

**SEMPRA ENERGY FOUNDATION**

Financial Statements  
December 31, 2019 and 2018  
(With Independent Auditor's Report Thereon)

**SEMPRA ENERGY FOUNDATION**

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## **Independent Auditor's 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, 2019 and 2018, 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.

### **Auditor's 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 audit 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, 2019 and 2018, 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.

*Maier Consulting Group, Inc.*

Sacramento, California

June 5, 2020

**SEMPRA ENERGY FOUNDATION**

Statements of Financial Position

December 31, 2019 and 2018

(In Thousands)

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 15,930	\$ 7,697
Interest receivable	18	7
Tax receivable	9	2
Investments in certificates of deposits	<u>1,090</u>	<u>734</u>
Total assets	<u>\$ 17,047</u>	<u>\$ 8,440</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	<u>\$ 3</u>	<u>\$ 2</u>
Total liabilities	<u>3</u>	<u>2</u>
Net assets:		
Without donor restrictions	<u>17,044</u>	<u>8,438</u>
Total net assets	<u>17,044</u>	<u>8,438</u>
Total liabilities and net assets	<u>\$ 17,047</u>	<u>\$ 8,440</u>

See accompanying notes to financial statements.

**SEMPRA ENERGY FOUNDATION**  
Statements of Activities  
Years Ended December 31, 2019 and 2018  
(In Thousands)

	<b>2019</b>	<b>2018</b>
<b>Change in net assets without donor restrictions</b>		
Revenues and other support		
Contributions:		
Sempra Energy - contribution	\$ 10,000	\$ -
Sempra Energy - donated services	110	106
Sempra Energy - payments made on behalf of Foundation	73	53
Interest and other income	168	144
Total revenues and other support	10,351	303
Expenses		
Program expenses:		
Grant payments to charitable organizations	568	883
Matching employee gifts	861	771
Volunteer incentive programs	139	171
Program services	35	35
Total program expenses	1,603	1,860
Administrative expenses:		
Auditing fees	24	22
Administrative salaries and benefits	75	71
Processing fees	38	27
Taxes	3	3
Bank fees	2	3
Total administrative expenses	142	126
Total expenses	1,745	1,986
Change in net assets without donor restrictions	8,606	(1,683)
<b>Net assets</b>		
Beginning of year	8,438	10,121
End of year	\$ 17,044	\$ 8,438

See accompanying notes to financial statements.

**SEMPRA ENERGY FOUNDATION**  
Statements of Cash Flows  
Years Ended December 31, 2019 and 2018  
(In Thousands)

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 8,606	\$ (1,683)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities		
Interest receivable	(11)	(1)
Tax receivable	(7)	-
Accounts payables	1	2
Net cash provided by (used in) operating activities	8,589	(1,682)
<b>Cash flows from investing activities</b>		
Maturity of investments	5,168	11,730
Purchases of investments	(5,524)	(10,277)
Net cash (used) provided by investing activities	(356)	1,453
<b>Net increase (decrease) in cash and cash equivalents</b>	8,233	(229)
<b>Cash and cash equivalents</b>		
Beginning of year	7,697	7,926
End of year	\$ 15,930	\$ 7,697

See accompanying notes to financial statements.

# SEMPRA ENERGY FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

(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. The Foundation provides funding to public charities that benefit communities, especially at a grassroots level, in the areas of environment, education and disaster response and safety. 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. 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, 2019 and 2018, the Foundation had no net assets with donor restrictions.

**Use of estimates** – The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, 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, 2019 and 2018  
(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, 2019 and 2018, the Foundation recorded donated program services of approximately \$35 and \$35, respectively, and donated administrative expenses of approximately \$142 and \$126, respectively.

**Income tax status** – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d 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, 2019 and 2018, 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.

**Adoption of new standards** – During 2018, the Foundation had applied the changes required under ASU 2016-14. During 2018, the Foundation had also adopted the guidance stated in ASU 2018-08. The applications of ASU 2016-14 and ASU 2018-08 did not result in material changes to the financial statements, nor a change to overall net assets of the Foundation.

### 3. Liquidity

The Foundation has \$17,047 of financial assets available within one year of the statement of financial position date of December 31, 2019. The assets available consist of cash and cash equivalents of \$15,930, short-term investments of \$1,090, \$18 of interest receivable, and \$9 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. As part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments including certificate of deposits when the CD interest rates are beneficial.

### 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, 2019 and 2018, the Foundation received contributions of \$10.2M and \$159 from Sempra Energy which comprised 98% and 52% 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.

**SEMPRA ENERGY FOUNDATION**  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018  
(in thousands)

**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 \$3 and \$3 for the years ended December 31, 2019 and 2018, respectively.

**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 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, 2019 and 2018, the Foundation recorded donated program services of approximately \$35 and \$35, respectively, and donated administrative expenses of approximately \$142 and \$126, respectively. The breakdown of the costs provided are as follows:

<u>Expenses as reported on Statements of Activities</u>	<u>2019</u>	<u>2018</u>
Program services	\$ 35	\$ 35
Payment of auditing fees	24	22
Administrative salaries and benefits	75	71
Payment of processing fees	38	27
Tax payment	3	3
Bank fees payment	<u>2</u>	<u>3</u>
Total expenses provided by or paid by Sempra Energy	<u>\$ 177</u>	<u>\$ 161</u>

The Foundation and the Sempra Employee Giving Network, both founded by Sempra Energy, do not have 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, 2019 and 2018, the Foundation provided \$5 and \$5, respectively, to the Sempra Employee Giving Network, which is reflected on the Statements of Activities as Volunteer incentive programs.

**SEMPRA ENERGY FOUNDATION**  
Notes to Financial Statements (Continued)  
December 31, 2019 and 2018  
(in thousands)

**8. Subsequent Events**

The Foundation's management has evaluated subsequent events through June 5, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. We are closely monitoring our investment portfolio and its liquidity and are actively working to minimize the impact of these declines. Our financial statements do not include adjustments to fair value that have resulted from these declines.

In March 2020, the Sempra Energy Foundation established a fund to donate \$1.75M in grants to nonprofit organizations serving populations affected by COVID-19. The grants will be made available to charities in California, Texas, and Louisiana.