

SEMPRA FOUNDATION

Financial Statements
December 31, 2021 and 2020
(With Independent Auditor's Report Thereon)

SEMPRA FOUNDATION

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Independent Auditor's Report

Board of Directors
Sempra Foundation
San Diego, California

Opinion

We have audited the accompanying financial statements of Sempra Foundation (the "Foundation"), which comprise the Statements of Financial Position as of December 31, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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 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 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 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 the 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.

Macior Consulting Group, Inc.

Sacramento, California
April 12, 2022

SEMPRA FOUNDATION
 Statements of Financial Position
 December 31, 2021 and 2020
 (In Thousands)

| | 2021 | 2020 |
|--------------------------------------|---------------|---------------|
| Assets | | |
| Cash and cash equivalents | \$ 7,500 | \$ 12,110 |
| Contribution receivable | 4,000 | - |
| Tax receivable | 8 | 8 |
| Total assets | \$ 11,508 | \$ 12,118 |
| Net Assets | | |
| Net assets: | | |
| Without donor restrictions | 11,508 | 12,118 |
| Total net assets | 11,508 | 12,118 |
| Total liabilities and net assets | \$ 11,508 | \$ 12,118 |

See accompanying notes to financial statements.

SEMPRA FOUNDATION
Statements of Activities
Years Ended December 31, 2021 and 2020
(In Thousands)

| | 2021 | 2020 |
|--|-------------|-------------|
| Change in net assets without donor restrictions | | |
| Revenues and other support | | |
| Contributions: | | |
| Sempra Energy - contribution | \$ 4,000 | \$ - |
| Sempra Energy - donated services | 106 | 116 |
| Sempra Energy - payments made on behalf of Foundation | 68 | 107 |
| Interest and other income | 3 | 65 |
| Total revenues and other support | 4,177 | 288 |
| Expenses | | |
| Program expenses: | | |
| Grant payments to charitable organizations | 2,510 | 3,442 |
| Matching employee gifts | 1,970 | 1,461 |
| Volunteer incentive programs | 134 | 90 |
| Program management expenses | 35 | 41 |
| Total program expenses | 4,649 | 5,034 |
| Administrative expenses: | | |
| Auditing fees | 24 | 24 |
| Administrative salaries and benefits | 70 | 75 |
| Processing fees | 44 | 77 |
| Taxes | - | 1 |
| Bank fees | - | 3 |
| Total administrative expenses | 138 | 180 |
| Total expenses | 4,787 | 5,214 |
| Change in net assets | (610) | (4,926) |
| Net assets | | |
| Beginning of year | 12,118 | 17,044 |
| End of year | \$ 11,508 | \$ 12,118 |

See accompanying notes to financial statements.

SEMPRA FOUNDATION
 Statements of Cash Flows
 Years Ended December 31, 2021 and 2020
 (In Thousands)

| | 2021 | 2020 |
|--|-------------|-------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (610) | \$ (4,926) |
| Adjustments to reconcile change in net assets to net cash (used in) operating activities: | | |
| Changes in operating assets and liabilities | | |
| Contribution receivable | (4,000) | - |
| Interest receivable | - | 18 |
| Tax receivable | - | 1 |
| Accounts payables | - | (3) |
| Net cash (used in) operating activities | (4,610) | (4,910) |
| Cash flows from investing activities | | |
| Maturity of investments | - | 3,690 |
| Purchases of investments | - | (2,600) |
| Net cash provided by investing activities | - | 1,090 |
| Net (decrease) in cash and cash equivalents | (4,610) | (3,820) |
| Cash and cash equivalents | | |
| Beginning of year | 12,110 | 15,930 |
| End of year | \$ 7,500 | \$ 12,110 |

See accompanying notes to financial statements.

SEMPRA FOUNDATION
Notes to Financial Statements
December 31, 2021 and 2020
(in thousands)

1. Organization

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 Energy (“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.

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, 2021 and 2020, 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. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is 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 FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2021 and 2020
(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, Semptra. We record donated professional services at the respective fair values of the services received. As described in Note 7, during the years ended December 31, 2021 and 2020, the Foundation recorded donated program services of approximately \$35 and \$41, respectively, and donated administrative expenses of approximately \$138 and \$180, 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, 2021 and 2020, 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 \$11,508 and \$12,118 of financial assets available within one year of the Statement of Financial Position date of December 31, 2021 and 2020, respectively. As of December 31, 2021, the assets available consist of cash and cash equivalents of \$7,500, \$4,000 of contribution receivable, and \$8 of tax receivable. As 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

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

During the years ended December 31, 2021 and 2020, the Foundation received contributions of \$4,174 and \$223 from Semptra which comprised 99.9% and 77% 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 \$0 and \$1 for the years ended December 31, 2021 and 2020, respectively.

SEMPRA FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2021 and 2020
(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 matching employee gifts, volunteer incentive programs, and donated program management services from Sempra to carry out the programs of the Foundation. Administrative expenses represent donated services and expenses paid by Sempra 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 or one of its subsidiaries. Therefore, Sempra is deemed to be a related party. Sempra 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, 2021 and 2020, the Foundation recorded donated program services of approximately \$35 and \$41, respectively, and donated administrative expenses of approximately \$138 and \$179, respectively. The breakdown of the costs provided are as follows:

| <u>Expenses as reported on Statements of Activities</u> | <u>2021</u> | <u>2020</u> |
|---|---------------|---------------|
| Program services | \$ 35 | \$ 41 |
| Payment of auditing fees | 24 | 24 |
| Administrative salaries and benefits | 70 | 75 |
| Payment of processing fees | 44 | 77 |
| Tax payment | - | 1 |
| Bank fees payment | <u>-</u> | <u>2</u> |
| Total expenses provided by or paid by Sempra | <u>\$ 173</u> | <u>\$ 220</u> |

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.

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, 2021 and 2020, the Foundation provided \$0 and \$1, 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 April 12, 2022, the date the financial statements were available to be issued.