



REPORT OF INDEPENDENT AUDITORS
AND COMBINED FINANCIAL STATEMENTS

SEACREST FOUNDATION AND AFFILIATE

June 30, 2021 and 2020

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Report of Independent Auditors

The Audit Committee of the Board of Directors
Seacrest Foundation and Affiliate

Report on the Financial Statements

We have audited the accompanying combined financial statements of Seacrest Foundation and Affiliate (“Seacrest Foundation”), which comprise the combined statements of financial position as of June 30, 2021 and 2020, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Seacrest Foundation and Affiliate as of June 30, 2021 and 2020, 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.

Moss Adams LLP

Irvine, California
August 23, 2021

**Seacrest Foundation and Affiliate
Combined Statements of Financial Position**

| ASSETS | | June 30, | |
|---|----|----------------------|----------------------|
| | | <u>2021</u> | <u>2020</u> |
| ASSETS | | | |
| Cash | \$ | 563,269 | \$ 189,226 |
| Investments | | 40,155,855 | 32,121,726 |
| Pledges receivable, net | | 305,690 | 426,129 |
| Prepaid expenses and other current assets | | 11,250 | 35,713 |
| Interest receivable | | <u>79,074</u> | <u>75,893</u> |
| Total assets | | <u>\$ 41,115,138</u> | <u>\$ 32,848,687</u> |
| LIABILITIES AND NET ASSETS | | | |
| LIABILITIES | | | |
| Accounts payable | \$ | 34,603 | \$ 19,225 |
| Accounts payable – related party | | 51,263 | 327,661 |
| Deferred revenue | | <u>22,080</u> | <u>101,624</u> |
| Total liabilities | | <u>107,946</u> | <u>448,510</u> |
| NET ASSETS | | | |
| Without donor restriction | | 28,271,331 | 21,920,592 |
| With donor restriction | | <u>12,735,861</u> | <u>10,479,585</u> |
| Total net assets | | <u>41,007,192</u> | <u>32,400,177</u> |
| Total liabilities and net assets | | <u>\$ 41,115,138</u> | <u>\$ 32,848,687</u> |

Seacrest Foundation and Affiliate Combined Statements of Activities

| | Year Ended June 30, 2021 | | |
|--|-------------------------------|----------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Contributions | \$ 54,412 | \$ 1,191,573 | \$ 1,245,985 |
| Special event revenue, net of expenses of \$122,406 | 23,668 | 2,686,001 | 2,709,669 |
| Investment return, net | 6,891,753 | 1,033,702 | 7,925,455 |
| Net assets released from restriction | 2,655,000 | (2,655,000) | - |
| Total revenues, gains, and other support | 9,624,833 | 2,256,276 | 11,881,109 |
| EXPENSES | | | |
| Grant to San Diego Hebrew Homes | 2,566,000 | - | 2,566,000 |
| Grant to Jewish Home Care Services | 89,000 | - | 89,000 |
| General and administrative | 147,581 | - | 147,581 |
| Fundraising | 471,513 | - | 471,513 |
| Total expenses | 3,274,094 | - | 3,274,094 |
| CHANGE IN NET ASSETS | 6,350,739 | 2,256,276 | 8,607,015 |
| NET ASSETS | | | |
| Beginning | 21,920,592 | 10,479,585 | 32,400,177 |
| Ending | \$ 28,271,331 | \$ 12,735,861 | \$ 41,007,192 |

**Seacrest Foundation and Affiliate
Combined Statements of Activities (Continued)**

| | Year Ended June 30, 2020 | | |
|--|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Contributions | \$ 53,428 | \$ 2,102,460 | \$ 2,155,888 |
| Special event revenue, net of expenses of \$288,990 | - | 450,119 | 450,119 |
| Investment return, net | 545,431 | 124,090 | 669,521 |
| Net assets released from restriction | 1,640,522 | (1,640,522) | - |
| Total revenues, gains, and other support | <u>2,239,381</u> | <u>1,036,147</u> | <u>3,275,528</u> |
| EXPENSES | | | |
| Grant to San Diego Hebrew Homes | 1,551,322 | - | 1,551,322 |
| Grant to Jewish Home Care Services | 89,200 | - | 89,200 |
| General and administrative | 142,504 | - | 142,504 |
| Fundraising | 537,100 | - | 537,100 |
| Total expenses | <u>2,320,126</u> | <u>-</u> | <u>2,320,126</u> |
| CHANGE IN NET ASSETS | (80,745) | 1,036,147 | 955,402 |
| NET ASSETS | | | |
| Beginning | <u>22,001,337</u> | <u>9,443,438</u> | <u>31,444,775</u> |
| Ending | <u>\$ 21,920,592</u> | <u>\$ 10,479,585</u> | <u>\$ 32,400,177</u> |

Seacrest Foundation and Affiliate Combined Statements of Cash Flows

| | Years Ended June 30, | |
|---|----------------------|--------------------|
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 8,607,015 | \$ 955,402 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Unrealized (gains) losses on investments | (6,558,295) | 255,074 |
| Contributions restricted for permanent endowment | (109,000) | (157,660) |
| Change in discount on pledges receivable | (30,735) | (30,170) |
| Changes in operating assets and liabilities | | |
| Pledges receivable | 151,174 | 106,000 |
| Prepaid expenses and other current assets | 24,463 | 43,809 |
| Interest receivable | (3,181) | (28,129) |
| Accounts payable | 15,378 | 225 |
| Accounts payable – related party | (276,398) | 292,578 |
| Deferred revenue | (79,544) | (46,086) |
| | <u>1,740,877</u> | <u>1,391,043</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (6,626,727) | (4,996,985) |
| Proceeds from sale of investments | 5,150,893 | 3,123,951 |
| | <u>(1,475,834)</u> | <u>(1,873,034)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from contributions restricted for permanent endowment | 109,000 | 157,660 |
| | <u>109,000</u> | <u>157,660</u> |
| NET CHANGE IN CASH | 374,043 | (324,331) |
| Cash, beginning of year | <u>189,226</u> | <u>513,557</u> |
| Cash, end of year | <u>\$ 563,269</u> | <u>\$ 189,226</u> |

Seacrest Foundation and Affiliate Notes to Combined Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of activities – Seacrest Foundation (“Seacrest”), is a California nonprofit public benefit corporation formed in August 2002 to support San Diego Hebrew Homes and charitable activities that are connected with San Diego Hebrew Homes (“SDHH”).

Per the bylaws, the principal purpose of Seacrest is to support SDHH and Jewish Home Care Services Inc. in their provision of service to the elderly Jewish community of San Diego County, or to support a successor to that supported organization in the event that they no longer principally serve the elderly Jewish community of San Diego County. The Board of Directors of Seacrest (the “Board”), has the right to distribute, in any fiscal year, up to 5% of the fair market value of the net assets held as of the end of the preceding fiscal year. Any distribution in excess of 5% requires a two-thirds majority. The current Board is comprised of 20 members.

Guardians of San Diego, Inc. (“Guardians”), is a California nonprofit private charity with the purpose of supporting SDHH and Seacrest activities. Effective July 17, 2017, Guardians amended its bylaws such that Seacrest appoints the Guardians board of directors and, therefore, the operations of Guardians are included in the accompanying combined financial statements. Guardians continues to be a separate legal entity; however, it does not have any assets, liabilities, or activities.

Collectively, Seacrest and Guardians are referred to as the “Foundation”.

Basis of combination – The combined financial statements include the accounts of Seacrest and Guardians. All significant inter-organization accounts and transactions have been eliminated in the combined financial statements.

Basis of presentation – The accompanying combined financial statements were prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). References to the ASC or ASU included herein refer to the Accounting Standards Codification and Accounting Standards Updates, respectively, established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Financial statement presentation – Based on the existence or absence of donor-imposed restrictions, the Foundation classifies resources into two categories: without donor restrictions and with donor restrictions.

Net assets without donor restriction – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation management and the board of directors.

Net assets with donor restriction – Represent contributions that are limited in use by the Foundation in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Seacrest Foundation and Affiliate

Notes to Combined Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Fair value measurements – The Foundation defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Foundation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under U.S. GAAP. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of receivables and payables approximates fair value as of June 30, 2021 and 2020, due to the relative short maturities of these instruments.

Investments – The Foundation's investments include various marketable securities, which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term, and such changes could materially affect the amounts reported in the combined financial statements. The fair value is determined using quoted market prices. Investment gains and losses are included in the changes in net assets in the combined statements of activities.

Investment return on restricted assets is reported as an increase in net assets without donor restriction if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment return is reported as an increase in net assets with donor restriction.

Pledges receivable – Unconditional written pledges of private gifts to the Foundation in the future are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows at a discount rate of 6%. Unconditional written pledges must be evidenced by donor signature and deemed legally enforceable by the Board. Conditional pledges, including intentions to pledge, are recognized as revenue when the funds are actually received. After pledges are originally recorded, an allowance for uncollectible pledges may be established based on specific circumstances.

Seacrest Foundation and Affiliate Notes to Combined Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Contributions – Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. Net assets are released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of events specified by the donors, including the passage of time. Donor restrictions on long-lived assets or cash to construct or acquire long-lived assets are considered to have expired when the assets are placed in service.

Contributed services – Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with various programs. The services do not meet the criteria for recognition as a contribution and are not reflected in the combined financial statements. The fair market value of contributed professional services is reported as support and an expense in the period in which the services are performed. Contributions of noncash assets are recorded at their fair values in the period received.

Grants – The Foundation recognizes grant expense and corresponding grant payable when grants are approved by the Board for distribution to recipient organizations.

Use of estimates – The preparation of the combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation may be subject to tax on income which is not related to its exempt purpose. The Foundation reported no unrelated business income for the years ended June 30, 2021 and 2020.

The Foundation follows accounting standards related to the recognition of uncertain tax positions. These standards provide detailed guidance for combined financial statement recognition, measurement, and disclosure of uncertain tax positions taken or expected to be taken on the income tax returns. The Foundation will record a liability for uncertain tax positions when it is more-likely-than-not that a tax position would not be sustained if examined by the taxing authority. Management has determined that the Foundation does not have any uncertain tax positions as of June 30, 2021. The Foundation files informational and income tax returns in the United States and various state and local jurisdictions.

Seacrest Foundation and Affiliate

Notes to Combined Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Recent accounting standards – In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, to clarify and improve the scope and the accounting guidance for contributions received and made. The amendments should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 968, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and also in determining whether a contribution is conditional. For transactions in which an entity serves as a resource recipient, the entity should apply the amendments in this update on contributions received to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. For transactions in which an entity serves as a resource provider, the entity should apply the amendments in this update to annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. The Foundation adopted the standard and it did not have a material impact to the combined financial statements in 2021.

Subsequent events – Subsequent events are events or transactions that occur after the combined statement of financial position date but before the combined financial statements are available to be issued. The Foundation recognizes in the combined financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the combined statement of financial position, including the estimates inherent in the process of preparing the combined financial statements. The Foundation's combined financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the combined statement of financial position but arose after the combined statement of financial position date and before the combined financial statements are available to be issued.

The Foundation has evaluated subsequent events through August 23, 2021, which is the date the combined financial statements were available to be issued.

Note 2 – Pledges Receivable

Pledges receivable consists of the following as of June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-------------------|-------------------|
| Gross pledges receivable | \$ 349,825 | \$ 500,999 |
| Present value discount | <u>(44,135)</u> | <u>(74,870)</u> |
| | <u>305,690</u> | <u>426,129</u> |
| Due in one year or less | 100,000 | 100,999 |
| Due after one year through five years | <u>249,825</u> | <u>400,000</u> |
| | <u>\$ 349,825</u> | <u>\$ 500,999</u> |

Seacrest Foundation and Affiliate Notes to Combined Financial Statements

Note 3 – Investments

Investment return and its classification for the year ended June 30, 2021, consists of the following:

| | 2021 | | Total |
|------------------------|------------------------------|---------------------------|---------------------|
| | Without Donor Restriction | With Donor Restriction | |
| Dividends and interest | \$ 924,309 | \$ 80,573 | \$ 1,004,882 |
| Investment expense | (178,978) | (22,546) | (201,524) |
| Unrealized gains | 5,814,694 | 743,601 | 6,558,295 |
| Realized gains | 331,728 | 232,074 | 563,802 |
| | <u>\$ 6,891,753</u> | <u>\$ 1,033,702</u> | <u>\$ 7,925,455</u> |

Investment return and its classification for the year ended June 30, 2020, consists of the following:

| | 2020 | | Total |
|---------------------------|------------------------------|---------------------------|-------------------|
| | Without Donor Restriction | With Donor Restriction | |
| Dividends and interest | \$ 715,169 | \$ 104,218 | \$ 819,387 |
| Investment expense | (87,191) | (19,328) | (106,519) |
| Unrealized (losses) gains | (317,526) | 62,452 | (255,074) |
| Realized gains (losses) | 234,979 | (23,252) | 211,727 |
| | <u>\$ 545,431</u> | <u>\$ 124,090</u> | <u>\$ 669,521</u> |

Seacrest Foundation and Affiliate

Notes to Combined Financial Statements

Note 3 – Investments (continued)

The following table presents the fair value of financial instruments in the fair value hierarchy as of June 30, 2021 and 2020:

| | 2021 | | | Assets Held at Net Asset Value | Total |
|--------------------------------|----------------------|---------------------|-------------|--------------------------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | | |
| Investments | | | | | |
| Corporate bonds | \$ 6,670,106 | \$ - | \$ - | \$ - | \$ 6,670,106 |
| Certificates of deposit | - | 733,636 | - | - | 733,636 |
| Corporate preferred securities | 1,109,056 | - | - | - | 1,109,056 |
| Money market funds | 2,045,483 | - | - | - | 2,045,483 |
| Foreign corporate bonds | - | 224,392 | - | - | 224,392 |
| Pooled funds | - | - | - | 2,701,975 | 2,701,975 |
| Municipal bonds | 422,493 | - | - | - | 422,493 |
| Mutual funds | | | | | |
| U.S. equity – large cap | 8,228,935 | - | - | - | 8,228,935 |
| Developed non-U.S. equity | 6,141,195 | - | - | - | 6,141,195 |
| U.S. equity – small/mid-cap | 4,436,693 | - | - | - | 4,436,693 |
| Emerging market | 1,023,999 | - | - | - | 1,023,999 |
| Growth equity | 2,342,242 | - | - | - | 2,342,242 |
| Growth high yield fixed income | 1,200,690 | - | - | - | 1,200,690 |
| Bond | 1,609,506 | - | - | - | 1,609,506 |
| Utilities | - | - | - | - | - |
| Real estate | 1,194,433 | - | - | - | 1,194,433 |
| US fund convertibles | - | - | - | - | - |
| Commodities | 71,021 | - | - | - | 71,021 |
| | <u>\$ 36,495,852</u> | <u>\$ 958,028</u> | <u>\$ -</u> | <u>\$ 2,701,975</u> | <u>\$ 40,155,855</u> |
| | 2020 | | | | |
| | Level 1 | Level 2 | Level 3 | Assets Held at Net Asset Value | Total |
| Investments | | | | | |
| Corporate bonds | \$ 7,645,501 | \$ - | \$ - | \$ - | \$ 7,645,501 |
| Certificates of deposit | - | 1,052,446 | - | - | 1,052,446 |
| Corporate preferred securities | 1,019,701 | - | - | - | 1,019,701 |
| Money market funds | 1,691,924 | - | - | - | 1,691,924 |
| Foreign corporate bonds | - | 314,154 | - | - | 314,154 |
| Pooled funds | - | - | - | 2,153,274 | 2,153,274 |
| Mutual funds | | | | | |
| U.S. equity – large cap | 5,811,443 | - | - | - | 5,811,443 |
| Developed non-U.S. equity | 4,679,350 | - | - | - | 4,679,350 |
| U.S. equity – small/mid-cap | 2,865,858 | - | - | - | 2,865,858 |
| Emerging market | 589,176 | - | - | - | 589,176 |
| Growth equity | 1,613,726 | - | - | - | 1,613,726 |
| Growth high yield fixed income | 983,415 | - | - | - | 983,415 |
| Bond | 675,412 | - | - | - | 675,412 |
| Utilities | 51,464 | - | - | - | 51,464 |
| Real estate | 867,058 | - | - | - | 867,058 |
| US fund convertibles | 71,550 | - | - | - | 71,550 |
| Commodities | 36,274 | - | - | - | 36,274 |
| | <u>\$ 28,601,852</u> | <u>\$ 1,366,600</u> | <u>\$ -</u> | <u>\$ 2,153,274</u> | <u>\$ 32,121,726</u> |

Seacrest Foundation and Affiliate Notes to Combined Financial Statements

Note 3 – Investments (continued)

The fair value of certificates of deposit and foreign corporate bonds are determined by discounting the related cash flow based on the current yield on similar instruments with comparable durations considering the credit worthiness of the issuer.

Corporate trusts and pooled funds are reported at fair value based on the net asset value estimates provided by the custodian.

Note 4 – Net Assets with Donor Restriction

Net assets with donor restriction includes the following as of June 30, 2021 and 2020:

| | 2021 | 2020 |
|--|---------------|---------------|
| Subject to expenditure for a specified purpose | | |
| Home Care services | \$ 66,579 | \$ 110,659 |
| Restricted for the benefit of SDHH | | |
| SDHH expansion | 117,483 | 43,500 |
| Katzin resident assistance | 472,626 | 230,964 |
| SDHH resident assistance | 2,885,491 | 1,846,930 |
| Operations | 103,499 | 288,761 |
| SDHH unrestricted | 1,744,255 | 1,794,879 |
| | 5,323,354 | 4,205,034 |
| Subject to appropriation and expenditure when a specified event occurs | | |
| SDHH and/or Home Care COVID-19-related grants | 1,073,036 | - |
| Sunshine Brooks general endowment | 2,805,400 | 2,805,400 |
| | 3,878,436 | 2,805,400 |
| Subject to spending policy and appropriation | | |
| Investment in perpetuity, the income from which is available to support SDHH resident assistance | | |
| Silverman Fund | 643,855 | 643,855 |
| Fisher Fund | 617,450 | 501,200 |
| Foster Family Fund | 1,000,000 | 1,000,000 |
| Levine Fund | 1,187,969 | 1,187,969 |
| Other Fund | 18,218 | 25,468 |
| | 3,467,492 | 3,358,492 |
| Total net assets with donor restrictions | \$ 12,735,861 | \$ 10,479,585 |

Seacrest Foundation and Affiliate

Notes to Combined Financial Statements

Note 4 – Net Assets with Donor Restriction (continued)

The Sunshine Brooks general endowment, contributed by SDHH to the Foundation, states that the Board may release and use the principal of the fund only in emergency situations. No endowment funds were released during the years ended June 30, 2021 and 2020.

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|---------------------|---------------------|
| Purpose restrictions accomplished | | |
| Grant to SDHH expansion | \$ - | \$ 303,500 |
| Grant to SDHH resident assistance | 1,500,000 | 950,000 |
| Grant to SDHH operations | 1,066,000 | 297,822 |
| Grant to Jewish Home Care Services | <u>89,000</u> | <u>89,200</u> |
| Total restrictions released | <u>\$ 2,655,000</u> | <u>\$ 1,640,522</u> |

Note 5 – Endowment

The Foundation's endowment consists of individual funds established for a variety of purposes. The Foundation has interpreted relevant state law as requiring preservation of the fair value of the original gift as of the date the gift of the donor restricted endowment funds explicit donor stipulations to the contrary. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted 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

Seacrest Foundation and Affiliate
Notes to Combined Financial Statements

Note 5 – Endowment (continued)

The endowment net asset composition by type of fund consists of the following at June 30, 2021 and 2020:

| | 2021 | | |
|---|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amounts required to be maintained in perpetuity by donor | \$ - | \$ 3,467,492 | \$ 3,467,492 |
| Accumulated investment gains available to support SDHH resident assistance | - | 1,608,666 | 1,608,666 |
| Donor-restricted endowment funds | <u>\$ -</u> | <u>\$ 5,076,158</u> | <u>\$ 5,076,158</u> |
| | | | |
| | 2020 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amounts required to be maintained in perpetuity by donor | \$ - | \$ 3,358,492 | \$ 3,358,492 |
| Accumulated investment gains available to support SDHH resident assistance | - | 643,231 | 643,231 |
| Donor-restricted endowment funds | <u>\$ -</u> | <u>\$ 4,001,723</u> | <u>\$ 4,001,723</u> |

Changes in endowment net assets for the years ended June 30, 2021, consist of the following:

| | 2021 | | |
|---|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$ - | \$ 4,001,723 | \$ 4,001,723 |
| Investment return, net | - | 1,026,950 | 1,026,950 |
| Appropriated earnings | - | (61,515) | (61,515) |
| Contributions | - | 109,000 | 109,000 |
| Donor-restricted endowment funds | <u>\$ -</u> | <u>\$ 5,076,158</u> | <u>\$ 5,076,158</u> |

Seacrest Foundation and Affiliate Notes to Combined Financial Statements

Note 5 – Endowment (continued)

Changes in endowment net assets for the years ended June 30, 2020, consist of the following:

| | 2020 | | Total |
|---|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Endowment net assets, beginning of year | \$ - | \$ 3,719,007 | \$ 3,719,007 |
| Investment return, net | - | 125,056 | 125,056 |
| Contributions | - | 157,660 | 157,660 |
| | <u> </u> | <u> </u> | <u> </u> |
| Donor-restricted endowment funds | <u>\$ -</u> | <u>\$ 4,001,723</u> | <u>\$ 4,001,723</u> |

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies in the years ended June 30, 2021 and 2020.

Return objectives and risk parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide funding for the operating expenses of programs supported by its endowment.

Investment strategy – The investment strategy of the Foundation is to develop a diversified portfolio of investments. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending policy – The Foundation has a policy of appropriating for distribution each year an amount equal to one percent (1%) per calendar quarter of the calculated average endowment fund value, equaling four percent (4%) per annum. No amounts will be appropriated to the extent that such distributions will result in the endowment assets falling below the historic contribution amount. This policy is consistent with the donor instructions. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Note 6 – Functional Allocation of Expenses

The combined financial statements report certain expense categories that are attributable to more than one program or support services function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function are allocated to a function based on a square footage or units of services basis.

Seacrest Foundation and Affiliate Notes to Combined Financial Statements

Note 6 – Functional Allocation of Expenses (continued)

Expenses related to providing these services for the years ended June 30, 2021 and 2020, are as follows:

| | 2021 | | | Total |
|--------------------------|---------------------|-------------------------------|-------------------|---------------------|
| | Program Services | Supporting Services | | |
| | | General and Administrative | Fundraising | |
| Grants | \$ 2,655,000 | \$ - | \$ - | \$ 2,655,000 |
| Management services | - | 105,000 | 471,513 | 576,513 |
| Insurance and accounting | - | 42,581 | - | 42,581 |
| | <u>\$ 2,655,000</u> | <u>\$ 147,581</u> | <u>\$ 471,513</u> | <u>\$ 3,274,094</u> |

| | 2020 | | | Total |
|--------------------------|---------------------|-------------------------------|-------------------|---------------------|
| | Program Services | Supporting Services | | |
| | | General and Administrative | Fundraising | |
| Grants | \$ 1,640,522 | \$ - | \$ - | \$ 1,640,522 |
| Management services | - | 105,000 | 537,100 | 642,100 |
| Insurance and accounting | - | 37,504 | - | 37,504 |
| | <u>\$ 1,640,522</u> | <u>\$ 142,504</u> | <u>\$ 537,100</u> | <u>\$ 2,320,126</u> |

Note 7 – Related Parties

Grant expense – As part of its operating activities, the Foundation makes grants to the organizations it supports. As of and for the year ended June 30, 2021, the Foundation recognized grant expense to SDHH of \$2,566,000 and to Jewish Home Care Services, Inc. of \$89,000. As of and for the year ended June 30, 2020, the Foundation recognized grant expense to SDHH of \$1,551,322 and to Jewish Home Care Services, Inc. of \$89,200.

Management agreement – The Foundation has a philanthropic and management agreement with SDHH for the performance of philanthropic and operational administrative services for a monthly fee of \$2,500 plus billable expenses as defined in the agreement. The agreement expires on June 30, 2023. The total amounts incurred by the Foundation under this contractual arrangement were \$599,886 and \$866,215 during the years ended June 30, 2021 and 2020, respectively. Included in accounts payable – related party is \$51,263 and \$327,661 payable under this contractual agreement as of June 30, 2021 and 2020, respectively.

Seacrest Foundation and Affiliate

Notes to Combined Financial Statements

Note 7 – Related Parties (continued)

Security interest – On March 7, 2019, SDHH entered into a long-term credit arrangement with a bank for up to \$8,000,000 (“Credit Agreement”). The Credit Agreement allowed for advances through September 1, 2019, as requested by SDHH. On September 1, 2019, the undisbursed principal was disbursed, and the Credit Agreement converted to a term loan subject to repayment over a term of 240 months. The Credit Agreement bears interest at 4.25 percent per annum and is secured by a security interest in the security accounts of the Foundation. The outstanding borrowings as of June 30, 2021, was \$7,542,341.

Note 8 – Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions limiting their use, within one year of June 30, 2021, comprise the following:

| | |
|------------------------|---------------------|
| Cash | \$ 563,269 |
| Short-term investments | 2,045,483 |
| Interest receivable | <u>79,074</u> |
| | <u>\$ 2,687,826</u> |

The Company has structured its financial assets and liquidity resources to be available within one year for its operating expenses, obligations, and capital construction costs not financed with debt. The Company maximizes its earnings potential on liquid assets by investing in short-term instruments. Short-term investments in the table above consist of money market funds and certificates of deposit.