

SEMPRA ENERGY FOUNDATION

Financial Statements

December 31, 2012 and 2011

(with Independent Auditor's Report thereon)

SEMPRA ENERGY FOUNDATION

Table of Contents

	<i>Page</i>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows.....	4
Notes to Financial Statements	5

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sempra Energy Foundation
San Diego, California

We have audited the accompanying financial statements of Sempra Energy Foundation (the "Foundation"), a California nonprofit organization, which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

The Foundation's 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.

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sempra Energy Foundation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Macias Consulting Group, Inc.

San Diego, California
April 24, 2013

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SEMPRA ENERGY FOUNDATION
Statements of Financial Position
December 31, 2012 and 2011
(In Thousands)

	2012	2011
ASSETS		
ASSETS		
Cash and equivalents	\$ 1,495	\$ 756
Accounts receivable	5	31
Investments in certificates of deposits	3,750	5,750
Total assets	\$ 5,250	\$ 6,537
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued federal excise tax	\$ 1	\$ 1
Total liabilities	1	1
NET ASSETS - UNRESTRICTED	5,249	6,536
Total liabilities and net assets	\$ 5,250	\$ 6,537

See notes to financial statements.

SEMPRA ENERGY FOUNDATION
Statements of Activities
Years Ended December 31, 2012 and 2011
(In Thousands)

	2012	2011
REVENUES AND OTHER SUPPORT		
Contributions		
Sempra Energy - donated services	\$ 78	\$ 74
Other income	40	69
Total revenues and other support	118	143
EXPENSES		
Program expenses		
Payments to charitable organizations	334	1,291
Matching employee gifts	721	788
Volunteer incentive programs	271	246
Donated program services	16	20
Administrative expenses	63	54
Total expenses	1,405	2,399
Change in net assets	(1,287)	(2,256)
NET ASSETS - unrestricted		
Beginning of year	6,536	8,792
End of year	\$ 5,249	\$ 6,536

See notes to financial statements.

SEMPRA ENERGY FOUNDATION
Statements of Cash Flows
Years Ended December 31, 2012 and 2011
(In Thousands)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,287)	\$ (2,256)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in operating assets		
Accounts receivable	26	(31)
Net cash used in operating activities	(1,261)	(2,287)
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investments	4,000	-
Purchases of investments	(2,000)	(5,750)
Net cash provided (used in) investing activities	2,000	(5,750)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	739	(8,037)
CASH AND EQUIVALENTS		
Beginning of year	756	8,793
End of year	\$ 1,495	\$ 756

See notes to financial statements.

**SEMPRA ENERGY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. ORGANIZATION

Sempra Energy Foundation (the Foundation) was established in October 2007. The Foundation is a nonprofit public benefit corporation organized under California Public Benefit Corporation Law and is based in San Diego, California, USA. The purpose of the Foundation is to provide support through community-based grant making to advance causes, encourage collaboration and support the personal engagement and involvement of employees of the Sempra Energy family of companies. The Foundation provides funding to public charities that benefit communities, especially at a grassroots level, in the areas of environment, education and disaster response and safety. On occasion, and as a response to regional needs assessments, grants are made through community-based initiatives that target a particular focus area and/or geographic region.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation – The financial statements of the Foundation are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America specific to nonprofit organizations. Accordingly, the Foundation's activities and related assets and liabilities are classified as unrestricted, temporarily restricted and permanently restricted according to the terms of the various contributions, grants and bequests and the donors' wishes or intentions.

The Foundation accounts for contributions in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 958-605. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions.

The Foundation presents its financial statements in accordance with ASC Topic 958. Under these standards, an organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A summary of these classifications and the related restrictions, where applicable, is as follows:

- Unrestricted net assets – Unrestricted net assets represent expendable funds available for operations that are not otherwise limited by donor restrictions.
- Temporarily restricted net assets – Temporarily restricted net assets consist of funds available that are expendable only for purposes specified by the donor or within a specified period of time. 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 statement of activities as net assets released from restrictions. As of December 31, 2012 and 2011, there were no temporarily restricted net assets.
- 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. As of December 31, 2012 and 2011, the Foundation had no permanently restricted net assets.

**SEMPRA ENERGY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from such estimates.

Cash and equivalents – The Foundation considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments – Investments are comprised of certificates of deposits and are stated at cost, adjusted for premiums and discounts, which approximates fair value, and are intended to be held until maturity. Interest income is accrued when earned.

Contributions – Unconditional contributions without donor-imposed restrictions are reported as unrestricted contributions in the period received. Donations and contracts with donor-imposed restrictions are reported as temporarily restricted support in the period received; however, support with donor-imposed restrictions whose restrictions are met in the same year are reported as unrestricted contributions.

Donated services – Amounts for donated services are reflected in the Statements of Activities and represent programmatic and general administrative services provided by a related party, Sempra Energy. During the years ended December 31, 2012 and 2011, the Foundation recorded programmatic donated services of \$15,541 and \$19,785, respectively, and general administrative donated services of \$62,225 and \$53,765, respectively.

Income tax status – 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 and is classified as a private foundation as defined under Section 509(a) of the Internal Revenue Code. The Foundation accounts for uncertain tax positions as required by FASB ASC Topic 740, Income Taxes. As of December 31, 2012 and 2011, management evaluated the Foundation's tax position and concluded that the Foundation had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

Reclassifications – Certain prior year amounts have been reclassified to conform with the current year presentation.

3. CASH AND EQUIVALENTS

As of December 31, 2012 and 2011, cash and equivalents were comprised of non-interest bearing accounts and money market accounts with a book balance of \$1,495,310 and \$756,015, respectively. The balance per financial institution at December 31, 2012 and 2011 was \$1,872,896 and \$1,103,328, respectively, of which \$30,580 and \$299,692 was uninsured by the Federal Deposit Insurance Corporation (FDIC).

SEMPRA ENERGY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2012 AND 2011

4. FEDERAL TAXES

Under Section 4940 of the Internal Revenue Code, a federal excise tax of 2% is normally imposed on a private foundation's net investment income (principally interest, dividends and net realized gains, less expenses incurred in the production of investment income). This tax is reduced to 1% when a foundation meets certain distribution requirements.

5. EXPENSES BY FUNCTIONAL CLASSIFICATION

The expenses of providing the Foundation's programs have been summarized in the Statements of Activities. Program expenses include the payments to charitable organizations, funds distributed for the Foundation's matching employee gifts and volunteer incentive programs, and donated services from Sempra Energy to carry out the programs of the Foundation. Administrative expenses represent donated services and expenses paid by Sempra Energy that allows the Foundation to carry out its daily operations and cover the cost of the Foundation's federal excise tax.

6. SUBSEQUENT EVENTS

The Foundation's management has reviewed the results of activities for the period of time from its year ended December 31, 2012 through April 24, 2013, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanied financial statements nor have any subsequent events occurred which would require disclosure.