

SEMPRA ENERGY FOUNDATION

Financial Statements
December 31, 2020 and 2019
(With Independent Auditors' Report Thereon)

SEMPRA ENERGY FOUNDATION

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Independent Auditors' Report

Board of Directors
Sempra Energy Foundation
San Diego, California

We have audited the accompanying financial statements of Sempra Energy Foundation (the Foundation), which comprise the Statements of Financial Position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sempra Energy Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Macior Consulting Group, Inc.

Sacramento, California
June 3, 2020

SEMPRA ENERGY FOUNDATION

Statements of Financial Position

December 31, 2020 and 2019

(In Thousands)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 12,110	\$ 15,930
Interest receivable	-	18
Tax receivable	8	9
Investments in certificates of deposits	-	1,090
	<u> </u>	<u> </u>
Total assets	<u>\$ 12,118</u>	<u>\$ 17,047</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ -	\$ 3
Total liabilities	<u>-</u>	<u>3</u>
Net assets:		
Without donor restrictions	<u>12,118</u>	<u>17,044</u>
Total net assets	<u>12,118</u>	<u>17,044</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 12,118</u>	<u>\$ 17,047</u>

See accompanying notes to financial statements.

SEMPRA ENERGY FOUNDATION
 Statements of Activities
 Years Ended December 31, 2020 and 2019
 (In Thousands)

	2020	2019
Change in net assets without donor restrictions		
Revenues and other support		
Contributions:		
Sempra Energy - contribution	\$ -	\$ 10,000
Sempra Energy - donated services	116	110
Sempra Energy - payments made on behalf of Foundation	107	73
Interest and other income	65	168
Total revenues and other support	288	10,351
Expenses		
Program expenses:		
Grant payments to charitable organizations	3,442	568
Matching employee gifts	1,461	861
Volunteer incentive programs	90	139
Program management expenses	41	35
Total program expenses	5,034	1,603
Administrative expenses:		
Auditing fees	24	24
Administrative salaries and benefits	75	75
Processing fees	77	38
Taxes	1	3
Bank fees	3	2
Total administrative expenses	180	142
Total expenses	5,214	1,745
Change in net assets	(4,926)	8,606
Net assets		
Beginning of year	17,044	8,438
End of year	\$ 12,118	\$ 17,044

See accompanying notes to financial statements.

SEMPRA ENERGY FOUNDATION
 Statements of Cash Flows
 Years Ended December 31, 2020 and 2019
 (In Thousands)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (4,926)	\$ 8,606
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Changes in operating assets and liabilities		
Interest receivable	18	(11)
Tax receivable	1	(7)
Accounts payables	(3)	1
Net cash (used in) provided by operating activities	(4,910)	8,589
Cash flows from investing activities		
Maturity of investments	3,690	5,168
Purchases of investments	(2,600)	(5,524)
Net cash provided by (used in) investing activities	1,090	(356)
Net (decrease) increase in cash and cash equivalents	(3,820)	8,233
Cash and cash equivalents		
Beginning of year	15,930	7,697
End of year	\$ 12,110	\$ 15,930

See accompanying notes to financial statements.

SEMPRA ENERGY FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

(in thousands)

1. Organization

Sempra Energy 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 Energy 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.

2. Summary of Significant Accounting Policies

Basis of accounting and presentation – The financial statements of the Foundation are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the board of directors.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2020 and 2019, the Foundation had no net assets with donor restrictions.

Use of estimates – The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from such estimates.

Cash and cash equivalents – The Foundation considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments – Investments are comprised of certificates of deposits and are stated at cost, adjusted for premiums and discounts, which approximates fair value, and are intended to be held until maturity. Interest income is accrued when earned.

Contributions – Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Unconditional contributions without donor-imposed restrictions are reported as unrestricted contributions in the period received. Donations and contracts with donor-imposed restrictions are reported as temporarily restricted support in the period received; however, support with donor-imposed restrictions whose restrictions are met in the same year are reported as unrestricted contributions.

SEMPRA ENERGY FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2020 and 2019
(in thousands)

Donated services and payments made on behalf of Foundation – Amounts for donated services and payments made on behalf of the Foundation are reflected in the accompanying statements of activities and represent the cost of programmatic and general administrative services provided by a related party, Sempra Energy. As described in Note 7, during the years ended December 31, 2020 and 2019, the Foundation recorded donated program services of approximately \$41 and \$35, respectively, and donated administrative expenses of approximately \$180 and \$142, respectively.

Income tax status – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and is classified as a private foundation as defined under Section 509(a) of the Internal Revenue Code. The Foundation accounts for uncertain tax positions as required by FASB ASC Topic 740, *Income Taxes*. As of December 31, 2020 and 2019, management evaluated the Foundation’s tax position and concluded that the Foundation had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

3. Liquidity

The Foundation has \$12,118 of financial assets available within one year of the Statement of Financial Position date of December 31, 2020. The assets available consist of cash and cash equivalents of \$12,110 and \$8 of tax receivable. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date. The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet normal expenses for one year.

4. Concentrations

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts.

During the years ended December 31, 2020 and 2019, the Foundation received contributions of \$0.2M and \$10.2M from Sempra Energy which comprised 77% and 98% of total revenues and other support for the respective year. Permanent discontinuance of such contributions, an event that management does not deem likely, would represent a significant reduction in the Foundation’s total revenues.

5. Federal Taxes

Under Section 4940 of the Internal Revenue Code, a federal excise tax of 2% is normally imposed on a private foundation’s net investment income (principally interest, dividends and net realized gains, less expenses incurred in the production of investment income). This tax is reduced to 1% when a foundation meets certain distribution requirements. The excise tax incurred was \$1 and \$3 for the years ended December 31, 2020 and 2019, respectively.

SEMPRA ENERGY FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2020 and 2019
(in thousands)

6. Expenses by Functional Classification

The expenses of providing the Foundation’s programs have been summarized in the accompanying statements of activities. Program expenses include payments to charitable organizations, funds distributed for the Foundation’s grant payments to charitable organizations, matching employee gifts, volunteer incentive programs, and donated program management services from Sempra Energy to carry out the programs of the Foundation. Administrative expenses represent donated services and expenses paid by Sempra Energy that allows the Foundation to carry out its daily operations and cover the cost of the Foundation’s federal excise tax, if any. Donated services are allocated between program and administrative on the basis of estimates of time and effort.

7. Transactions with Related Parties

The Foundation’s Directors are all employees of Sempra Energy or one of its subsidiaries. Therefore, Sempra Energy is deemed to be a related party. Sempra Energy provides programmatic and general administrative services to the Foundation in the form of personnel services and payments made to vendors on behalf of the Foundation. During the years ended December 31, 2020 and 2019, the Foundation recorded donated program services of approximately \$41 and \$35, respectively, and donated administrative expenses of approximately \$180 and \$142, respectively. The breakdown of the costs provided are as follows:

<u>Expenses as reported on Statements of Activities</u>	<u>2020</u>	<u>2019</u>
Program services	\$ 41	\$ 35
Payment of auditing fees	24	24
Administrative salaries and benefits	75	75
Payment of processing fees	77	38
Tax payment	1	3
Bank fees payment	<u>2</u>	<u>2</u>
Total expenses provided by or paid by Sempra Energy	<u>\$ 221</u>	<u>\$ 177</u>

The Foundation and the Sempra Employee Giving Network, both founded by Sempra Energy, do not have a common Board of Directors, however the members of both boards are all employees of Sempra Energy 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.

The Foundation donates funds to the Sempra Employee Giving Network for its volunteer incentive program and provides cash grants. During the years ended December 31, 2020 and 2019, the Foundation provided \$1 and \$5, respectively, to the Sempra Employee Giving Network, which is reflected on the Statements of Activities as Volunteer incentive programs.

8. Subsequent Events

The Foundation’s management has evaluated subsequent events through June 3, 2020, the date the financial statements were available to be issued.