The Parker Foundation
GERALD T. & INEZ GRANT PARKER

AUDITED
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Parker Foundation
San Diego, California

We have audited the accompanying financial statements of The Parker Foundation (the "Foundation", a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, 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 audit. We conducted our audit 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 of 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 The Parker Foundation as of September 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Parker and Dempster-Larsen columns included on the statements of financial position and statements of activities are presented only for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, but was compiled from information that is the representation of management, without the performance of additional audit procedures. Accordingly, we do not express an opinion or provide any other form of assurance on the supplementary information.

Lindsay & Brownell, LLP

Lindsay & Brownell, LLP

La Jolla, California
April 9, 2019

THE PARKER FOUNDATION

STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017

	Parker	Dempster-Larsen	Total 2018	Total 2017
ASSETS				
Current Assets				
Cash and cash equivalents	**$ 357,424**	**$ -**	**$ 357,424**	$ 256,683
Accrued interest and dividends	**17,619**	**-**	**17,619**	3,118
Prepaid expenses and other assets	**17,697**	**-**	**17,697**	14,415
Loan receivable	**5,964**	**-**	**5,964**	17,383
Total Current Assets	**398,704**	**-**	**398,704**	291,599
Investments	**42,251,652**	**-**	**42,251,652**	42,371,060
Loan Receivable, Less Current Portion	**-**	**-**	**-**	5,964
Property and Equipment, Net	**42**	**-**	**42**	247
Due (To) From Related Fund	**(6,342,420)**	**6,342,420**	**-**	-
Total Assets	**$ 36,307,978**	**$ 6,342,420**	**$ 42,650,398**	$ 42,668,870
LIABILITIES AND NET ASSETS				
Liabilities				
Accrued expenses	**$ 37,636**	**$ -**	**$ 37,636**	$ 45,661
Grants payable	**95,000**	**-**	**95,000**	45,000
Total Liabilities	**132,636**	**-**	**132,636**	90,661
Net Assets				
Unrestricted	**36,175,342**	**6,342,420**	**42,517,762**	42,578,209
Total Liabilities and Net Assets	**$ 36,307,978**	**$ 6,342,420**	**$ 42,650,398**	$ 42,668,870

The accompanying notes are an integral part of these financial statements.

THE PARKER FOUNDATION

STATEMENTS OF ACTIVITIES
Years Ended September 30, 2018 and 2017

	Parker	Dempster-Larsen	Total 2018	Total 2017
UNRESTRICTED NET ASSETS				
Revenues and Gains				
Interest and dividends	**$ 533,465**	**$ 93,188**	**$ 626,653**	$ 579,952
Capital gain dividends	**527,138**	**92,082**	**619,220**	284,952
Partnership income	**304,812**	**53,246**	**358,058**	393,228
Royalty income	**201**	**35**	**236**	235
Net gain on sale of investments	**517,689**	**90,432**	**608,121**	573,939
Miscellaneous income	**1,576**	**275**	**1,851**	2,995
Unrealized gain on investments	**99,802**	**17,434**	**117,236**	3,170,306
Total Revenues and Gains	**1,984,683**	**346,692**	**2,331,375**	5,005,607
Expenses				
Grants	**1,702,000**	**345,000**	**2,047,000**	1,940,945
Administrative	**83,481**	**14,583**	**98,064**	95,000
Advisory and investment	**83,207**	**14,535**	**97,742**	97,943
Federal excise, state and foreign taxes	**46,770**	**8,170**	**54,940**	36,918
Accounting and audit	**44,715**	**7,811**	**52,526**	55,743
Custodian fees	**12,185**	**2,128**	**14,313**	14,222
Memberships	**6,385**	**1,115**	**7,500**	5,000
Conferences and community functions	**6,096**	**1,065**	**7,161**	9,107
Technology services	**3,967**	**693**	**4,660**	1,800
Insurance	**3,695**	**645**	**4,340**	4,647
Postage, printing and reproductions	**979**	**171**	**1,150**	1,540
Telephone	**977**	**171**	**1,148**	1,204
File storage	**777**	**136**	**913**	875
Depreciation	**175**	**30**	**205**	332
Filing fees	**136**	**24**	**160**	181
Total Expenses	**1,995,545**	**396,277**	**2,391,822**	2,265,457
Change in Unrestricted Net Assets	**(10,862)**	**(49,585)**	**(60,447)**	2,740,150
Net Assets, Beginning	**36,186,204**	**6,392,005**	**42,578,209**	39,838,059
Net Assets, Ending	**$ 36,175,342**	**$ 6,342,420**	**$ 42,517,762**	$ 42,578,209

The accompanying notes are an integral part of these financial statements.

THE PARKER FOUNDATION

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	**$ (60,447)**	$ 2,740,150
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:		
Undistributed partnership income	**(358,058)**	(277,909)
Net gain on sale of investments	**(608,121)**	(573,939)
Unrealized gain on investments	**(117,236)**	(3,170,306)
Depreciation	**205**	332
Change in assets and liabilities:		
(Increase) decrease in:		
Accrued interest and dividends	**(14,501)**	(1,181)
Prepaid expenses and other assets	**(3,282)**	(12,485)
Loan receivable	**17,383**	12,653
(Decrease) increase in:		
Accrued expenses	**(8,025)**	7,884
Grants payable	**50,000**	(47,500)
Taxes payable	**-**	(9,439)
Net cash used in operating activities	**(1,102,082)**	(1,331,740)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	**(8,992,155)**	(3,539,975)
Proceeds from sale of investments	**9,408,845**	4,582,473
Cash distributions from investment partnerships	**786,133**	367,433
Net cash provided by investing activities	**1,202,823**	1,409,931
Net increase in cash	**100,741**	78,191
Cash and Cash Equivalents		
Beginning	**256,683**	178,492
Ending	**$ 357,424**	$ 256,683
Supplemental Disclosures of Cash Flow Information		
Cash paid for:		
Federal excise tax	**$ 47,355**	$ 25,994

The accompanying notes are an integral part of these financial statements.

Note 1. Organization and Nature of Activities

The Parker Foundation (the "Foundation") is an independent, private foundation and California non-profit corporation. The Foundation provides grants to charitable organizations operating in San Diego County, with the goal of bettering the lives of San Diego County residents. Grants cover a broad range of organizations and services, with special consideration given to matching or challenge grants. Individuals are not eligible to receive grants.

The assets of the Foundation are denoted as either the Parker Fund, originally created by a gift from Gerald and Inez Grant Parker, or the Dempster-Larsen Fund, created by a subsequent separate gift to the Foundation. This separate gift was unrestricted; however, the decision was made to report it separately from the Parker Fund for grant-making purposes only, allowing the Board of Directors (the "Board") to specifically award grants in support of the arts, an interest of the benefactor. When the Dempster-Larsen Fund was created, it represented 4.76% of the total assets of the Foundation; therefore, all investments made with the subsequent earnings on the entire fund are allocated between the Parker and Dempster-Larsen Funds in this same ratio. Allocated investments not specifically held in the Dempster-Larsen Fund are shown as Due (To) From Related Fund in the statements of financial position.

The Foundation is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Tax Code") and is exempt from federal and state income taxes. As a private foundation, it is required to pay an excise tax on net investment income (see Note 2).

Note 2. Summary of Significant Accounting Policies and Other Information

Accounting Basis of Presentation: The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Adopted Accounting Pronouncements: The Foundation has implemented all applicable accounting pronouncements within the Accounting Standards Codification (“ASC”) that are in effect as of September 30, 2018 and 2017. The Foundation does not believe that there are any other new accounting standards updates (“ASU”) issued by the Financial Accounting Standards Board (“FASB”) that might have a material impact on its financial position or results of activities.

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits: The Foundation maintains its cash balances at one financial institution. As of September 30, 2018, accounts at this institution are insured to the extent provided by the Federal Deposit Insurance Corporation. The Foundation’s uninsured cash balances totaled $107,424 and $6,683 at September 30, 2018 and 2017, respectively. The Foundation has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk with respect to its depository accounts.

Concentration of Market Risk: The Foundation invests the corpus of the Foundation and its excess cash in various types of investments. The Foundation has established guidelines relative to diversification and maturities that maximize safety and liquidity. These guidelines are periodically reviewed with the Foundation's investment professionals.

Income Taxes: The Foundation is generally exempt from income taxes as an organization described in Section 501(c)(3) of the Tax Code and comparable statutes of the state of California. The Tax Code imposes an excise tax of 2% (reduced to 1% if certain requirements are met) on net investment income of private foundations. Federal excise tax expense for the years ended September 30, 2018 and 2017 was $47,355 and $25,994, respectively. Income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as

Note 2. Summary of Significant Accounting Policies and Other Information (Continued)

unrelated business income. Unrelated business income tax ("UBIT") for the years ended September 30, 2018 and 2017 was $0 and $8,806, respectively. Additionally, the Tax Code requires certain minimum distributions be made in accordance with a specified formula (see Note 9). The calculation of the minimum distribution amount and any amounts distributed in excess of the minimum is performed annually.

The Foundation adopted FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. FASB ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely than-not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. FASB ASC 740 also provides related guidance on measurement, derecognition, classification, interest and penalties, and disclosure. The Foundation has applied FASB ASC 740 to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits. There have been no related tax penalties or interest, which would be classified as tax expense in the statements of activities. As a result, the adoption of FASB ASC 740 did not have a material effect on the Foundation's 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.

Cash and Cash Equivalents: Cash and cash equivalents include highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments: The Foundation records its fixed-income, equity securities, partnership interests and alternative investments at fair value. The fair value of investments in securities traded on national security exchanges is based on the closing price on the last business day of the fiscal year. Investments which are not publicly traded consist primarily of alternative investments in hedge funds and private equity investments and are recorded at the Foundation's net equity position as reported by each respective fund at the valuation date. When provided by the fund, the Foundation uses Net Asset Value ("NAV") to determine the fair value of the underlying investments which (a) do not have a readily determinable fair value, and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Depending on the underlying assets, NAV is determined by the underlying asset's manager through national exchange prices for securities with a readily determinable value or valuations and estimates.

Investment transactions are recorded on a trade-date basis. Dividend income is recorded as of the ex-dividend date and interest income is recorded as earned using the accrual basis. Realized gains or losses on the sale of share or unit based investments are calculated using the average cost. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year, or since the acquisition date if acquired during the year, and are recorded as a component of unrestricted net assets.

Property and Equipment: Property and equipment are recorded at cost on the date of purchase. The Foundation's policy is to capitalize assets with a useful life greater than one year and a value of $500 or more. Property and equipment are depreciated using a straight-line method over the estimated useful lives of the related assets (three to ten years).

Net Gain or Loss on Sale of Investments: Marketable securities included in investments (see Note 3) are held jointly by the Parker Fund and the Dempster-Larsen Fund. Net gain or loss on sale of the securities is recognized on a proportionate basis based upon the fund allocation percentage of these securities.

Note 2. Summary of Significant Accounting Policies and Other Information (Continued)

Grants: Grant expenditures are recognized in the period the grant is approved and communicated to the recipients, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the recipient meets the terms of the conditions. Grants paid and payable expense is shown net of grants that have been repaid to the Foundation from grant recipients. Repayments of grants previously disbursed may be required by the Foundation's Board if a change in the use or purpose of the grants is not acceptable to the Board. Grants payable that are expected to be paid in future years are recorded at the net present value of expected future payments discounted using a risk adjusted rate at each grant date for a commensurate period.

Refunds Due from Grants Awarded to Other Organizations: Unexpended balances of grants awarded by the Foundation are required to be returned to the Foundation. Grants refunded to the Foundation are recorded as a reduction in grant expense when the amount of the refund due becomes known. There were no unused funds returned to the Foundation in 2018 and 2017.

Allocation of Expenses: Beginning in 1993, all expenses between the Parker Fund and the Dempster-Larsen Fund have been allocated based on the relative year-end fund balances. For the year ended September 30, 2018, the percentages used for allocation between the Parker Fund and the Dempster-Larsen Fund were approximately 85.13% and 14.87%, respectively. For the year ended September 30, 2017, the percentages used for allocation between the Parker Fund and the Dempster-Larsen Fund were approximately 84.96% and 15.04%, respectively. The amount of Dempster-Larsen Fund grants is based on grants designated by the Board as such. For the years ended September 30, 2018 and 2017, the percentage of Dempster-Larsen Fund grants to total grants was approximately 16.85% and 12.00%, respectively.

Subsequent Events: The Foundation evaluated subsequent events through the date these financial statements were available to be issued. With the exception of those matters discussed in Note 11, there were no material subsequent events that required recognition or disclosure in the financial statements.

Reclassifications: Certain items in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

Note 3. Analysis of Investments

The Foundation's investments consisted of the following at September 30, 2018:

	Carrying Value	Market Value
Corporate securities	$ 2,341,441	$ 3,952,966
Mutual funds		
Domestic equity	5,991,358	7,655,801
International equity	10,310,118	13,000,052
Fixed income	9,690,617	9,137,654
Total mutual funds	25,992,093	29,793,507
Investment in limited partnerships		
Domestic equity	1,496,542	1,967,721
Other	2,319,633	2,933,347
Total investment in limited partnerships	3,816,175	4,901,068
Funds valued at NAV	2,883,603	3,604,111
Total	$ 35,033,312	$ 42,251,652

Note 3. Analysis of Investments (Continued)

The Foundation's investments consisted of the following at September 30, 2017:

	Carrying Value	Market Value
Corporate securities	$ 2,368,541	$ 3,655,800
Mutual funds		
Domestic equity	6,064,134	7,341,528
International equity	10,839,074	13,817,070
Fixed income	9,378,725	9,266,454
Total mutual funds	26,281,933	30,425,052
Investment in limited partnerships		
Domestic equity	1,524,675	1,939,268
Other	1,765,137	2,461,936
Total investment in limited partnerships	3,289,812	4,401,204
Funds valued at NAV	3,329,670	3,889,004
Total	$ 35,269,956	$ 42,371,060

The relationship between carrying values and market values of investments for the years ended September 30, 2018 and 2017 is summarized as follows:

	Carrying Value	Market Value	Excess of Market Value Over Carrying Value
Balance, September 30, 2018	**$ 35,033,312**	**$ 42,251,652**	**$ 7,218,340**
Balance, September 30, 2017	$ 35,269,956	$ 42,371,060	$ 7,101,104
Increase in unrealized appreciation			**$ 117,236**

Detailed information regarding the Foundation's investments in limited partnerships valued at their net equity position are as follows:

In January 2003, funds were used to purchase a domestic equity partnership known as Frontier Mid Cap Growth Fund, L.P. These funds are managed and accounted for by Frontier Capital Management Co., LLC ("Frontier"). Frontier prepares monthly statements detailing fund assets, performance, and partnership balances. In addition, Frontier provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On March 18, 2008, funds were used to purchase a joint investment partnership known as Montauk TriGuard Fund IV LP. These funds are managed and accounted for by TriGuard Management LLC ("TriGuard"). TriGuard prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, TriGuard provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

Note 3. Analysis of Investments (Continued)

On July 1, 2011, funds were used to purchase a joint investment partnership known as Montauk TriGuard Fund V LP. These funds are managed and accounted for by TriGuard. TriGuard prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, TriGuard provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On December 22, 2011, funds were used to purchase a joint investment partnership known as AG Realty Fund VIII, L.P. These funds are managed and accounted for by Angelo, Gordon & Co., L.P. ("Angelo"). Angelo prepares monthly statements detailing fund assets, performance, and partnership balances. In addition, Angelo provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On September 21, 2013, funds were used to purchase a joint investment partnership known as Crescent Capital High Income Fund, L.P. These funds are managed and accounted for by Crescent Capital Group High Income LLC ("Crescent Capital"). Crescent Capital prepares monthly statements detailing fund assets, performance, and partnership balances. In addition, Crescent Capital provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On June 30, 2014, funds were used to purchase a joint investment partnership known as Montauk TriGuard Fund VI LP. These funds are managed and accounted for by TriGuard. TriGuard prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, TriGuard provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On January 22, 2016, funds were used to purchase a joint investment partnership known as Salient MLP Total Return Fund, LP. These funds are managed and accounted for by SS&C Technologies, Inc. SS&C Technologies, Inc. prepares monthly statements detailing fund assets, performance, and partnership balances. In addition, SS&C Technologies, Inc. provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On February 3, 2016, funds were used to purchase a joint investment partnership known as Rialto Real Estate Fund III-Debt, LP and Rialto Real Estate Fund III-Property, LP. These funds are managed and accounted for by Rialto Capital Management (“Rialto”). Rialto prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, Rialto provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On November 29, 2017, funds were used to purchase a joint investment partnership known as New Mountain Investments V, LP (“New Mountain”). These funds are managed and accounted for by New Mountain. New Mountain prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, New Mountain provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On June 11, 2018, funds were used to purchase a joint investment partnership known as Silver Lake Partners V, LP. These funds are managed and accounted for by Brown Advisory. Brown Advisory prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, Brown Advisory provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

Note 3. Analysis of Investments (Continued)

On June 15, 2018, funds were used to purchase a joint investment partnership known as Centerbridge Partners Real Estate Fund, LP ("Centerbridge"). These funds are managed and accounted for by Centerbridge. Centerbridge prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, Centerbridge provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

For further details on all alternative investments whose fair value is estimated using NAV, see Note 4.

Note 4. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements*, defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The provisions of FASB ASC 820 establish a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. The three-level hierarchy for fair value measurements is defined as follows:

> Level 1 **-** quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
>
> Level 2 **-** observable market-based inputs or unobservable inputs that are corroborated by market data. May include quoted prices in a market that is not active.
>
> Level 3 **-** unobservable inputs that cannot be corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Foundation endeavors to utilize the best available information in measuring fair value.

Investments are reported at fair value and assigned a fair value hierarchy based on the inputs to valuation techniques used to measure fair value. The Foundation measures fair value at the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is based on quoted market prices, except for alternative investments for which quoted market prices are not available. Investments in limited partnerships and alternative investments are less liquid than the Foundation's other investments.

Marketable securities, including publicly traded investments such as corporate securities, mutual funds and exchange traded funds that trade on an active exchange, are classified within Level 1 because they are valued using quoted market prices.

Note 4. Fair Value Measurements (Continued)

The investments in limited partnerships and alternative investments are valued at the Foundation's net equity position as reported by each respective fund at the valuation date. When provided by the fund manager, the investment funds are valued at NAV as a practical expedient to measuring fair value. In consideration of the fair value hierarchy, investments valued using NAV are no longer required to be classified within the hierarchy in accordance with FASB ASU 2015-07. For the investments valued at the Foundation's net equity position, the fair value measurement classifications are based on the Foundation's ability to redeem the investments as of the measurement date and the underlying investments. If the funds can be redeemed at the Foundation's net equity position (or its equivalent) as of the measurement date or can be redeemed within the near term, they are categorized as Level 2 fair value measurements. If the Foundation does not have the ability to redeem the investment in the near term or does not have the ability to redeem the investment, and thereby does not know when the investment can be redeemed, they are categorized as Level 3 fair value measurements.

Grants payable are valued at the net present value of expected future cash outflows which approximates fair value and are classified within Level 3 as there is no market for these liabilities.

The following tables summarize the Foundation's assets and liabilities carried at fair value within the FASB ASC 820 fair value hierarchy levels as of September 30, 2018:

Assets at Fair Value as of September 30, 2018

Description	Unadjusted Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Balance as of September 30, 2018
Investments				
Corporate securities	$ 3,952,966	$ -	$ -	$ 3,952,966
Mutual funds				
Domestic equity	7,655,801	-	-	7,655,801
International equity	13,000,052	-	-	13,000,052
Fixed income	9,137,654	-	-	9,137,654
Total mutual funds	29,793,507	-	-	29,793,507
Investment in limited partnerships				
Domestic equity	-	1,967,721	-	1,967,721
Other	-	-	2,933,347	2,933,347
Total investment in limited partnerships	-	1,967,721	2,933,347	4,901,068
Funds valued at NAV	-	-	-	3,604,111
Total	$ 33,746,473	$ 1,967,721	$ 2,933,347	$ 42,251,652

Note 4. Fair Value Measurements (Continued)

Liabilities at Fair Value as of September 30, 2018

Description	Unadjusted Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Balance as of September 30, 2018
Grants Payable	$ -	$ -	$ 95,000	$ 95,000

The following tables summarize the changes in the Foundation's Level 3 assets and liabilities for the year ended September 30, 2018:

Level 3 Assets for the Year Ended September 30, 2018

	Limited Partnerships
Beginning balance, October 1, 2017	$ 2,461,936
Realized and unrealized losses	(46,193)
Purchases and contributions	787,517
Sales and distributions	(269,913)
Transfers in (out) of Level 3	-
Ending balance, September 30, 2018	$ 2,933,347

Level 3 Liabilities for the Year Ended September 30, 2018

	Grants Payable
Beginning balance, October 1, 2017	$ 45,000
Grants awarded	2,047,000
Grants paid	(1,997,000)
Transfers in (out) of Level 3	-
Ending balance, September 30, 2018	$ 95,000

Note 4. Fair Value Measurements (Continued)

The following tables summarize the Foundation's assets and liabilities carried at fair value within the FASB ASC 820 fair value hierarchy levels as of September 30, 2017:

Assets at Fair Value as of September 30, 2017

Description	Unadjusted Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Balance as of September 30, 2017
Investments				
Corporate securities	$ 3,655,800	$ -	$ -	$ 3,655,800
Mutual funds				
Domestic equity	7,341,528	-	-	7,341,528
International equity	13,817,070	-	-	13,817,070
Fixed income	9,266,454	-	-	9,266,454
Total mutual funds	30,425,052	-	-	30,425,052
Investment in limited partnerships				
Domestic equity	-	1,939,268	-	1,939,268
Other	-	-	2,461,936	2,461,936
Total investment in limited partnerships	-	1,939,268	2,461,936	4,401,204
Funds valued at NAV	-	-	-	3,889,004
Total	$ 34,080,852	$ 1,939,268	$ 2,461,936	$ 42,371,060

Liabilities at Fair Value as of September 30, 2017

Description	Unadjusted Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Balance as of September 30, 2017
Grants Payable	$ -	$ -	$ 45,000	$ 45,000

The following tables summarize the changes in the Foundation’s Level 3 assets and liabilities for the year ended September 30, 2017:

Level 3 Assets for the Year Ended September 30, 2017

	Limited Partnerships
Beginning balance, October 1, 2016	$ 2,361,362
Realized and unrealized gains	15,822
Purchases and contributions	224,367
Sales and distributions	(139,615)
Transfers in (out) of Level 3	-
Ending balance, September 30, 2017	$ 2,461,936

Note 4. Fair Value Measurements (Continued)

Level 3 Assets for the Year Ended September 30, 2017

	Grants Payable
Beginning balance, October 1, 2016	$ 92,500
Grants awarded	1,940,945
Grants paid	(1,988,445)
Transfers in (out) of Level 3	-
Ending balance, September 30, 2017	$ 45,000

FASB ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, requires additional disclosure related to the investment strategies and redemption frequencies of investments in entities that use NAV (or its equivalent) as an estimation of fair value.

The following table discloses the fair value and redemption frequency for those assets whose fair value is estimated using NAV as of September 30, 2018:

Investment	Percentage of Net Assets	Fair Value	Unfunded Commitment	Redemption Notice period	Permitted
Maverick Stable Fund, Ltd. (a)	2.80%	$ 1,190,792	$ -	95 days	Quarterly
ABS Offshore SPC (b)	2.55%	1,084,568	-	45 days	Any
AG Super Fund, L.P. (c)	1.91%	812,719	-	60 days	Annually
AG Realty Fund VIII (d)	0.87%	371,045	154,179	60 days	Annually
GoldenTree Offshore Fund, Ltd. (e)	0.34%	144,987	-	90 days	Quarterly
Total	8.48%	$ 3,604,111	$ 154,179		

(a) Maverick Stable Fund, Ltd. is a Cayman Islands exempted company with limited liability that was organized in May 2002. This company's objective is to preserve and grow capital by identifying high-quality investment managers with above-average investment histories and investing assets in private investment vehicles managed by such portfolio managers.

(b) ABS Offshore SPC is a Cayman Islands exempted segregated portfolio company incorporated as an exempted company in November 2002. The company's objective is to generate superior returns while maintaining a moderate level of risk in the global equity segregated portfolio market.

(c) AG Super Fund, L.P. is a joint investment partnership whose funds are managed and accounted for by Angelo. Angelo prepares monthly statements detailing fund assets, performance, and partnership balances. In addition, Angelo provides calendar year audited financial statements annually. The partnership engages in various investment strategies, including investments in distressed corporate securities, convertible hedging, residential and consumer debt, real estate debt, merger arbitrage, real estate and private equity. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

(d) AG Realty Fund VIII is a joint investment partnership whose funds are managed and accounted for by Angelo. Angelo prepares monthly statements detailing fund assets, performance, and partnership balances. In addition, Angelo provides calendar year audited financial statements annually. The partnership's principal objective is capital appreciation primarily through investments in distressed real assets and sub-performing and non-performing mortgages. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

Note 4. Fair Value Measurements (Continued)

(e) GoldenTree Offshore Fund, Ltd. is a Cayman Islands exempted company primarily invested in GoldenTree Offshore Intermediate Fund, L.P. which is in turn primarily invested in GoldenTree Master Fund, Ltd. (72%) and fixed income securities (28%). The master fund holds approximately 68% of their investments in fixed income securities, 28% in equity securities, and the remaining 4% in various derivative securities, including warrants, forward currency contracts, swap agreements, and options.

Due to the liquidity limitations of the Foundation's investments in the investment funds and the inherent uncertainty of the valuation of certain investments held by certain investment funds, the values that the respective investment managers have ascribed to their investment funds may differ from the values that would have been used had a ready market existed. Such values may not necessarily represent amounts that will be ultimately realized in the near term through distribution, sale or liquidation of the investment.

The Foundation's investments in the investment funds are subject to the market and credit risk of those financial instruments held or sold short by the investment funds. The investment funds in which the Foundation invests utilize a variety of financial instruments in their trading strategies, which contain varying degrees of off-balance-sheet risk. The Foundation's risk of loss related to any one investment fund is generally limited to its investment in that fund.

Note 5. Loan Receivable

The Foundation issued a two-year promissory note for $36,000 in March 2016 to Kitchens for Good, a California non-profit organization. The purpose of the note receivable is to support the social enterprise of Kitchens for Good in a program related investment.

		2018		2017
Promissory note with Kitchens for Good dated March 14, 2016; principal and interest payments are due in monthly installments of $1,500 beginning January 15, 2017 and ending February 23, 2019, at which time all remaining unpaid interest and principal shall be due in full; interest rate is accrued at 4% per annum and accrual of interest will be deferred until January 1, 2017.	**$**	**5,964**	$	23,347
Less: Current Portion		**(5,964)**		(17,383)
Loan Receivable, Less Current Portion	**$**	**-**	$	5,964

Interest income for the years ended September 30, 2018 and 2017 was $617 and $847, respectively.

Note 6. Property and Equipment, Net

Property and equipment, net of accumulated depreciation consists of the following at September 30, 2018 and 2017:

		2018		2017
Office equipment	**$**	**8,908**	$	8,908
Less: Accumulated depreciation		**(8,866)**		(8,661)
Total	**$**	**42**	$	247

Depreciation expense for the years ended September 30, 2018 and 2017 was $205 and $332, respectively.

Note 7. Functional Classification of Expenses

The Foundation's mission is to provide grants to charitable organizations operating in San Diego County, with the goal of bettering the lives of County residents. As such, program service expense is comprised of grants paid and payable and allocations of compensation, professional fees, and other miscellaneous program expenses totaling $2,201,968 and $2,121,005 for the years ended September 30, 2018 and 2017, respectively. The remaining expenses, $189,855 and $144,452 for the years ended September 30, 2018 and 2017, respectively, are classified as management and general activities.

Note 8. Grants Payable

Grants which have been approved by the Board but not yet disbursed are reported as grants payable. Grants that are payable in greater than one year are discounted to present value using risk-adjusted rates of return. For the years ended September 30, 2018 and 2017, management determined the discount to be minor and the face value of the grant approximates fair value. Grants payable totaled $95,000 and $45,000 for the years ended September 30, 2018 and 2017, respectively. Based on the specific grant agreements, the amount of grants payable expected to be paid during the year ending September 30, 2019 is $95,000.

Not included in grants payable are specific grants which have been approved by the Board but are subject to certain conditions prior to the funds being paid to the intended recipients. As of September 30, 2017, the Foundation had approved $65,000 of these conditional grants. During the year ended September 30, 2018, the Foundation approved an additional $260,000 of conditional grants and disbursed $165,000 and wrote off $0 of the approved funds for which the conditions were met. The balance of approved conditional grants as of September 30, 2018 is $160,000. The Board anticipates that the conditions related to these grants will be satisfied and all funds will be disbursed within the coming year.

Note 9. Minimum Distribution Requirement

The Board, on an annual basis, determines a grant budget that is intended to equal or exceed the minimum distribution requirement of the Internal Revenue Code applicable to that fiscal year. The Foundation has exceeded the minimum distribution requirement for the years ended September 30, 2018 and 2017.

The Tax Code requires that certain minimum distributions be made in accordance with a specified formula. As of September 30, 2018, the Foundation has distributed $827,751 in excess of the minimum requirement. Excess distribution carryovers are limited to a five-year period. Specific amounts be year are as follows:

	Excess Distribution Carryover
Excess from September 30, 2014	$ 218,824
Excess from September 30, 2015	220,431
Excess from September 30, 2016	180,047
Excess from September 30, 2017	157,453
Excess from September 30, 2018	50,996
	$ 827,751

Note 10. Commitments

In March 2008, the Foundation signed a funding commitment of $1,000,000 with the Montauk TriGuard Fund IV, to be drawn-down on an as-needed basis, as determined by Montauk TriGuard Fund's General Partner. The Foundation’s remaining unpaid commitment at September 30, 2018 is $90,000.

In February 2011, the Board voted to commit $500,000 to an investment in Montauk TriGuard Fund V, subject to capital calls over approximately four years. The Foundation's unfunded commitment at September 30, 2018 is $115,000.

In June 2014, the Foundation signed a funding commitment of $750,000 with Montauk TriGuard Fund VI, to be drawn-down on an as-needed basis, as determined by Montauk TriGuard Fund’s General Partner. The Foundation’s remaining unpaid commitment at September 30, 2018 is $262,500.

In February 2016, the Foundation signed a funding commitment of $450,000 with Rialto Real Estate Fund III-Debt, to be drawn-down on an as-needed basis, as determined by Rialto Real Estate Fund - Debt’s General Partner. The Foundation’s remaining unpaid commitment at September 30, 2018 is $197,611.

In February 2016, the Foundation signed a funding commitment of $300,000 with Rialto Real Estate Fund III-Property, to be drawn-down on an as-needed basis, as determined by Rialto Real Estate Fund - Property’s General Partner. The Foundation’s remaining unpaid commitment at September 30, 2018 is $200,547.

In November 2017, the Foundation signed a funding commitment of $500,000 with New Mountain Partners V, LP, to be drawn-down on an as-needed basis, as determined by New Mountain Partners Fund’s General Partner. The Foundation’s remaining unpaid commitment at September 30, 2018 is $373,777.

In June 2018, the Foundation signed a funding commitment of $380,742 with Brown Advisory, LLC, to be drawn-down on an as-needed basis, as determined by Brown Advisory Fund’s General Partner. The Foundation’s remaining unpaid commitment at September 30, 2018 is $301,339.

In June 2018, the Foundation signed a funding commitment of $500,000 with Centerbridge Partners Real Estate Fund, LP, to be drawn-down on an as-needed basis, as determined by Centerbridge Partners Real Estate Fund’s General Partner. The Foundation’s remaining unpaid commitment at September 30, 2018 is $500,000. As of September 30, 2018, $86,439 of pre-funding contributions were made.

Note 11. Subsequent Events

For the period October 2018 through March 2019, the Board approved additional grants totaling, $692,000 of which $80,000 are conditional.