REPORT OF INDEPENDENT AUDITORS
AND COMBINED FINANCIAL STATEMENTS

SEACREST FOUNDATION AND AFFILIATE

June 30, 2019 and 2018

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Report of Independent Auditors

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

Report on Combined 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, 2019 and 2018, 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 Combined 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, 2019 and 2018, 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, as of and for the year ended June 30, 2019, Seacrest Foundation adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

Moss Adams LLP

Irvine, California
August 30, 2019

ASSETS

	June 30, 2019	June 30, 2018
ASSETS		
Cash	$ 513,557	$ 863,909
Investments	30,503,766	26,676,616
Pledges receivable, net	501,959	692,136
Prepaid expenses	79,522	47,885
Interest receivable	47,764	60,839
Total assets	$ 31,646,568	$ 28,341,385

LIABILITIES AND NET ASSETS

	June 30, 2019	June 30, 2018
LIABILITIES		
Accounts payable	$ 19,000	$ 18,000
Accounts payable – related party	35,083	114,406
Deferred revenue	147,710	47,777
Total liabilities	201,793	180,183
NET ASSETS		
Without donor restriction	22,001,337	21,123,435
With donor restriction	9,443,438	7,037,767
Total net assets	31,444,775	28,161,202
Total liabilities and net assets	$ 31,646,568	$ 28,341,385

Seacrest Foundation and Affiliate
Combined Statements of Activities

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 125,848	$ 3,637,239	$ 3,763,087
Special event revenue, net of expenses of $88,399	-	294,827	294,827
Investment return, net	1,500,232	173,066	1,673,298
Net assets released from restriction	1,699,461	(1,699,461)	-
Total revenues, gains, and other support	3,325,541	2,405,671	5,731,212
EXPENSES			
Grant to Jewish Home Care Services	224,729	-	224,729
Grant to San Diego Hebrew Homes	1,599,732	-	1,599,732
General and administrative	134,142	-	134,142
Fundraising	489,036	-	489,036
Total expenses	2,447,639	-	2,447,639
CHANGE IN NET ASSETS	877,902	2,405,671	3,283,573
NET ASSETS			
Beginning	21,123,435	7,037,767	28,161,202
Ending	$ 22,001,337	$ 9,443,438	$ 31,444,775

See accompanying notes.

	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 52,233	$ 1,398,604	$ 1,450,837
Special event revenue, net of expenses of $327,188	-	1,813,867	1,813,867
Investment return, net	1,456,145	143,972	1,600,117
Net assets released from restriction	1,648,497	(1,648,497)	-
Total revenues, gains, and other support	3,156,875	1,707,946	4,864,821
EXPENSES			
Grant to Jewish Home Care Services	52,339	-	52,339
Grant to San Diego Hebrew Homes	1,596,158	-	1,596,158
General and administrative	136,958	-	136,958
Fundraising	502,212	-	502,212
Total expenses	2,287,667	-	2,287,667
CHANGE IN NET ASSETS	869,208	1,707,946	2,577,154
NET ASSETS			
Beginning	20,254,227	5,329,821	25,584,048
Ending	$ 21,123,435	$ 7,037,767	$ 28,161,202

Seacrest Foundation and Affiliate
Combined Statements of Cash Flows

	Years Ended June 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,283,573	$ 2,577,154
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains on investments	(626,850)	(492,164)
Contributions restricted for permanent endowment	(751,766)	(604,509)
Change in discount on pledges receivable	(33,624)	110,947
Changes in operating assets and liabilities:		
Pledges receivable	223,801	(530,800)
Prepaid expenses	(31,637)	2,826
Interest receivable	13,075	488
Accounts payable	1,000	(5,987)
Accounts payable – related party	(79,323)	65,975
Deferred revenue	99,933	(69,496)
Net cash provided by operating activities	2,098,182	1,054,434
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,042,006)	(5,064,377)
Proceeds from sale of investments	1,841,706	3,951,351
Net cash used in investing activities	(3,200,300)	(1,113,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for permanent endowment	751,766	604,509
Net cash provided by financing activities	751,766	604,509
NET CHANGE IN CASH	(350,352)	545,917
Cash, beginning of year	863,909	317,992
Cash, end of year	$ 513,557	$ 863,909

See accompanying notes.

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 twenty 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.

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.

Reclassifications – Certain amounts in the prior periods presented have been reclassified to conform to the current period combined financial statement presentation. These reclassifications have no effect on the previously reported change in net assets.

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 generally accepted accounting principles. 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, 2019 and 2018, 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 statement 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.

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 generally accepted accounting principles 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, 2019 and 2018.

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, 2019. The Foundation files informational and income tax returns in the United States and various state and local jurisdictions.

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

Recent accounting standards – On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Home has adjusted the presentation of these combined financial statements accordingly and has reclassified net assets as of June 30, 2018, as follows:

	Without Donor Restriction	With Donor Restriction
Unrestricted	$ 21,123,435	$ -
Temporarily restricted	-	4,588,703
Permanently restricted	-	2,449,064
	$ 21,123,435	$ 7,037,767

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.

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 30, 2019, which is the date the combined financial statements were issued.

Note 2 – Pledges Receivable

Pledges receivable consists of the following as of June 30, 2019 and 2018:

	2019	2018
Gross pledges receivable	$ 606,999	$ 830,800
Present value discount	(105,040)	(138,664)
Allowance for doubtful pledges	-	-
	$ 501,959	$ 692,136
Due in one year or less	$ 106,999	$ 212,800
Due after one year through five years	400,000	418,000
Due thereafter	100,000	200,000
	$ 606,999	$ 830,800

Note 3 – Investments

Investment return and its classification for the year ended June 30, 2019, consists of the following:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Dividends and interest	$ 641,282	$ 74,042	$ 715,324
Investment expense	(76,195)	(16,981)	(93,176)
Unrealized gains	518,713	108,137	626,850
Realized gains	416,432	7,868	424,300
	$ 1,500,232	$ 173,066	$ 1,673,298

Note 3 – Investments (continued)

Investment return and its classification for the year ended June 30, 2018, consists of the following:

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Dividends and interest	$ 710,935	$ 46,488	$ 757,423
Investment expense	(69,825)	(12,938)	(82,763)
Unrealized gains	390,513	101,651	492,164
Realized gains	424,522	8,771	433,293
	$ 1,456,145	$ 143,972	$ 1,600,117

The following table presents the fair value of financial instruments in the fair value hierarchy as of June 30, 2019:

	2019				
	Level 1	Level 2	Level 3	Assets Held at Net Asset Value	Total
Investments:					
Corporate bonds	$ 6,680,719	$ -	$ -	$ -	$ 6,680,719
Certificates of deposit	-	1,443,767	-	-	1,443,767
Corporate preferred securities	1,302,598	-	-	-	1,302,598
Money market funds	717,402	-	-	-	717,402
Foreign corporate bonds	-	208,174	-	-	208,174
Pooled funds	-	-	-	1,232,833	1,232,833
Mutual funds:					
U.S. equity - large cap	5,488,428	-	-	-	5,488,428
Developed non-U.S. equity	4,896,223	-	-	-	4,896,223
U.S. equity - small/mid-cap	2,800,447	-	-	-	2,800,447
Emerging market	1,565,812	-	-	-	1,565,812
Growth equity	1,612,931	-	-	-	1,612,931
Growth high yield fixed income	1,172,859	-	-	-	1,172,859
Bond	401,808	-	-	-	401,808
Real estate	950,029	-	-	-	950,029
Commodities	29,736	-	-	-	29,736
	$ 27,618,992	$ 1,651,941	$ -	$ 1,232,833	$ 30,503,766

Note 3 – Investments (continued)

The following table presents the fair value of financial instruments in the fair value hierarchy as of June 30, 2018:

	2018				
	Level 1	Level 2	Level 3	Assets Held at Net Asset Value	Total
Investments:					
Corporate bonds	$ 5,770,108	$ -	$ -	$ -	$ 5,770,108
Certificates of deposit	-	1,433,934	-	-	1,433,934
Corporate preferred securities	1,252,035	-	-	-	1,252,035
Money market funds	344,795	-	-	-	344,795
Foreign corporate bonds	-	199,339	-	-	199,339
Corporate trusts	-	-	-	42,391	42,391
Pooled funds	-	-	-	1,166,167	1,166,167
Mutual funds:					
U.S. equity - large cap	4,793,095	-	-	-	4,793,095
Developed non-U.S. equity	4,481,937	-	-	-	4,481,937
U.S. equity - small/mid-cap	2,446,643	-	-	-	2,446,643
Emerging market	1,300,775	-	-	-	1,300,775
Growth equity	1,250,705	-	-	-	1,250,705
Growth high yield fixed income	1,064,780	-	-	-	1,064,780
Bond	226,020	-	-	-	226,020
Real estate	879,480	-	-	-	879,480
Commodities	24,412	-	-	-	24,412
	$ 23,834,785	$ 1,633,273	$ -	$ 1,208,558	$ 26,676,616

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, 2019 and 2018:

	2019	2018
Subject to expenditure for a specified purpose:		
Home Care services	$ 118,181	$ 129,884
Restricted for the benefit of SDHH:		
SDHH expansion	258,500	286,064
Katzin resident assistance	206,513	157,993
SDHH resident assistance	1,537,366	1,199,185
Operations	119,146	10,177
SDHH unrestricted	1,197,500	-
	3,319,025	1,653,419
Subject to appropriation and expenditure when a specified event occurs:		
Sunshine Brooks general endowment	2,805,400	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	400,700	300,700
Foster Family Fund	1,000,000	1,000,000
Levine Fund	1,156,277	504,509
	3,200,832	2,449,064
Total net assets with donor restrictions	$ 9,443,438	$ 7,037,767

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, 2019 and 2018.

Note 4 – Net Assets with Donor Restriction (continued)

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:

	2019	2018
Purpose restrictions accomplished:		
Grant to SDHH expansion	$ 286,064	$ 176,604
Grant to SDHH resident assistance	1,199,185	1,244,000
Grant to SDHH operations	114,483	175,554
Grant to Jewish Home Care Services	99,729	52,339
Total restrictions released	$ 1,699,461	$ 1,648,497

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

Note 5 – Endowment (continued)

The endowment net asset composition by type of fund consists of the following at June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	$ -	$ 3,200,832	$ 3,200,832
Accumulated investment gains available to support SDHH resident assistance	-	518,175	518,175
Donor-restricted endowment funds	$ -	$ 3,719,007	$ 3,719,007

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	$ -	$ 2,449,064	$ 2,449,064
Accumulated investment gains available to support SDHH resident assistance	-	345,111	345,111
Donor-restricted endowment funds	$ -	$ 2,794,175	$ 2,794,175

Changes in endowment net assets for the years ended June 30, 2019, consist of the following:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 2,794,175	$ 2,794,175
Investment return, net	-	173,066	173,066
Contributions	-	751,766	751,766
Donor-restricted endowment funds	$ -	$ 3,719,007	$ 3,719,007

Note 5 – Endowment (continued)

Changes in endowment net assets for the years ended June 30, 2018, consist of the following:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 2,045,694	$ 2,045,694
Investment return, net	-	143,972	143,972
Contributions	-	604,509	604,509
Donor-restricted endowment funds	$ -	$ 2,794,175	$ 2,794,175

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, 2019 and 2018.

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

Expenses related to more than one functional expense category are allocated based on estimates by the Foundation. Expenses by functional classification were as follows for the years ended June 30:

	2019	2018
Program services	$ 1,824,461	$ 1,648,497
Supporting services:		
General and administrative	134,142	136,958
Fundraising	489,036	502,212
	$ 2,447,639	$ 2,287,667

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.

Expenses related to providing these services for the year ended June 30, 2019, are as follows:

		Supporting Services		
	Program Services	General and Administrative	Fundraising	Total
Grants	$ 1,824,461	$ -	$ -	$ 1,824,461
Management services	-	105,000	489,036	594,036
Legal and accounting	-	29,142	-	29,142
	$ 1,824,461	$ 134,142	$ 489,036	$ 2,447,639

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, 2019, the Foundation recognized grant expense to SDHH of $1,599,732 and to Jewish Home Care Services, Inc. of $224,729. As of and for the year ended June 30, 2018, the Foundation recognized grant expense to SDHH of $1,596,158 and to Jewish Home Care Services of $52,339.

Note 7 – Related Parties (continued)

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, 2021. The total amounts incurred by the Foundation under this contractual arrangement were $712,059 and $914,148 during the years ended June 30, 2019 and 2018, respectively. Included in accounts payable – related party is $35,083 and $114,406 payable under this contractual agreement as of June 30, 2019 and 2018, respectively.

Security interest – On March 7, 2019, SDHH entered into a $8,000,000 Multiple Disbursement Term Note (the "Note") with City National Bank. City National Bank will advance up to $8,000,000 at oral or written request of SDHH. On September 1, 2019, a total of $8,000,000 in SDHH borrowings will be subject to a term of 20 years at a fixed interest rate of 4.25%. The Note is secured by a security interest in security accounts of the Foundation. The outstanding borrowings at June 30, 2019, was $1,466,000.

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, 2019, comprise the following:

Cash	$ 513,557
Short-term investments	119,755
Interest receivable	47,764
	$ 681,076

The Company has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Company invests cash in excess of daily requirements in various short-term investments and short-term treasury instruments.