars, Emergency Needs and Special Assistance for Burn Survivors, College Scholarships for Burn Surviving Children, and Burn Research and Equipment. The investments are carried at fair value and as of December 31, 2021, totaled \$761,269, as reported by RSFF.

In 2006, the Board of Directors established The Burn Institute Fund with the Rancho Santa Fe Foundation as an operating reserve and, if needed, can be used for general expenses to support the mission of the Organization. The investment is carried at fair value and as of December 31, 2021, totaled \$1,221,625, as reported by RSFF.

In 2016, the Board of Directors established the Red Line of Courage Fund with the Rancho Santa Fe Foundation to provide support services to local firefighters who sustain a burn injury while on duty. The fund is designated to supplement those services already in place for professional firefighters and make resources available for the more immediate and long-term needs that other programs do not offer. Distributions from this fund will follow the Organization's existing guidelines for Emergency Needs and Special Assistance Funds. The investment is carried at fair value and as of December 31, 2021, totaled \$85,213, as reported by RSFF.

The funds are held by the Rancho Santa Fe Foundation. The funds may be released to the Organization with 30 days' notice. Variance power is granted to the Organization so long as the Organization is a qualifying tax-exempt entity under federal and California law. The funds are held in an investment pool structured for long-term total return consisting of index funds, fixed income funds, money market funds, emerging market funds and REITs. The Organization receives distributions of earnings on an annual basis. The distributions are used to further the Organization's mission. There were no distributions for the year ended December 31, 2021.

Changes in Board-designated investment funds for the year ended December 31, 2021, were as follows:

Board-designated investments, January 1, 2021	\$ 1,640,775
Contributions	233,692
Investment earnings	212,371
Distributions	-
	<u>2,086,838</u>
Investment fees	(18,731)
Board-designated investments, December 31, 2021	<u><u>\$ 2,068,107</u></u>

7. BENEFICIAL INTEREST IN ENDOWMENT

The Organization has a beneficial interest in an endowment fund held by The San Diego Foundation (TSDF). TSDF funds are managed in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The investment objectives are 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 Organization to retain as a fund of perpetual duration.

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7. BENEFICIAL INTEREST IN ENDOWMENT (continued)

Net assets held by TSDF are comprised of:

1. The original value of gifts donated to the fund,
2. The original value of Organization funds transferred to the fund,
3. The original value of subsequent gifts donated to the fund,
4. Investment income and realized and unrealized gains and losses on investments, less
5. Distributions from the fund in accordance with spending policy.

Changes in endowment net assets for the year ended December 31, 2021, were as follows:

Endowment net assets at January 1, 2021	\$ 64,861
Contributions	-
Investment earnings	10,727
Distributions	<u>(2,595)</u>
	72,993
Investment fees	<u>(297)</u>
Endowment net assets at December 31, 2021	<u><u>\$ 72,696</u></u>

The endowment funds held in TSDF are classified as net assets with donor restrictions as these investments must be maintained in perpetuity. The beneficial interest in TSDF is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of domestic equities, international equities, alternative investments, fixed income and real estate investments. Variance power is granted to the TSDF. TSDF holds all fund contributions and monitors fund distributions.

The Organization receives distributions of earnings on an annual basis. The distributions are used to further the Organization's mission in the San Diego and Imperial Counties. The beneficial interest is carried at fair value and as of December 31, 2021, totaled \$72,696, as reported by TSDF.

TSDF's 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. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received.

8. OPERATING LEASES

In September 2020, the Organization extended the office space lease for an additional 24-month period commencing May 1, 2021 and terminating April 30, 2023. Total lease expense for the year ended December 31, 2021, was \$113,249. Future minimum lease payments as of December 31, 2021, are as follows:

Year Ending December 31,	
2022	\$ 113,076
2023	<u>38,061</u>
Total future lease payments	<u><u>\$ 151,137</u></u>

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9. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2021, net assets with donor restrictions are for the following purposes or periods:

Subject to expenditure for specific purpose:

Promise to give, the proceeds from which have been restricted by donor for burn survivor retreat	\$ 20,000
Burn survivor support	17,500
Community outreach	10,000
Burn survivor services - Thomas	6,098
	<u>53,598</u>

Endowment

Subject to TSDF endowment spending policy and appropriation: General use	72,696
Total nets assets with donor restrictions	<u>\$ 126,294</u>

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors, are as follows for the year ended December 31, 2021:

Purpose restriction accomplished:

Burn survivor services - Thomas	\$ 16,498
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Appropriation of accumulated earnings:

TSDF endowment	2,595
Total net assets released from restrictions	<u>\$ 19,093</u>

10. LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of December 31, 2021, reduced by the amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

Financial assets at year end:	
Cash and cash equivalents	\$ 381,958
Grants and contracts receivable	37,300
Investments	2,068,107
Financial assets	<u>2,487,365</u>
Less amounts not available for general expenditures within one year:	
Restricted by donors	(53,598)
Board designated - Jerry & Carolyn Davee Fund	(761,269)
Board designated - Red Line of Courage Fund	(85,213)
Financial assets available to meet general expenditures within one year	<u>\$ 1,587,285</u>

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10. LIQUIDITY AND AVAILABILITY (continued)

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As part of the Organization's liquidity management, the Organization invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve. During 2021, the Board designated an additional \$200,000 to its operating reserve. Total operating reserve as of December 31, 2021, was \$1,221,625.

11. RETIREMENT PLAN

The Organization began a 403(b) plan in December 2016. All employees are eligible to participate in the plan. The Organization makes matching contribution equal to 50% of the employee's contribution that does not exceed 4% of the employee's compensation received during the year. For the year ended December 31, 2021, the Organization made contributions totaling \$8,457 to the plan.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2022, the date the financial statements were available to be issued.

The spread of Coronavirus (COVID-19) in 2020 has caused a substantial impact on the U.S. economy. There is significant uncertainty around the effects and duration of business interruption related to COVID-19. The extent of the impact on the Organization's operations, donors, employees, and vendors will depend on certain developments, which cannot be determined at this time.