



Report of Independent Auditors and Financial Statements

**Sempra Foundation**

December 31, 2022 and 2021



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## **Report of Independent Auditors**

The Board of Directors  
Sempra Foundation

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Sempra Foundation, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sempra Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Sempra Foundation 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 GAAP, 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 Sempra Foundation'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 GAAS 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 GAAS, 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 Sempra Foundation'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 Sempra Foundation'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.

### ***Other Matter***

The financial statements of Sempra Foundation, as of and for the year ended December 31, 2021, were audited by other auditors whose report, dated April 12, 2022, expressed an unmodified opinion on those financial statements.

The image shows a handwritten signature in cursive script that reads "Moss Adams LLP". The signature is written in black ink and is positioned above the typed name and date.

San Diego, California  
September 12, 2023

## **Financial Statements**

**Sempra Foundation**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**  
(In Thousands)

	2022	2021
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,987	\$ 7,500
Contribution receivable	10,000	4,000
Tax receivable	8	8
Total assets	\$ 17,995	\$ 11,508
<b>LIABILITIES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 749	\$ -
Total liabilities	749	-
<b>NET ASSETS</b>		
Without donor restrictions	17,246	11,508
Total liabilities and net assets	\$ 17,995	\$ 11,508

See accompanying notes.

**Sempra Foundation**  
**Statements of Activities**  
**Years Ended December 31, 2022 and 2021**  
**(In Thousands)**

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	2022	2021
	Without Donor Restrictions	Without Donor Restrictions
<b>REVENUE AND SUPPORT</b>		
Contributions		
Sempra – contribution	\$ 10,000	\$ 4,000
Sempra – in-kind	192	174
Interest and other income	94	3
Total revenue and support	10,286	4,177
<b>EXPENSES</b>		
Program services	4,408	4,649
General and administrative	140	138
Total expenses	4,548	4,787
Excess (deficiency) of revenue and support over expenses	5,738	(610)
<b>CHANGE IN NET ASSETS</b>	5,738	(610)
Net assets at beginning of year	11,508	12,118
Net assets at end of year	\$ 17,246	\$ 11,508

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See accompanying notes.

**Sempra Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**  
**(In Thousands)**

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	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,738	\$ (610)
Changes in operating assets and liabilities		
Increase in contribution receivables	(6,000)	(4,000)
Increase in accounts payable	749	-
Net cash provided by (used in) operating activities	487	(4,610)
CHANGE IN CASH AND CASH EQUIVALENTS	487	(4,610)
CASH AND CASH EQUIVALENTS, beginning of year	7,500	12,110
CASH AND CASH EQUIVALENTS, end of year	\$ 7,987	\$ 7,500

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See accompanying notes.



# **Sempra Foundation**

## **Notes to Financial Statements**

### **(In Thousands)**

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#### **Note 1 – Nature of Foundation**

Sempra Foundation (the “Foundation”) was established in October 2007. The Foundation is a nonprofit public benefit corporation organized under California Public Benefit Corporation Law and is based in San Diego, California, USA. The purpose of the Foundation is to provide support through community-based grant making to advance causes, encourage collaboration, and support the personal engagement and involvement of employees of the Sempra (“Sempra”) family of companies by matching their contributions of time and money to qualifying charities. On occasion, and as a response to regional needs assessments, grants are made through community-based initiatives that target a particular focus area and/or geographic region.

#### **Note 2 – Summary of Significant Accounting Policies**

**Method of accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Net assets** – Net assets are classified as with or without donor restrictions based upon the following criteria:

- Net assets without donor restrictions represent expendable funds available for expenditures which are not otherwise limited by donor restrictions.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation can spend the funds or to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations. The Foundation had no net assets with donor restrictions as of December 31, 2022 and 2021.

**Cash and cash equivalents** – The Foundation considers all highly liquid investments available with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents are reported at cost which approximates fair value.

**Concentration of credit risk** – Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash deposits at financial institutions. The Foundation maintains cash at a financial institution that exceeds federally insured limits, both at year end and periodically throughout the year. If the financial institution with whom the Foundation does business were to be placed into receivership, the Foundation may be unable to access the cash it has on deposit with such institutions. If the Foundation is unable to access its cash and cash equivalents as needed, its financial position and ability to operate its business could be adversely affected.

## **Sempra Foundation**

### **Notes to Financial Statements**

#### **(In Thousands)**

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**Contributions receivable** – The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2022 and 2021, all unconditional promises to give were expected to be collected within one year and the allowance was zero.

**Revenue and expense recognition** – Revenues from contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional or when received, and are reported as increases in the appropriate categories of net assets in accordance with the donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of net assets with donor restrictions, and a release to net assets without donor restrictions is made to reflect the expiration of such restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets to reflect the release from restrictions.

**In-kind contributions** – Contributed nonfinancial assets include office space, software, services provided by Sempra employees and other third parties, and other in-kind contributions which are recorded at the respective fair values of the goods or services received at the date of donation (Note 4). The Foundation does not sell donated gifts in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, fundraising, and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. Donated services must (1) create or enhance non-financial assets, or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation.

**Grants** – Unconditional grants are recognized as an expense in the year granted. Grants that are conditional on future uncertain events are expensed when those conditions are substantially met. Unconditional grants pledged during the year to be paid out subsequent to year end are recorded as grants payable. As of December 31, 2022 and 2021, there were no grants payable.

**Functional allocation of expenses** – The costs of providing the various programs and activities have been presented in the statements of activities on a functional basis. The statement of functional expenses presents the natural classification detail of expenses by function. Some costs have been allocated among the program and supporting services benefited. Some costs, such as salaries and benefits, have been allocated among functional categories based on the level of time and effort attributed to programs and other activities. See Note 5.

**Use of estimates** – The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Sempra Foundation**

### **Notes to Financial Statements**

#### **(In Thousands)**

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**Income taxes** – The Foundation is exempt from taxation under Section 501(c)(3) and is classified as a private foundation under 509(a) of the Internal Revenue Code. The Foundation is subject to federal and state income tax on unrelated business income. The Foundation is a private, charitable foundation, and contributions to the Foundation qualify for a charitable tax deduction to donors. The Foundation was not subject to unrelated business income tax and did not file an Exempt Organization Business Income Tax Return (Form 990-T) with the Internal Revenue Service for the years ended December 31, 2022 and 2021.

Uncertain tax provisions, if any, are recorded in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. FASB ASC 740 requires the recognition of a liability for a tax position that does not meet the more likely than not standard that the position will be sustained upon examination by the taxing authorities. There was de minimus excise tax expense and no liability for uncertain tax position recorded as of and for the years ended December 31, 2022 and 2021, respectively.

**Recently adopted accounting standards** – The Foundation adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on January 1, 2022. The update provides clarity on how contributed nonfinancial assets should be presented in the statements of activities as well as what needs to be disclosed. There were no changes to the Foundation financial position and changes in net assets upon adoption of the new standard. The presentation and disclosures of in-kind contributions have been enhanced in accordance with the standard.

#### **Note 3 – Concentrations**

The Foundation receives contributions primarily from Sempra. Contributions from Sempra for the years ended December 31, 2022 and 2021, amounted to \$10,192 and \$4,174, respectively, of which \$192 and \$174, respectively, were in-kind. Contributions from Sempra accounted for 99.9% of total revenues and support for the years ended December 31, 2022 and 2021.

#### **Note 4 – Related-Party Transactions**

As described in Note 1, certain officers and directors of Sempra serve as officers and directors for the Foundation. Sempra also provides use of office space, software, and services of its personnel for operations of the Foundation. The Foundation does not pay for the use of such facilities and services. In-kind contributions provided by Sempra to the Foundation amounted to \$192 and \$174 for the years ended December 31, 2022 and 2021, respectively.

The Foundation matches contributions made through payroll deduction, contributions made directly to the charitable organization, and volunteer contributions made by employees of Sempra. The Foundation and the Sempra Employee Giving Network, both founded by Sempra, do not have a common Board of Directors, however, the members of both boards are all employees of Sempra or one of its subsidiaries. As such, the Foundation and the Sempra Employee Giving Network are deemed to have a “brother-sister” relationship and, therefore the Sempra Employee Giving Network is considered to be a related party.

**Sempra Foundation**  
**Notes to Financial Statements**  
(In Thousands)

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**Note 5 – Expenses by Natural Classification**

Expense by function and nature consisted of the following for the years ended December 31:

	2022		
	Program Services	General and Administrative	Total Expenses
Matching employee gifts	\$ 3,114	\$ -	\$ 3,114
Grants	961	-	961
Volunteer incentive programs	278	-	278
Professional fees	55	108	163
Salaries	-	32	32
Total expenses	\$ 4,408	\$ 140	\$ 4,548
	2021		
	Program Services	General and Administrative	Total Expenses
Matching employee gifts	\$ 1,970	\$ -	\$ 1,970
Grants	2,510	-	2,510
Volunteer incentive programs	134	-	134
Professional fees	35	68	103
Salaries	-	70	70
Total expenses	\$ 4,649	\$ 138	\$ 4,787

**Note 6 – Liquidity**

The Foundation has \$7,987 and \$7,500 in cash and cash equivalents as of December 31, 2022 and 2021, respectively, available to meet general expenditures over the next 12 months. In addition to these financial assets, the Foundation operates a balanced budget and anticipates collection of sufficient revenue to cover general expenditures not covered by donor-restricted resources. As part of the Foundation's liquidity management plan, it considers the composition of its financial assets to ensure sufficient funds are available as obligations come due.

**Sempra Foundation**  
**Notes to Financial Statements**  
**(In Thousands)**

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**Note 7 – Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued. The Foundation has evaluated subsequent events through September 12, 2023, which is the date the financial statements were available to be issued.