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Leonard C. Sonnenberg, CPA

Burn Institute
Audited Financial Statements
December 31, 2022

Sonnenberg & Company, CPAs
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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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Change in Accounting Principle

As described in Note 2 to the financial statements, Burn Institute adopted accounting standards change related to accounting for and disclosing lease arrangements. Our opinion is not modified with respect to this matter.

August 1, 2023

Sonnenberg & Company, CPAs

BURN INSTITUTE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents (Note 2 & 3)	$ 493,449	$ 381,958
Grants and contributions receivable	17,212	37,300
Prepaid expenses and deposits	33,734	31,577
Property and equipment, net (Note 5)	5,944	13,399
Board-designated investments (Note 6)	1,874,936	2,068,107
Beneficial interest in endowment (Note 7)	64,002	72,696
Right-to-use asset (Note 8)	115,906	-
TOTAL ASSETS	$ 2,605,183	$ 2,605,037
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 20,942	$ 11,176
Accrued expenses	74,529	60,817
Operating lease liability (Note 8)	115,352	-
Total Liabilities	210,823	71,993
Net Assets		
Without donor restrictions		
Undesignated	422,234	338,643
Board-designated (Note 6)	1,874,936	2,068,107
With donor restrictions (Note 2 & 9)	97,190	126,294
Total Net Assets	2,394,360	2,533,044
TOTAL LIABILITIES AND NET ASSETS	$ 2,605,183	$ 2,605,037

The accompanying notes are an integral part of these financial statements

BURN INSTITUTE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

			Totals	
REVENUE AND SUPPORT	Without Donor Restrictions	With Donor Restrictions	2022	2021
Contributions	$ 624,905	$ 17,000	$ 641,905	$ 813,891
Grants and contracts	556,859	6,188	563,047	541,954
Special event	310,583	-	310,583	-
Less: cost of direct benefits to donors	(47,808)	-	(47,808)	-
Support for campaigns	43,058	-	43,058	40,774
In-kind gifts	6,425	-	6,425	-
Miscellaneous income	-	-	-	83
Net investment return (loss)	(255,183)	(5,942)	(261,125)	204,070
Net assets released from restrictions:	46,350	(46,350)	-	-
TOTAL REVENUE AND SUPPORT	1,285,189	(29,104)	1,256,085	1,600,772
EXPENSES				
Program Services				
Community outreach	698,953	-	698,953	668,881
Bure care, research, and patient support	381,841	-	381,841	317,004
Total Program Services	1,080,794	-	1,080,794	985,885
Supporting Services				
Management and general	192,028	-	192,028	166,977
Fundraising	121,947	-	121,947	121,099
Total Supporting Services	313,975	-	313,975	288,076
TOTAL EXPENSES	1,394,769	-	1,394,769	1,273,961
CHANGES IN NET ASSETS	(109,580)	(29,104)	(138,684)	326,811
NET ASSETS, BEGINNING OF YEAR	2,406,750	126,294	2,533,044	2,206,233
NET ASSETS, END OF YEAR	$ 2,297,170	$ 97,190	$ 2,394,360	$ 2,533,044

The accompanying notes are an integral part of these financial statements

BURN INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	Community Outreach	Burn care, Research, and Patient Support	Total Program	Management and General	Fundraising	Totals 2022	Totals 2021
PERSONNEL AND RELATED							
Staff salaries	$ 275,849	$ 161,943	$ 437,792	$ 109,269	$ 80,265	$ 627,326	$ 514,235
Payroll taxes and benefits	65,774	34,621	100,395	26,167	13,970	140,532	124,831
TOTAL PERSONNEL AND RELATED	341,623	196,564	538,187	135,436	94,235	767,858	639,066
OPERATIONS							
Banquet	-	-	-	-	14,364	14,364	-
Burn survivor support	-	6,098	6,098	-	-	6,098	16,500
CERT funds	45,500	-	45,500	-	-	45,500	71,111
Depreciation	2,945	1,821	4,766	1,728	961	7,455	8,083
Educational/media	60,641	430	61,071	-	-	61,071	72,348
In-kind	-	225	225	-	6,200	6,425	12,367
Insurance	7,071	4,372	11,443	4,150	2,309	17,902	15,158
Occupancy	67,266	31,970	99,236	15,609	10,795	125,640	113,249
Postage	1,911	1,180	3,091	1,120	623	4,834	5,238
Printing, publications, visual aids	99,248	8,151	107,399	6,586	621	114,606	56,061
Professional fees	21,586	31,305	52,891	8,000	-	60,891	82,528
Repairs and maintenance	5,602	3,464	9,066	3,288	1,829	14,183	10,219
Special event fees - other	-	-	-	-	9,405	9,405	-
Supplies and equipment	37,388	91,205	128,593	11,409	25,797	165,799	153,474
Telephone	4,224	2,612	6,836	2,479	1,379	10,694	10,671
Travel	159	101	260	-	-	260	222
Utilities	3,789	2,343	6,132	2,223	1,237	9,592	7,666
TOTAL OPERATIONS	357,330	185,277	542,607	56,592	75,520	674,719	634,895
TOTAL EXPENSES	698,953	381,841	1,080,794	192,028	169,755	1,442,577	1,273,961
Less expenses reported with revenue on the statement of activities	-	-	-	-	(47,808)	(47,808)	-
TOTAL EXPENSES PER STATEMENT OF ACTIVITIES	$ 698,953	$ 381,841	$ 1,080,794	$ 192,028	$ 121,947	$ 1,394,769	$ 1,273,961

The accompanying notes are an integral part of these financial statements

BURN INSTITUTE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)

		2022		2021
Cash flows from operating activities:				
Change in net assets	$	(138,684)	$	326,811
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		7,455		8,083
Net realized and unrealized loss (gain) on investments		300,000		(173,578)
Right-of-use asset		110,842		-
(Increase) decrease in operating assets:				
Grants and contributions receivable		20,088		(19,846)
Prepaid expenses and deposits		(2,157)		(4,680)
Increase (decrease) in operating liabilities:				
Accounts payable		9,766		(30,975)
Accrued expenses		13,712		10,259
Operating lease liability		(111,396)		-
Net cash provided by operating activities		209,626		116,074
Cash flows from investing activities:				
Reinvested investment income		(38,875)		(30,492)
Purchase of Board-designated investments		(62,012)		(233,692)
Distribution from beneficial interest in endowment		2,752		2,595
Net cash used in investing activities		(98,135)		(261,589)
Net change in cash and cash equivalents		111,491		(145,515)
Cash and cash equivalents, beginning of year		381,958		527,473
Cash and cash equivalents, end of year	$	493,449	$	381,958
Supplemental disclosure of cash flow information				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash outflows from operating leases	$	126,194	$	-
Supplemental disclosure of noncash cash flow information				
Right-of-use asset upon ASC 842 implementation	$	226,748	$	-

The accompanying notes are an integral part of these financial statements

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.

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, 2022, the Organization had $97,190 in net assets with donor restrictions.

Recently Adopted Accounting Pronouncements

Leases

In 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to reassess at adoption (i) expiring or existing contracts to determine whether that are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets of $226,748 and lease liabilities totaling $226,748 in its statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022. Further details are included in Note 8 to these financial statements.

Contributed Nonfinancial Assets

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.* ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services.

In 2022, the Organization adopted ASU 2020-07. The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the year ended December 31, 2022.

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 principles 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, 2021, 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, 2022. 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.

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:

Fair Value Measurements, continued

> 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, 2022, are fully collectible, therefore, no allowance for uncollectible accounts has been recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2022, 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.

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, 2022.

Leases

The Organization determines if an arrangement is or contains a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of, and obtain substantially all of the economic benefit from, the use of an asset for a period of time in exchange for consideration.

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Unpaid employee lease benefits are recognized as a liability of the Organization. The accrued vacation liability of $41,280 is included in accrued expenses on the statement of financial position as of December 31, 2022.

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, 2022.

Investments

Investments are stated at fair value based on quoted or published market prices, expected investment return, and discount rate, as applicable. Interest, dividends, fees, and gains and losses on investments are reported on the statement of activities as net investment return (loss).

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, 2022, consisted of the following:

Cash and cash equivalents in banks:		
Checking	$	158,278
Money Market		334,771
Cash on hand:		
Petty cash		400
Total cash and cash equivalents	$	493,449

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, 2022, the Organization had approximately $221,000 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.

4. FAIR VALUE MEASUREMENTS

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of December 31, 2022:

	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	$ -	$ 674,786	$ -	$ 674,786
The Burn Institute Fund	-	1,114,753	-	1,114,753
Red Line of Courage Fund	-	85,397	-	85,397
Beneficial interest in endowment at				
The San Diego Foundation	-	-	64,002	64,002
Total Investments	$ -	$ 1,874,936	$ 64,002	$ 1,938,938

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 2022:

4. FAIR VALUE MEASUREMENTS (continued)

Instrument	Fair value	Principal valuation technique	Unobservable inputs	Significant input values
Beneficial interest in endowment at The San Diego Foundation	$ 64,002	Valuation of underlying assets as provided by issuer	Base price	N/A

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022, consisted of the following:

Equipment	$ 17,713
Automobiles	116,667
	134,380
Less: accumulated depreciation	(128,436)
Property and equipment, net	$ 5,944

Depreciation expense for the year ended December 31, 2022, was $7,455.

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, 2022, totaled $674,786, 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, 2022, totaled $1,114,753, 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, 2022, totaled $85,397, as reported by RSFF.

6. BOARD-DESIGNATED INVESTMENT FUNDS (continued)

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, 2022.

Changes in Board-designated investment funds for the year ended December 31, 2022, were as follows:

Board-designated investments, January 1, 2022	$	2,068,107
Contributions		62,012
Investment earnings (loss)		(235,967)
Distributions		-
		1,894,152
Investment fees		(19,216)
Board-designated investments, December 31, 2022	$	1,874,936

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.

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, 2022, were as follows:

Endowment net assets at January 1, 2022	$	72,696
Contributions		-
Investment earnings (loss)		(5,626)
Distributions		(2,752)
		64,318
Investment fees		(316)
Endowment net assets at December 31, 2022	$	64,002

7. BENEFICIAL INTEREST IN ENDOWMENT (continued)

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, 2022, totaled $64,002, 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. LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization uses the risk-free rate in determining the present value of future lease payments. The discount rate applied to calculate lease liabilities as of January 1, 2022, was 1.7%.

The Organization entered into a lease agreement for office space through February 2024. The Organization also occupies office space on a short-term, month to month basis.

For the year ended December 31, 2022, total operating lease cost was $114,540, and total short term lease cost of $11,100. As of December 31, 2022, the remaining lease term for the Organization's operating lease was approximately 1.5 years.

Cash paid for operating lease and short-term lease was $115,094 and $11,100, respectively, for the year ended December 31, 2022. There were no noncash investing and financing transactions related to leasing.

Future maturities of lease liabilities are presented in the following table:

Year Ending December 31,		
2023	$	100,378
2024		15,717
Total lease payments		116,095
Less - present value discount/interest		(743)
Present value of lease liability	$	115,352

8. LEASES (continued)

As reflected in the 2021 financial statements, the future minimum lease payments under ASC topic 840, *Leases*, for noncancelable operating leases (with initial or remaining lease terms of one year) as of December 31, 2021, were:

Year Ending December 31,		
2022	$	113,076
2023		38,061
Total future lease payments	$	151,137

9. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022, 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	$	10,000
Burn survivor support		17,000
Community outreach		6,188
		33,188
Endowment		
Subject to TSDF endowment spending policy and appropriation:		
General use		64,002
Total nets assets with donor restrictions	$	97,190

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, 2022:

Purpose restriction accomplished		
Burn survivor support	$	20,000
Community outreach		17,500
Burn survivor services - Thomas		6,098
		43,598
Appropriation of accumulated earnings:		
TSDF endowment		2,752
Total net assets released from restrictions	$	46,350

10. LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of December 31, 2022, 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	$	493,449
Grants and contracts receivable		17,212
Investments		1,874,936
Financial assets		2,385,597
Less amounts not available for general expenditures within one year:		
Restricted by donors		(33,188)
Board designated - Jerry & Carolyn Davee Fund		(674,786)
Board designated - Red Line of Courage Fund		(85,397)
Financial assets available to meet general expenditures within one year	$	1,592,226

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. Total operating reserve as of December 31, 2022, was $1,114,753.

11. CONTRIBUTED NONFINANCIAL ASSETS

For the year ended December 31, 2022, contributed nonfinancial assets recognized within the statement of activities included:

Vehicle	$	3,000
Car parts		3,200
Supplies		225
	$	6,425

Donated vehicle and car parts were used at the Organization's demolition derby event. Donated supplies were used for burn survivor services. Donated items are valued and reported at the estimated fair value in the financial statements based on current rates for similar products. Donations solicited for use at special events, such as the auction held in conjunction with the Birthday Bash fundraiser, are monetized. The Organization received $39,415 in auction proceeds for the year ended December 31, 2022, and is included in Special Event revenue on the statement of activities. There were no donor-imposed restrictions associated with these contributions.

12. 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, 2022, the Organization made contributions totaling $11,763 to the plan.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 1, 2023, the date the financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed.