

**SAN DIEGO COUNTY
MEDICAL SOCIETY FOUNDATION
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
San Diego County Medical Society Foundation

We have audited the accompanying financial statements of San Diego County Medical Society Foundation, A Nonprofit Organization, which comprise of the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, 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 from material misstatement.

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

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

Earning Your Trust Since 1946

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego County Medical Society Foundation, as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in cursive script that reads "Considine & Considine".

CONSIDINE & CONSIDINE
An Accountancy Corporation

January 15, 2016

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014**

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	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 107,857	\$ 42,536
Investments (Note 3)	173,586	394,249
Grants and Contracts Receivable	38,148	43,646
Accounts Receivable	7,764	16,002
Prepaid Expenses	5,162	-
TOTAL ASSETS	332,517	496,433
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	91,646	122,752
Deferred Income	29,002	-
Accrued Expenses	17,967	20,095
Fiscal Agency Payable	9,663	14,453
	148,278	157,300
NET ASSETS (NOTE 6)		
Unrestricted Net Assets	69,109	241,931
Temporarily Restricted Net Assets	115,130	97,202
	184,239	339,133
TOTAL LIABILITIES AND NET ASSETS	\$ 332,517	\$ 496,433

See Accompanying Notes

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES			
In-Kind Donations	\$ 838,078	\$ -	\$ 838,078
Grant Revenue	36,409	187,797	224,206
Contract Income	97,211	-	97,211
Contributions	67,076	1,870	68,946
Investment Income, Net	7,894	773	8,667
Other Income	8,039	-	8,039
Funds Released From Restrictions	185,263	(185,263)	-
	<u>1,239,970</u>	<u>5,177</u>	<u>1,245,147</u>
SPECIAL EVENTS (Note 8)			
Events Revenue	179,390	12,751	192,141
Direct Benefit to Donors	(45,140)	-	(45,140)
	<u>134,250</u>	<u>12,751</u>	<u>147,001</u>
Total Revenues	1,374,220	17,928	1,392,148
EXPENSES			
Program	1,388,421	-	1,388,421
General and Administrative	52,249	-	52,249
Fundraising	106,372	-	106,372
	<u>1,547,042</u>	<u>-</u>	<u>1,547,042</u>
CHANGE IN NET ASSETS	<u>(172,822)</u>	<u>17,928</u>	<u>(154,894)</u>
NET ASSETS, BEGINNING OF YEAR	<u>241,931</u>	<u>97,202</u>	<u>339,133</u>
NET ASSETS, END OF YEAR	<u>\$ 69,109</u>	<u>\$ 115,130</u>	<u>\$ 184,239</u>

See Accompanying Notes

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES			
In-Kind Donations	\$ 792,222	\$ -	\$ 792,222
Grant Revenue	178,326	365,809	544,135
Contract Income	103,683	-	103,683
Contributions	83,627	9,099	92,726
Investment Income, Net	6,310	695	7,005
Funds Released From Restrictions	341,201	(341,201)	-
	<u>1,505,369</u>	<u>34,402</u>	<u>1,539,771</u>
SPECIAL EVENTS (Note 8)			
Events Revenue	151,757	-	151,757
Direct Benefit to Donors	(20,009)	-	(20,009)
	<u>131,748</u>	<u>-</u>	<u>131,748</u>
Total Revenues	1,637,117	34,402	1,671,519
EXPENSES			
Program	1,553,757	-	1,553,757
General and Administrative	43,968	-	43,968
Fundraising	130,851	-	130,851
	<u>1,728,576</u>	<u>-</u>	<u>1,728,576</u>
CHANGE IN NET ASSETS	<u>(91,459)</u>	<u>34,402</u>	<u>(57,057)</u>
NET ASSETS, BEGINNING OF YEAR	<u>333,390</u>	<u>62,800</u>	<u>396,190</u>
NET ASSETS, END OF YEAR	<u>\$ 241,931</u>	<u>\$ 97,202</u>	<u>\$ 339,133</u>

See Accompanying Notes

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Bank Charges	\$ 25	\$ 5,057	\$ 10	\$ 5,092
Dues and Subscriptions	500	110	-	610
Grants and Scholarships	8,000	-	-	8,000
Insurance	2,498	-	-	2,498
Interest Expense	-	1,962	-	1,962
Marketing	21,225	-	446	21,671
Medical Services	817,038	-	-	817,038
Medical Supplies	14,378	-	-	14,378
Meetings and Education	9,106	407	4,499	14,012
Office Expenses	4,042	2,827	274	7,143
Outside Service and Consulting	73,785	900	5,860	80,545
Payroll Costs	333,550	31,731	47,436	412,717
Printing	3,054	71	747	3,872
Professional Fees	7,708	1,565	1,450	10,723
Rent	61,362	5,818	3,475	70,655
Special Event Expenses (Note 8)	-	-	85,104	85,104
Technology and Communication	13,190	1,429	1,888	16,507
Travel	8,446	372	323	9,141
Volunteer Recognition	10,514	-	-	10,514
	<u>1,388,421</u>	<u>52,249</u>	<u>151,512</u>	<u>1,592,182</u>
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	(45,140)	(45,140)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 1,388,421</u>	<u>\$ 52,249</u>	<u>\$ 106,372</u>	<u>\$ 1,547,042</u>

See Accompanying Notes

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Bank Charges	\$ 83	\$ 2,843	\$ 420	\$ 3,346
Dues and Subscriptions	1,609	110	305	2,024
Grants and Scholarships	7,008	-	-	7,008
Insurance	2,498	500	-	2,998
Marketing	23,231	-	1,520	24,751
Medical Services	787,805	-	-	787,805
Medical Supplies	14,076	-	-	14,076
Meetings and Education	10,521	10	895	11,426
Office Expenses	4,896	5,408	538	10,842
Outside Services and Consulting	132,910	579	7,917	141,406
Payroll Costs	460,289	27,062	49,020	536,371
Printing	3,287	122	5,179	8,588
Professional Fees	6,074	124	178	6,376
Rent	60,987	4,505	2,739	68,231
Special Event Expenses (Note 8)	-	-	80,122	80,122
Technology and Communication	16,810	2,396	1,128	20,334
Travel	9,811	309	607	10,727
Volunteer Recognition	11,862	-	292	12,154
	<u>1,553,757</u>	<u>43,968</u>	<u>150,860</u>	<u>1,748,585</u>
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	(20,009)	(20,009)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 1,553,757</u>	<u>\$ 43,968</u>	<u>\$ 130,851</u>	<u>\$ 1,728,576</u>

See Accompanying Notes

**SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

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	2015	2014
CASH FLOWS USED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (154,894)	\$ (57,057)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Investment Income, Net	(8,667)	(7,006)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	8,238	(13,417)
Grants and Contracts Receivable	5,498	113,783
Prepaid Expenses	(5,162)	-
Accounts Payable	(31,106)	82,581
Accrued Expenses	(2,128)	1,065
Deferred Event Revenue	29,002	-
Deferred Grants and Contracts Revenues	-	(241,531)
	(4,325)	(64,525)
NET CASH USED BY OPERATING ACTIVITIES	(159,219)	(121,582)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	242,081	95,000
Purchases of Investments	(12,751)	-
	229,330	95,000
CASH FLOWS USED BY FINANCING ACTIVITIES		
Net Change in Fiscal Agency Payable	(4,790)	(27,559)
NET INCREASE/(DECREASE) IN CASH	65,321	(54,141)
CASH, BEGINNING	42,536	96,677
CASH, ENDING	\$ 107,857	\$ 42,536
SUPPLEMENTAL DISCLOSURES:		
Income Taxes Paid	\$ -	\$ -
Interest Paid	\$ 1,962	\$ -

See Accompanying Notes

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

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NOTE 1 ORGANIZATION

The San Diego Medical Society Foundation (the "Foundation") is a California Nonprofit Organization. The Foundation's mission is to build a healthier San Diego by addressing unmet San Diego health care needs for all patients and physicians through education and innovation. The Foundation was formed as a separate non-for-profit corporation by the leadership of the San Diego County Medical Society ("SDCMS") in 2004 to facilitate volunteerism on the part of the SDCMS members, and SDCMS remains committed to the success of the Foundation, as demonstrated through donated services annually.

The Foundation's programs consist of the following initiatives:

Access to Care

The Foundation is in support of local organizations that provide direct care to the neediest of our community. By recruiting physicians who wish to donate their services, helping to connect the needy to low-cost specialty care, the Foundation is committed to playing an active role in solving this community-wide problem. The Foundation recruited over 625 physicians who provided donated services directly to the Foundation totaling \$771,032 and \$726,375 for the years ended September 30, 2015 and 2014, respectively (See Note 2). Additional donated services were provided directly to individuals totaling \$504,893 and \$660,043 based on normalized Medicare rates for the year ended September 30, 2015 and 2014, respectively.

Medical Student Support

By expanding the original mission of the organization, the Foundation provides scholarships to medical students and new residents services in San Diego County. Additional support to the students includes:

- Expanded support of Student Legislative Day, where students participate with physicians from around California learning about legislative impact on healthcare policy and interacting with legislators in Sacramento.
- Opportunities to attend Surgery Day activities and observe operating room procedures.

These programs are developed to sensitize students to the needs of the San Diego community and to promote physician retention in San Diego after graduation and residency.

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

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NOTE 1 ORGANIZATION (Continued)

Retired Physicians Society

The Foundation is convening retired physicians living in the San Diego community who are interested in continuing to use their talents and skills in a voluntary capacity. At quarterly meetings, members have an opportunity to network with a variety of community organizations that would value and utilize their concerns facing our community. The goal is to provide opportunities for retired physicians to connect with, become involved with, participant in, and offer leadership to organizations that serve the healthcare needs the underserved in our community.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements are prepared using the accrual method of accounting in conformity with generally accepted accounting principles.

Basis of Presentation - The Foundation reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - Unrestricted amounts consist of assets which are fully available, at the discretion of management and the Board of Directors, for the Foundation to utilize in any of its programs or supporting services.

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.

Permanently Restricted Net Assets - Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

Concentration of Credit Risk - The Foundation maintains its cash in bank deposit account which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash - The Foundation considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Foundation maintains its bank accounts with a national bank.

Property and Equipment - Property and equipment are carried at cost or, if donated, at approximate value at the date of the gift. The Foundation follows the practice of capitalizing expenditures in excess of \$1,000. Expenditures for repairs and maintenance are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of five years. Property and equipment acquired by SDCMS, a related party by common board membership, are used by the Foundation for operating purposes. SDCMS and the Foundation have an agreement in place for shared costs.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Gains and losses are included in the statements of activities and changes in net assets.

Investment Income and Gains - Expenses relating to investment revenues, including investment advisory fees, amounted to \$474 and \$1,629 for the years ended September 30, 2015 and 2014, respectively, and have been netted against investment revenues in the accompanying Statement of Activities and Changes in Net Assets.

Fair Value Measurement - The Foundation follows accounting standards which define fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Fiscal Agency - The Foundation acts as a fiscal agent for the Cancer Care Fund and We Support U organizations. When nonprofit Foundations function as an agent helping donors make contributions to another entity, they do not receive a contribution when they receive the assets, nor do they make a contribution when they disburse the assets to the other entity. Instead they act as go-betweens, passing the assets from the donor through the Foundation to the specified entity, and accordingly, record the funds as a liability. FASB ASC 958-605 establishes standards for transactions in which an entity, the donor, makes a contribution by transferring assets to a nonprofit, a recipient entity, that accepts the assets from the donor and agrees to use those assets as specified by the donor.

Funds held by the Foundation for use by the Cancer Care Fund at September 30, 2015 and 2014 were \$9,663. Funds held by the Foundation for use by We Support U at September 30, 2014 were \$4,790.

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising - The Company follows the policy of expensing advertising costs as incurred. Advertising expense was \$21,671 and \$24,751 for the years ended September 30, 2015 and 2014, respectively. The majority of advertising expenses incurred by the Company were contributed by SDCMS and recorded as an in-kind contribution.

Deferred Revenue - Revenue received in advance of a special event are deferred. The revenues are recognized when the event occurs.

Revenue Recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

Grant and Contract Revenue - Grant and contract revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant or the contract. A receivable is recorded when revenue earned under a grant or contract exceeds the cash received. Deferred grant and contract revenue is recorded when cash received under a grant or contract exceeds the revenue earned. Grants and contracts receivable totaled \$38,148 and \$43,646 at September 30, 2015 and 2014, respectively.

In-Kind Contributions - In-kind contributions are reflected as contributions at fair value at the date of donation and are reported as unrestricted support unless specific donor stipulations specify how donated assets must be used. All donated services recognized created a non-financial asset or required specialized skills that would have been purchased if not donated. The Foundation received in-kind donations for medical services for individuals in need of care. The value of donated services totaled \$771,032 and \$726,375 for the years ended September 30, 2015 and 2014, respectively. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed. There are numerous other individuals who volunteer their time and perform a variety of tasks to assist the Foundation with the medical program, fundraising, and administrative support. No amounts have been reflected in the financial statements for these donated services as they do not meet the criteria for recognition as contributions. The Foundation benefited from in-kind donations of rent, telephone and other overhead expenses of \$67,046 and \$65,847 for the years ended September 30, 2015 and 2014, respectively.

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation, however, may be subject to tax on income which is not related to its exempt purpose. For the years ended September 30, 2015 and 2014, no such unrelated business taxable income was reported and, therefore, no provision for income taxes has been made.

The Foundation follows accounting standards which clarify the accounting for uncertainty in income taxes recognized in the Foundation's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition and measurement of a tax position taken or to be taken in a tax return. As of September 30, 2015 and 2014, the Foundation has not accrued interest or penalties related to uncertain tax positions. The Foundation files tax returns in the U.S. Federal jurisdiction and the State of California. The Foundation is no longer subject to examination by U.S. and California tax authorities for years before 2011 and 2010, respectively.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 3 INVESTMENTS

The Foundation's investments consist of the following:

	2015	2014
Mortgage Fund	\$ 172,179	\$ 188,696
Money Market Fund	1,407	205,553
	\$ 173,586	\$ 394,249

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2015:

	Unrestricted	Temporarily Restricted	Total
Realized and Unrealized Gains	8,314	\$ 828	\$ 9,142
Investment Fees	(420)	(55)	(475)
	\$ 7,894	\$ 773	\$ 8,667

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 3 INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2014:

	Unrestricted	Temporarily Restricted	Total
Realized and Unrealized Gains	\$ 7,785	\$ 849	\$ 8,635
Investment Fees	(1,475)	(154)	(1,629)
	\$ 6,310	\$ 695	\$ 7,006

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Computers and Printer	\$ 2,524
Accumulated Depreciation	(2,524)
	\$ -

Depreciation expense for the years ended September 30, 2015 and 2014 was \$0.

NOTE 5 FAIR VALUE MEASUREMENT

The Foundation follows the methods of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below.

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 5 FAIR VALUE MEASUREMENT (Continued)

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Investments including money market accounts are in actively traded markets and are classified as Level 1.

The Mortgage Fund is measured using values provided by Dunham & Associates and are classified as Level 3. The values are based on the fair market value of the underlying cash and securities.

Financial assets and liabilities carried at fair value measured on a recurring basis at September 30, 2015 and 2014 are classified in one of the three categories previously mentioned.

The table below presents the balances of assets measured at fair value as of September 30, 2015 on a recurring basis:

	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 1,407	\$ -	\$ -	\$ 1,407
Mortgage Fund	-	-	172,179	172,179
	\$ 1,407	\$ -	\$ 172,179	\$ 173,586

Changes in Level 3 financial instruments during the year ended September 30, 2015 were as follows:

	Mortgage Fund
Balance at October 1, 2014	\$ 188,696
Sales and Settlements	(16,517)
Balance at September 30, 2015	\$ 172,179

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 5 FAIR VALUE MEASUREMENT (Continued)

The table below presents the balances of assets measured at fair value as of September 30, 2014 on a recurring basis:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Growth Funds	\$ 118,959	\$ -	\$ -	\$ 118,959
Balanced Funds	59,479	-	-	59,479
Value Funds	19,827	-	-	19,827
Fixed Income Funds	7,288	-	-	7,288
Mortgage Fund	-	-	188,696	188,696
	<u>\$ 205,553</u>	<u>\$ -</u>	<u>\$ 188,696</u>	<u>\$ 394,249</u>

Changes in Level 3 financial instruments during the year ended September 30, 2014 were as follows:

	Mortgage Fund
Balance at October 1, 2013	\$ 200,468
Sales and Settlements	(11,772)
Balance at September 30, 2014	<u>\$ 188,696</u>

NOTE 6 NET ASSETS

Net assets consist of the following:

	2015	2014
Unrestricted:	\$ 69,109	\$ 241,931
Temporarily Restricted:		
Komen	43,122	43,172
Simon/Hertzka	34,004	31,315
Kaiser Surgery Day	18,551	17,204
Colorectal Cancer	10,441	843
Jump Start For Health	9,012	-
Immunize San Diego	-	4,668
	<u>115,130</u>	<u>97,202</u>
Total Net Assets	<u>\$ 184,239</u>	<u>\$ 339,133</u>

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 7 EMPLOYEE RETIREMENT PLAN

Employees participate in a 401(k) Profit Sharing Plan hosted by SDCMS. The Foundation matches 100% of eligible employees' contributions up to 6% of gross pay. The Foundation's contribution to the retirement plan for the year ended September 30, 2015 and 2014 was \$15,118 and \$19,030, respectively.

NOTE 8 SPECIAL EVENTS

Special event revenues and expenses are directly related to Celebration Ten Event and Aces for Health Golf Tournament and consist of the following for the year ended September 30, 2015:

Revenue:	
Ticket Sales	\$ 83,000
Sponsorships	65,500
Donations	26,650
Auction Proceeds	16,991
	192,141
Expenses:	
Direct Benefit to Donors	45,140
Other Event Expenses	27,214
Contribution to Simon-Hertzka fund	12,751
	85,105
Special Events Income	\$ 107,036

Special event revenues and expenses are directly related to Heroes Fall Event and Aces for Health Golf Tournament and consist of the following for the year ended September 30, 2014:

Revenue:	
Sponsorships	\$ 98,156
Ticket Sales	39,382
Auction Proceeds	10,510
Donations	3,709
	151,757
Expenses:	
Direct Benefit to Donors	20,009
Other Event Expenses	60,113
	80,122
Special Events Income	\$ 71,635

SAN DIEGO COUNTY MEDICAL SOCIETY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

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NOTE 9 RELATED PARTY TRANSACTIONS

The Foundation receives contributions from SDCMS, a related party through common board membership. Amounts received from SDCMS, which were forwarded from individual contributions that were collected through dues payments, for the year ended September 30, 2015 and 2014 were \$16,837 and \$17,041, respectively, and are recorded as unrestricted

The Foundation reimburses SDCMS, a related party through common board membership, for certain operational expenses. The Foundation had amounts due to SDCMS for reimbursement of expenses of \$44,759 and \$23,968 at September 30, 2015 and 2014, respectively. The following is a summary of expenses reimbursed to SDCMS for the year ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Payroll Costs	\$ 412,450	\$ 530,134
Rent	27,914	30,072
Other Overhead Expenses	15,423	22,092
Outside Services and Consulting	10,912	23,028
	<u>\$ 466,699</u>	<u>\$ 605,326</u>

NOTE 10 SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2016, the date the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.