

# Alisa Ann Ruch Burn Foundation

Financial Report

Year Ended December 31, 2022

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Alisa Ann Ruch Burn Foundation  
Pasadena, California

### **Opinion**

We have audited the accompanying financial statements of Alisa Ann Ruch Burn Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 Alisa Ann Ruch Burn Foundation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 issued or available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

*Hutchinson and Bloodgood LLP*

Glendale, California  
September 7, 2023

# ALISA ANN RUCH BURN FOUNDATION

Statement of Financial Position  
December 31, 2022

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## ASSETS

### Current assets

Cash and cash equivalents	\$ 365,777
Pledges receivable, due within a year	1,500
Deposits and prepaid expenses	<u>12,149</u>
Total current assets	<u>379,426</u>

Property and equipment, net 22,322

### Other assets

Cash value of life insurance policy	4,377
Pledges receivable, due after one year	5,000
Right-of-use asset	2,603
Other donated assets	53,970
Investments, endowment funds	<u>728,729</u>
Total other assets	<u>794,679</u>

Total assets \$ 1,196,427

## LIABILITIES AND NET ASSETS

### Current liabilities

Accounts payable	\$ 26,043
Accrued liabilities	36,840
Lease liability	2,607
Current portion of long-term debt	<u>3,638</u>
Total current liabilities	<u>69,128</u>

Long-term debt, less current portion 140,600

Total liabilities 209,728

### Net assets

Without donor restrictions	929,747
With donor restrictions	<u>56,952</u>
Total net assets	<u>986,699</u>

Total liabilities and net assets \$ 1,196,427

**ALISA ANN RUCH BURN FOUNDATION**Statement of Activities and Change in Net Assets  
Year Ended December 31, 2022

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Grants	\$ 94,070	\$ 86,000	\$ 180,070
Contributions, pledges, and bequests	301,581	38,060	339,641
Fundraising events	<u>178,903</u>	<u>--</u>	<u>178,903</u>
	574,554	124,060	698,614
Other revenue, net	2,739	--	2,739
Net assets released from restrictions	<u>117,044</u>	<u>(117,044)</u>	<u>--</u>
Total revenue and support	<u>694,337</u>	<u>7,016</u>	<u>701,353</u>
<b>EXPENSES</b>			
Program services	845,233	--	845,233
Support services	54,583	--	54,583
Fundraising expenses	<u>164,448</u>	<u>--</u>	<u>164,448</u>
Total expenses	<u>1,064,264</u>	<u>--</u>	<u>1,064,264</u>
Change in net assets before non-operating revenue and expenses	<u>(369,926)</u>	<u>7,016</u>	<u>(362,910)</u>
<b>NON-OPERATING REVENUE AND EXPENSES</b>			
Return on investments, net	<u>(121,580)</u>	<u>(5,064)</u>	<u>(126,644)</u>
Change in net assets	(491,506)	1,952	(489,554)
<b>NET ASSETS, beginning</b>	<u>1,421,253</u>	<u>55,000</u>	<u>1,476,253</u>
<b>NET ASSETS, ending</b>	<u>\$ 929,747</u>	<u>\$ 56,952</u>	<u>\$ 986,699</u>

*The accompanying notes are an integral part of this financial statement.*

# ALISA ANN RUCH BURN FOUNDATION

## Statement of Functional Expenses Year Ended December 31, 2022

	Program Services		Fundraising	Support	
	Burn	Survivor			
	Prevention	Services	Expenses	Services	Total
<b>SALARIES AND RELATED EXPENSES</b>					
Salaries	\$ 142,815	\$ 139,788	\$ 71,964	\$ 32,619	\$ 387,186
Payroll taxes	12,198	11,940	6,147	2,786	33,071
Employee benefits	<u>9,632</u>	<u>9,428</u>	<u>4,854</u>	<u>2,200</u>	<u>26,114</u>
Total salaries and related expenses	<u>164,645</u>	<u>161,156</u>	<u>82,965</u>	<u>37,605</u>	<u>446,371</u>
<b>OTHER EXPENSES</b>					
Auto expense	2,005	9,192	2,704	156	14,057
Bank and credit card charges	3,767	3,767	417	425	8,376
PayPal fees	45	45	5	6	101
Computer expense	656	656	73	73	1,458
Contract services	93,416	45,323	5,806	4,642	149,187
Conferences and seminars	212	2,212	--	--	2,424
Dues and subscriptions	4,811	6,746	7,641	496	19,694
Equipment maintenance and rental	1,082	1,082	120	120	2,404
Legal fees	21	21	189	189	420
Professional development	1,142	1,242	127	132	2,643
Insurance	3,257	3,257	378	3,664	10,556
Miscellaneous expense	1,689	1,581	392	634	4,296
Office supplies	436	125	80	925	1,566
Payroll processing fees	1,611	1,611	179	179	3,580
Postage and delivery	680	985	1,386	89	3,140
Prevention materials	7,727	--	--	--	7,727
Printing and reproduction	849	1,102	5,863	94	7,908
Program expenses	--	188,753	46,299	--	235,052
Rent	24,980	24,980	2,779	2,779	55,518
Survivor stipends	--	26,095	--	--	26,095
Scholarships	--	3,570	--	--	3,570
Storage	3,099	1,923	214	214	5,450
Taxes and Licenses	90	90	10	385	575
Recognition and awards	742	2,169	1,534	82	4,527
Telephone	3,238	3,274	362	362	7,236
Travel	<u>16,443</u>	<u>11,188</u>	<u>4,028</u>	<u>812</u>	<u>32,471</u>
Total other expenses	<u>171,998</u>	<u>340,989</u>	<u>80,586</u>	<u>16,458</u>	<u>610,031</u>
Total expenses before depreciation and interest expense	336,643	502,145	163,551	54,063	1,056,402
Depreciation	1,368	1,339	690	313	3,710
Interest	<u>1,869</u>	<u>1,869</u>	<u>207</u>	<u>207</u>	<u>4,152</u>
Total functional expense	<u>\$ 339,880</u>	<u>\$ 505,353</u>	<u>\$ 164,448</u>	<u>\$ 54,583</u>	<u>\$ 1,064,264</u>

The accompanying notes are an integral part of this financial statement.

# ALISA ANN RUCH BURN FOUNDATION

## Statement of Cash Flows

Year Ended December 31, 2022

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### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (489,554)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	3,710
Non-cash operating lease expenses	31,168
Net unrealized losses on investments	144,543
Decrease in cash surrender value of life insurance	375
Change in assets and liabilities:	
Pledges, grants and other receivable	139,816
Prepaid expenses and other assets	(8,471)
Change in operating lease liability	(31,164)
Accounts payable	(5,359)
Accrued liabilities	<u>(10,124)</u>
Net cash used in operating activities	<u>(225,060)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(26,900)
Proceeds from disposition, money market investment	<u>53,482</u>
Net cash provided by investing activities	<u>26,582</u>

### CASH FLOWS USED IN FINANCING ACTIVITIES

Repayments, long term debt	<u>(3,540)</u>
Net decrease in cash and cash equivalents	(202,018)

**CASH AND CASH EQUIVALENTS, beginning of year** 567,795

**CASH AND CASH EQUIVALENTS, end of year** \$ 365,777

### SUPPLEMENTAL INFORMATION

Funds transferred to endowment fund	<u>\$ 9,000</u>
Interest payments, long-term debt	<u>\$ 4,152</u>

### Non-cash activities:

Right-of-use assets obtained in exchange for lease liabilities	<u>\$ 33,771</u>
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## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 1. ORGANIZATION

Alisa Ann Ruch Burn Foundation (the “Foundation”, the “Organization”) was founded in 1971. It derived its name and inspiration from an eight-year-old child, Alisa Ann, who was fatally burned in a backyard barbecue accident. The Foundation’s mission is to significantly reduce the number of burn injuries through prevention education and to enhance the quality of life of those affected by burn injuries in California. The Foundation works in partnership with firefighters, educators, burn care professionals, and community members to develop and implement programs and services. The Foundation is governed by an Executive Board of Directors and is aided by a small team of California staff located in Pasadena, Fresno, Clovis, and El Cerrito.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting:** 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.

**Financial Statement Presentation:** The Foundation is required to report classification of the net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. Each of the two classes of net assets – with donor restrictions, and without donor restrictions – are presented in the statement of financial position, and the amounts of change in each of those classes of net assets in the statement of activities.

**Net Assets:** The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions for use that are placed by its donors, as follows:

**Net Assets Without Donor Restrictions:** Net assets without donor restrictions are resources available for use in carrying out the mission of the Foundation, and include those expendable resources which have been designated for use by the Foundation. The Foundation reports restricted contributions, whose restrictions are met in the same reporting period, as unrestricted support. Net assets without donor restrictions also include quasi endowment net assets designated by the Board of Directors or management for specific purposes (known as quasi endowment net assets).

**Net Assets With Donor Restrictions:** Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Foundation’s unspent contributions are classified in this class if the donor limited their use. When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses are reported as decreases in net assets without donor restrictions.

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:** The Foundation considers all highly-liquid investments available for current use with a maturity of three (3) months or less to be cash equivalents, unless the investments are held for meeting restrictions of a capital or endowment nature.

**Pledges Receivable and Accounts Receivable:** Pledges receivable are unsecured amounts due on unconditional promises to give. Pledges receivable in the future are recorded at the present value of estimated future cash flows. Receivables are primarily unsecured amounts due to cost reimbursement or performance contracts. Conditional promises to give are not included as support until the conditions are substantially met. The Foundation uses the allowance method of accounting for receivables determined to be potentially uncollectable. In the management's opinion, all promises to give were collectible at year-end and therefore no allowance has been established.

**Endowment:** The Foundation's endowment consists of one individual donor-restricted endowment and three quasi-endowment funds designated by the Board of Directors for a variety of purposes.

The net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment funding is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift. The remaining portion is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

The Foundation has adopted an endowment payout policy to preserve and enhance the purchasing power of the endowment and to provide a relatively stable and constant return sufficient to meet a portion of the spending needs of the Foundation. The Board, with 100% vote, can release funds from quasi-endowments. To satisfy its long-term rate-of-return objectives, the Foundation relies on the endowment investment policy of Mariner Wealth Advisors (MWA). MWA targets a diversified asset allocation that is appropriate for a grant-making horizon between 3 and 7 years representing an overall moderate investment risk.

Accumulated investment gains are used to fund the difference between payout and current earnings. The endowment payout policy is intended to produce increasing yet smooth and predictable endowment distributions year over year. From time to time, the fair value of endowment funds may fall below the original gift amount. Deficiencies of this nature are referred to as underwater endowments. In the event that an endowment falls underwater, current management policy is to allow spending on the endowment.

**Revenue Recognition:** The Foundation's revenue recognition policies are as follows:

**Contributions:** Contributions are recorded as revenue upon receipt of cash or unconditional promise to give (pledge) in which there is no right of return of assets contributed and an indication of any donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement. Contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor-restrictions. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (continued):

**Fundraising Events Revenue:** Amounts received are recorded at the time of transaction.

**Contributed Goods and Services:** Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the services do not require specialized skills. It is impracticable to determine the fair market value of all donated services by the volunteers of the Foundation beyond those required to be recognized as income.

**Grants:** Certain grants are considered non-exchange transactions and are reported as increases in net assets without restrictions as the associated barriers are overcome, which generally is as allowable expenditures under such agreements are incurred.

**Endowment Support:** Endowment support, limited to the payout determined by the Board of Directors, is comprised of ordinary income and accumulated gains on endowment and quasi-endowment assets.

**Contract Revenue:** From time to time, the Foundation may receive and reports revenue from a contract related to the Assistance to Firefighters Grant Program. The Federal Emergency Management Agency (FEMA) compensates the Foundation for the performance of fire prevention and safety services in accordance with the contract award limits. Revenue is reported at the amount that reflects the consideration to which the Foundation expects to be entitled to in exchange for providing fire prevention and safety programming. Revenue is recognized in the period in which the Foundation satisfies its performance obligation related to the programming. The Foundation determines the transaction price for the services provided based on actual costs incurred, which are then reimbursed by the award amount disclosed within the contract.

**Prepaid Expenses:** Prepaid deposits and other costs are expensed ratably over their respective terms of agreement.

**Life Insurance Policy:** The Foundation is the owner and beneficiary of a life insurance policy on certain key executives. Life insurance is recorded at the amount that can be realized under the insurance contract, which is the cash surrender value. The carrying amounts of the cash surrender value of life insurance approximates fair value.

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property and Equipment, Net:** Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Property and Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than 1 year. Donated assets are capitalized at fair market value on the date of the gift. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Property, consisting primarily of equipment, is depreciated on a straight-line basis over estimated useful lives, generally three to five years. Fully depreciated assets are retained in the accounts at their estimated salvage value until their retirement. Estimated useful lives of the assets are as follows:

Computer Equipment	5 years
Furniture and Fixtures	7 years
Leasehold Improvements	15 years
Office Equipment	5 years
Software	3 years
Telephone Equipment	5 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

**Advertising Costs:** Advertising costs are expensed as incurred. There were no advertising expenses during 2022.

**Vacation Policy:** Vacation benefits are accrued on a monthly basis. Full-time employees accrue vacation time based upon years of service to the Foundation as follows:

Years Employed	Maximum Accrual Per Year
1 <sup>st</sup> Year	2 weeks
2 <sup>nd</sup> – 5 <sup>th</sup> Year	3 weeks
Over 5 years	4 weeks

Unused vacation leave is paid at the time of termination. Total value of accrued vacation at December 31, 2022, was approximately \$23,000. Vacation accrual is capped at 240 hours.

**Income Taxes:** The Foundation is a nonprofit corporation, qualifying under section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. As such, except for taxes pertaining to unrelated business income, the Foundation is exempt from federal and state income taxes. No provision has been made for income taxes, as the Foundation had no unrelated business income. The Foundation believes that it has appropriate support for any tax position taken and, as such, the Foundation has no material unrecognized tax benefits, tax penalties or interest as of and for the year ended December 31, 2022. The Foundation's tax years that are open for examination by federal and state agencies are three and four years, respectively.

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Expense Recognition and Allocation:** The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited, based on the percentage of expenses utilized by each. Compensation expense and related benefits are allocated on the basis of estimate of time and effort.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities.

**Fair Value Measurements:** The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described below:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period. Financial assets carried at fair value on a recurring basis include beneficial interest in assets held by others. The Foundation had no financial liabilities carried at fair value on a recurring basis at December 31, 2022. The Foundation had no assets or liabilities carried at fair value on a nonrecurring basis at December 31, 2022.

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Recently Adopted Accounting Pronouncements:** In February 2016, the FASB issued ASC Topic 842, Leases (ASC 842), to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

ASC 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in ASC 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted ASC 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied ASC 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, Leases.

The Organization elected the "package of practical expedients" under the transition guidance within ASC 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under ASC 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of ASC 842).

Adoption of ASC 842 resulted in the recording of ROU assets and lease liabilities related to the Organization's operating leases as disclosed in Note 10. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Recently Adopted Accounting Pronouncements (continued):** In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofits to expand their financial statement presentation and disclosure of information on contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 5, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Organization adopted the standard on January 1, 2022. The standard did not have a material impact on the Organization's financial statements.

**Pending Accounting Pronouncement:** In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of adopting this new guidance on its financial statements and does not expect the impact to be significant.



## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

### NOTE 3. ENDOWMENT ACTIVITIES

The Foundation has three funds, Alisa Ann Ruch Burn Foundation Endowment Fund (the AARBF Fund), the Woody and Louise "Bridge to Life" Scholarship Fund (the W&L Fund), and the Champ Camp Fund (collectively, the Funds). While these three funds do not carry donor restrictions, they have been designated by the Foundation's Board of Directors to function as endowment funds (i.e., quasi-endowments). The principal is generally retained, and the Board may appropriate contributions to and expenditures from the AARBF Fund, W&L Fund, and Champ Camp Fund by unanimous Board of Directors vote. The Funds include no donor imposed restricted funds as of December 31, 2022.

The Foundation has one endowment fund, Resiliency Endowment Fund. The fund was established with a \$35,000 donation.

Designations of endowment funds for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted fund	\$ --	\$ 35,597	\$ 35,597
Board designated funds	<u>693,132</u>	<u>--</u>	<u>693,132</u>
	<u>\$ 693,132</u>	<u>\$ 35,597</u>	<u>\$ 728,729</u>

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 814,712	\$ 31,661	\$ 846,373
Investment return			
Investment income	20,242	846	21,088
Net unrealized depreciation	(138,785)	(5,758)	(144,543)
Investment management fees	<u>(3,036)</u>	<u>(152)</u>	<u>(3,188)</u>
Total investment return	<u>(121,579)</u>	<u>(5,064)</u>	<u>(126,643)</u>
Other changes in endowment investment			
Transfers	<u>--</u>	<u>9,000</u>	<u>9,000</u>
Total investments at fair value	<u>\$ 693,132</u>	<u>\$ 35,597</u>	<u>\$ 728,729</u>

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 4. INVESTMENTS

The composition of investments is as follows at December 31, 2022:

	Mutual Funds	Money Market Funds	Total
The Resiliency Fund	\$ 32,159	\$ 3,438	\$ 35,597
The AARBF Fund	201,229	5,834	207,063
The W&L Fund	297,482	10,521	308,003
The Champ Camp Fund:	<u>172,737</u>	<u>5,329</u>	<u>178,066</u>
	<u>\$ 703,607</u>	<u>\$ 25,122</u>	<u>\$ 728,729</u>

Investment return consists of the following for the year ended December 31, 2022:

Investment income		\$ 21,088
Unrealized depreciation, net		(144,543)
Investment management fees	-	<u>(3,188)</u>
Total investment return		<u>\$ (126,643)</u>

### NOTE 5. GRANTS

The following is the list of grants received by the Foundation during the year ended December 31, 2022:

FEMA grant	\$ 21,470
Other grants	<u>158,600</u>
	<u>\$ 180,070</u>

### NOTE 6. LONG TERM DEBT

In July 2020, the Foundation received \$149,900 Economic Injury Disaster loan from the Small Business Administration. The loan has a 30-year term, carries fixed rate of 2.75%, and requires monthly payments of \$641, including principal and interest, after the initial 12-month deferment period. The Foundation started making regular scheduled monthly payments effective July 2021.

Future contractual payments during the years ending December 31, are as follows:

2023	\$ 3,638
2024	3,739
2025	3,843
2026	3,950
2027	4,060
Thereafter	<u>125,008</u>
	144,238
Current portion	<u>(3,638)</u>
Long-term debt, less current portion	<u>\$ 140,600</u>

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 7. LIFE INSURANCE POLICY

The Foundation is the owner and beneficiary of a \$50,000 life insurance policy with a cash surrender value of \$4,377 at December 31, 2022.

### NOTE 8. PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31, 2022:

Unconditional promises to give before unamortized discounts	\$ <u>6,500</u>
Amounts due in:	
Less than a year	\$ 1,500
One to two years	<u>5,000</u>
Total	<u>\$ 6,500</u>

Discount related to the unconditional promises to give was immaterial. These unconditional promises to give are from the members of the Board of the Foundation.

### NOTE 9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022:

Computer equipment	\$ 53,189
Furniture and fixtures	48,650
Leasehold improvements	27,999
Office equipment	17,703
Software	2,427
Telephone equipment	<u>3,800</u>
	153,768
Less accumulated depreciation and amortization	<u>(131,446)</u>
	<u>\$ 22,322</u>

Depreciation and amortization expense for the year ended December 31, 2022, was \$3,710.

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 10. OPERATING LEASE

The Organization leases two office spaces in Cerritos, California. These non-cancelable operating leases expire on January 31, 2023. The Organization's lease for location in Pasadena, California expired during 2022, and was not renewed.

The Organization adopted Topic 842 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. The Organization implemented ASC Topic 842 using certain practical expedients. Adoption of the new lease standard resulted in the recording of right-of-use asset and lease liability of \$33,771 as of the adoption date and is reflected as a noncash transaction for purposes of the statement of cash flows. The table below presents information regarding existing operating lease:

Weighted average remaining lease term (in years)	0.08
Weighted-average discount rate	0.4%

Future minimum lease payments required under these operating leases are as follows:

Year Ending December 31, 2023	\$ 2,607
Less amount representing interest	<u>          --</u>
Present value of minimum lease payments (current)	<u>\$ 2,607</u>

Lease expense for the year ended December 31, 2022 for Cerritos and Pasadena locations amounted to approximately \$55,500. Cash paid for amounts included in measurement of Cerritos leases liability was \$31,332.

### NOTE 11. OTHER ASSETS

In August 2018, the Foundation received a donation of cemetery plots that were valued at \$53,970. The donation carried no donor restrictions. The Board has not decided yet how the plots will be used. Options being considered may include donating the plots to families of burn victims or selling the plots. Management has determined that no indication of possible impairment related to these assets is present. No impairment losses were recognized in the financial statements in the current period.

### NOTE 12. CONTINGENCIES

In the ordinary course of its business, the Foundation may become involved in legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 13. RETIREMENT PLAN

The Foundation has a defined contribution 401(k) plan (the Plan) covering substantially all employees. Employees are eligible to participate in the Plan after they complete one year of service and attain age 21. The Foundation makes an annual Safe Harbor contribution to the Plan in an amount equal to 3% of eligible compensation. The Foundation may also make additional discretionary contributions into the Plan, which vest over four years of service. No discretionary contributions were made during 2022. The Foundation contributed \$10,288 to the Plan for the year ended December 31, 2022.

### NOTE 14. LIQUIDITY AND AVAILABILITY

The following reflects the Foundation's financial assets as of December 31, 2022, reduced by the amounts not available for general expenditures within one year. Financial assets are considered unavailable when not convertible to cash within one year, designated by the Board of Directors for endowment or other purposes, or include donor purpose or time restrictions which are not anticipated to be fulfilled within one year.

Financial assets at year end:

Cash and cash equivalents	\$ 365,777
Endowment funds	728,729
Pledges receivable	6,500
Cash surrender value of life insurance policy	<u>4,377</u>
Total financial assets	1,105,383
Less amounts unavailable for general expenditures within one year, due to purpose restrictions by donors	<u>(56,952)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,048,431</u>

In addition to existing financial assets available to meet general expenditures within one year, the Foundation receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses and has a policy to target a year-end balance of reserves of undesignated net assets without restrictions, at one fiscal year of expected expenditures. To achieve these targets, the Foundation forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the year ended December 31, 2022, the level of liquidity and reserves was managed within the policy requirements.

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

### NOTE 15. NET ASSETS WITH DONOR RESTRICTIONS

The composition of net assets with donor restrictions is as follows at December 31, 2022:

Purpose Restriction (Champ Camp)	\$ 21,355
Resiliency Fund (endowment fund)	<u>35,597</u>
Investments	<u>\$ 56,952</u>

### NOTE 16. FAIR VALUE MEASUREMENTS

Fair value is determined based on assumptions that a market participant would use in pricing an asset or liability. Measurements of fair value are classified within a hierarchy based upon valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1* Observable quoted prices in active markets for identical assets and liabilities.
- Level 2* Observable quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3* Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following methods and assumptions were used to estimate the fair value of each class of assets that are recognized at fair value:

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the United States Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

*Money market fund:* Value approximates carrying value.

Foundation's assets carried at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	<u>Fair Value Measurements Using</u>			Total
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
December 31, 2022				
Money market funds	\$ 25,122	--	--	\$ 25,122
Mutual funds	<u>703,607</u>	--	--	<u>703,607</u>
Total investments at fair value	<u>\$ 728,729</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 728,729</u>

## ALISA ANN RUCH BURN FOUNDATION

Notes to Financial Statements  
Year Ended December 31, 2022

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### NOTE 17. CONCENTRATIONS OF CREDIT RISK

**Cash and Cash Equivalents:** Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Foundation deposits its cash with high quality financial institutions, and management believes the Foundation is not exposed to significant credit risk on those amounts.

**Investments:** The Foundation's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Because of the significance of the investments to the Foundation's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

### NOTE 18. ECONOMIC DEPENDENCY

The majority of the Foundation's contributions and grants are received from corporations, foundations, and individuals located in the greater Los Angeles and San Francisco metropolitan areas, and from agencies of the state of California. As such, the Foundation's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Foundation's services.

### NOTE 19. RELATED PARTY TRANSACTIONS

Prior to 2022, the Board of Directors approved transfer of the investments from a bank to a wealth management firm (the Firm) for which one of the Directors serves as a managing director. No fees were paid by the Foundation to the Firm during 2022.

### NOTE 20. SUBSEQUENT EVENTS

Management evaluated events and transactions occurring subsequent to December 31, 2022 through September 7, 2023, the date the financial statements were issued. During this period, there were no subsequent events requiring recognition or disclosure in the financial statements.