



REPORT OF INDEPENDENT AUDITORS  
AND COMBINED FINANCIAL STATEMENTS

**SEACREST FOUNDATION AND AFFILIATE**

June 30, 2021 and 2020

## Table of Contents

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	PAGE
<b>Report of Independent Auditors</b>	1
<b>Combined Financial Statements</b>	
Combined statements of financial position	2
Combined statements of activities	3–4
Combined statements of cash flows	5
Notes to combined financial statements	6–17



## 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**

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**ASSETS**

	June 30,	
	2021	2020
<b>ASSETS</b>		
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	79,074	75,893
Total assets	\$ 41,115,138	\$ 32,848,687

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 34,603	\$ 19,225
Accounts payable – related party	51,263	327,661
Deferred revenue	22,080	101,624
Total liabilities	107,946	448,510
<b>NET ASSETS</b>		
Without donor restriction	28,271,331	21,920,592
With donor restriction	12,735,861	10,479,585
Total net assets	41,007,192	32,400,177
Total liabilities and net assets	\$ 41,115,138	\$ 32,848,687

## Seacrest Foundation and Affiliate Combined Statements of Activities

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
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
<b>EXPENSES</b>			
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
<b>NET ASSETS</b>			
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
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
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>
<b>EXPENSES</b>			
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>
<b>CHANGE IN NET ASSETS</b>	(80,745)	1,036,147	955,402
<b>NET ASSETS</b>			
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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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)
Net cash provided by operating activities	<u>1,740,877</u>	<u>1,391,043</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(6,626,727)	(4,996,985)
Proceeds from sale of investments	<u>5,150,893</u>	<u>3,123,951</u>
Net cash used in investing activities	<u>(1,475,834)</u>	<u>(1,873,034)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for permanent endowment	<u>109,000</u>	<u>157,660</u>
Net cash provided by financing activities	<u>109,000</u>	<u>157,660</u>
<b>NET CHANGE IN CASH</b>	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

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### 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

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#### 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

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### 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

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#### 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

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### Note 3 – Investments

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

	2021		
	Without Donor Restriction	With Donor Restriction	Total
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
	\$ 6,891,753	\$ 1,033,702	\$ 7,925,455

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

	2020		
	Without Donor Restriction	With Donor Restriction	Total
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
	\$ 545,431	\$ 124,090	\$ 669,521

## 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			Assets Held at Net Asset Value	Total
	Level 1	Level 2	Level 3		
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

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### 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

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#### 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

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### Note 5 – Endowment (continued)

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
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
	\$ 2,655,000	\$ 147,581	\$ 471,513	\$ 3,274,094
	2020			
	Program Services	Supporting Services		Total
		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
	\$ 1,640,522	\$ 142,504	\$ 537,100	\$ 2,320,126

### 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

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### 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.