

Report of Independent Auditors and Combined Financial Statements

Seacrest Foundation and Affiliate

June 30, 2023 and 2022

MOSSADAMS

Table of Contents

	Page
Report of Independent Auditors	1
Combined Financial Statements	
Combined Statements of Financial Position	4
Combined Statements of Activities	5
Combined Statements of Cash Flows	7
Notes to Combined Financial Statements	8

MOSSADAMS

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the combined financial statements of Seacrest Foundation and Affiliate, which comprise the combined statements of financial position as of June 30, 2023 and 2022, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Seacrest Foundation and Affiliate as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Seacrest Foundation and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Seacrest Foundation and Affiliate's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Seacrest Foundation and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seacrest Foundation and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Moss Adams LLP

Irvine, California
August 31, 2023

Combined Financial Statements

Seacrest Foundation and Affiliate
Combined Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
ASSETS		
Cash	$ 61,623	$ 294,593
Investments	37,803,902	35,611,385
Pledges receivable, net	194,026	338,383
Prepaid expenses and other current assets	410,553	11,250
Interest receivable	88,297	82,570
Total assets	$ 38,558,401	$ 36,338,181
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 23,286	$ 18,540
Accounts payable – related party	139,379	142,435
Deferred revenue	563,633	77,450
Total liabilities	726,298	238,425
NET ASSETS		
Without donor restriction	26,313,532	23,898,505
With donor restriction	11,518,571	12,201,251
Total net assets	37,832,103	36,099,756
Total liabilities and net assets	$ 38,558,401	$ 36,338,181

See accompanying notes.

Seacrest Foundation and Affiliate
Combined Statements of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 199,933	$ 1,116,036	$ 1,315,969
Special event revenue, net of expenses of $70,876	-	297,143	297,143
Investment return, net	2,895,935	370,763	3,266,698
Net assets released from restriction	2,466,622	(2,466,622)	-
Total revenues, gains, and other support	5,562,490	(682,680)	4,879,810
EXPENSES			
Grant to San Diego Hebrew Homes	2,361,482	-	2,361,482
Grant to Jewish Home Care Services	105,140	-	105,140
General and administrative	147,095	-	147,095
Fundraising	533,746	-	533,746
Total expenses	3,147,463	-	3,147,463
CHANGE IN NET ASSETS	2,415,027	(682,680)	1,732,347
NET ASSETS			
Beginning	23,898,505	12,201,251	36,099,756
Ending	$ 26,313,532	$ 11,518,571	$ 37,832,103

See accompanying notes.

Seacrest Foundation and Affiliate
Combined Statements of Activities (Continued)
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 355,455	$ 1,427,493	$ 1,782,948
Special event revenue, net of expenses of $162,256	-	827,283	827,283
Investment return, net	(4,109,887)	(673,407)	(4,783,294)
Net assets released from restriction	2,115,979	(2,115,979)	-
Total revenues, gains, and other support	(1,638,453)	(534,610)	(2,173,063)
EXPENSES			
Grant to San Diego Hebrew Homes	2,069,979	-	2,069,979
Grant to Jewish Home Care Services	46,000	-	46,000
General and administrative	146,305	-	146,305
Fundraising	472,089	-	472,089
Total expenses	2,734,373	-	2,734,373
CHANGE IN NET ASSETS	(4,372,826)	(534,610)	(4,907,436)
NET ASSETS			
Beginning	28,271,331	12,735,861	41,007,192
Ending	$ 23,898,505	$ 12,201,251	$ 36,099,756

See accompanying notes.

Seacrest Foundation and Affiliate
Combined Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,732,347	$ (4,907,436)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Unrealized (gains) losses on investments	(2,160,935)	6,975,623
Contributions restricted for permanent endowment	(38,000)	(108,200)
Change in discount on pledges receivable	(32,143)	(6,193)
Changes in operating assets and liabilities		
Pledges receivable	176,500	(26,500)
Prepaid expenses and other current assets	(399,303)	-
Interest receivable	(5,727)	(3,496)
Accounts payable	4,746	(16,063)
Accounts payable – related party	(3,056)	91,172
Deferred revenue	486,183	55,370
Net cash (used in) provided by operating activities	(239,388)	2,054,277
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,539,958)	(7,418,843)
Proceeds from sale of investments	5,508,376	4,987,690
Net cash used in investing activities	(31,582)	(2,431,153)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for permanent endowment	38,000	108,200
Net cash provided by financing activities	38,000	108,200
NET CHANGE IN CASH	(232,970)	(268,676)
CASH, beginning of year	294,593	563,269
CASH, end of year	$ 61,623	$ 294,593

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 (SDHH) and charitable activities that are connected with 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 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.

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, 2023 and 2022, 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.

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. Contributions received for special events are recorded as deferred revenue until earned.

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, 2023 and 2022.

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, 2023. The Foundation files informational and income tax returns in the United States and various state and local jurisdictions.

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 31, 2023, which is the date the combined financial statements were available to be issued.

Note 2 – Pledges Receivable

Pledges receivable consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Gross pledges receivable	$ 199,825	$ 376,325
Present value discount	(5,799)	(37,942)
	194,026	338,383
Due in one year or less	100,000	176,500
Due after one year through five years	99,825	199,825
	$ 199,825	$ 376,325

Note 3 – Investments

Investment return and its classification for the year ended June 30, 2023, consisted of the following:

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Dividends and interest	$ 987,628	$ 124,986	$ 1,112,614
Investment expense	(58,859)	(25,557)	(84,416)
Unrealized gains	1,855,180	305,755	2,160,935
Realized gains (losses)	111,986	(34,421)	77,565
	$ 2,895,935	$ 370,763	$ 3,266,698

Investment return and its classification for the year ended June 30, 2022, consisted of the following:

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Dividends and interest	$ 1,075,245	$ 76,469	$ 1,151,714
Investment expense	(51,568)	(25,420)	(76,988)
Unrealized losses	(6,079,102)	(896,521)	(6,975,623)
Realized gains	945,538	172,065	1,117,603
	$ (4,109,887)	$ (673,407)	$ (4,783,294)

The following table presents the fair value of financial instruments in the fair value hierarchy as of June 30, 2023 and 2022:

	2023				
	Level 1	Level 2	Level 3	Assets Held at Net Asset Value	Total
Investments					
Corporate bonds	$ 7,521,683	$ -	$ -	$ -	$ 7,521,683
Certificates of deposit	-	1,175,449	-	-	1,175,449
Corporate preferred securities	749,357	-	-	-	749,357
Money market funds	433,411	-	-	-	433,411
Foreign corporate bonds	-	454,962	-	-	454,962
Pooled funds	-	-	-	2,683,139	2,683,139
Municipal bonds	384,497	-	-	-	384,497
Mutual funds					
U.S. equity – large cap	8,933,383	-	-	-	8,933,383
Developed non-U.S. equity	5,699,516	-	-	-	5,699,516
U.S. equity – small/mid-cap	3,682,986	-	-	-	3,682,986
Emerging market	699,858	-	-	-	699,858
Growth equity	2,006,263	-	-	-	2,006,263
Growth high yield fixed income	1,090,547	-	-	-	1,090,547
Bond	465,512	-	-	-	465,512
Strategic income	265,522	-	-	-	265,522
Real estate	1,027,340	-	-	-	1,027,340
Private equity	-	-	-	466,717	466,717
Commodities	63,760	-	-	-	63,760
	$ 33,023,635	$ 1,630,411	$ -	$ 3,149,856	$ 37,803,902

	2022				
	Level 1	Level 2	Level 3	Assets Held at Net Asset Value	Total
Investments					
Corporate bonds	$ 7,538,752	$ -	$ -	$ -	$ 7,538,752
Certificates of deposit	-	897,738	-	-	897,738
Corporate preferred securities	833,317	-	-	-	833,317
Money market funds	1,473,945	-	-	-	1,473,945
Foreign corporate bonds	-	440,539	-	-	440,539
Pooled funds	-	-	-	2,415,334	2,415,334
Municipal bonds	373,895	-	-	-	373,895
Mutual funds					
U.S. equity – large cap	7,647,263	-	-	-	7,647,263
Developed non-U.S. equity	4,960,532	-	-	-	4,960,532
U.S. equity – small/mid-cap	3,347,176	-	-	-	3,347,176
Emerging market	720,429	-	-	-	720,429
Growth equity	1,731,696	-	-	-	1,731,696
Growth high yield fixed income	958,113	-	-	-	958,113
Bond	390,113	-	-	-	390,113
Strategic income	200,218	-	-	-	200,218
Real estate	1,156,051	-	-	-	1,156,051
Private equity	344,661	-	-	-	344,661
Commodities	181,613	-	-	-	181,613
	$ 31,857,774	$ 1,338,277	$ -	$ 2,415,334	$ 35,611,385

The fair values 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 creditworthiness 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, 2023 and 2022:

	2023	2022
Subject to expenditure for a specified purpose		
Home Care services	$ 80,309	$ 108,022
Restricted for the benefit of SDHH		
SDHH expansion	337,926	218,836
Katzin resident assistance	343,852	288,697
SDHH resident assistance	2,142,911	2,464,068
Operations	153,456	731,598
SDHH unrestricted	2,016,431	2,005,344
	4,994,576	5,708,543
Subject to appropriation and expenditure when a specified event occurs		
SDHH and/or Home Care COVID-19-related grants	24,594	3,594
Sunshine Brooks general endowment	2,805,400	2,805,400
	2,829,994	2,808,994
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	738,650	725,650
Foster Family Fund	1,000,000	1,000,000
Levine Fund	1,187,969	1,187,969
Other Fund	43,218	18,218
	3,613,692	3,575,692
Total net assets with donor restrictions	$ 11,518,571	$ 12,201,251

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, 2023 and 2022.

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:

	2023	2022
Purpose restrictions accomplished		
Grant to SDHH resident assistance	$ 1,600,000	$ 900,000
Grant to SDHH operations	761,482	1,169,979
Grant to Jewish Home Care Services	105,140	46,000
Total restrictions released	$ 2,466,622	$ 2,115,979

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

The endowment net asset composition by type of fund consisted of the following at June 30, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	$ -	$ 3,613,692	$ 3,613,692
Accumulated investment gains available to support SDHH resident assistance	-	1,094,434	1,094,434
Donor-restricted endowment funds	$ -	$ 4,708,126	$ 4,708,126

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	$ -	$ 3,575,692	$ 3,575,692
Accumulated investment gains available to support SDHH resident assistance	-	838,589	838,589
Donor-restricted endowment funds	$ -	$ 4,414,281	$ 4,414,281

Changes in endowment net assets for the year ended June 30, 2023, consisted of the following:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 4,414,281	$ 4,414,281
Investment return, net	-	365,845	365,845
Appropriated earnings	-	(110,000)	(110,000)
Contributions	-	38,000	38,000
Donor-restricted endowment funds	$ -	$ 4,708,126	$ 4,708,126

Changes in endowment net assets for the year ended June 30, 2022, consisted of the following:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 5,076,158	$ 5,076,158
Investment return, net	-	(662,077)	(662,077)
Appropriated earnings	-	(108,000)	(108,000)
Contributions	-	108,200	108,200
Donor-restricted endowment funds	$ -	$ 4,414,281	$ 4,414,281

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, 2023 and 2022.

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.

Expenses related to providing these services for the years ended June 30, 2023 and 2022, are as follows:

	2023			
		Supporting Services		
	Program Services	General and Administrative	Fundraising	Total
Grants	$ 2,466,622	$ -	$ -	$ 2,466,622
Management services	-	105,000	533,746	638,746
Insurance and accounting	-	42,095	-	42,095
	$ 2,466,622	$ 147,095	$ 533,746	$ 3,147,463

	2022			
		Supporting Services		
	Program Services	General and Administrative	Fundraising	Total
Grants	$ 2,115,979	$ -	$ -	$ 2,115,979
Management services	-	105,000	472,089	577,089
Insurance and accounting	-	41,305	-	41,305
	$ 2,115,979	$ 146,305	$ 472,089	$ 2,734,373

Note 7 – Related Parties

Grant expense – As part of its operating activities, the Foundation makes grants to the organizations it supports. For the year ended June 30, 2023, the Foundation recognized grant expense to SDHH of $2,361,482 and to Jewish Home Care Services, Inc. of $105,140. For the year ended June 30, 2022, the Foundation recognized grant expense to SDHH of $2,069,979 and to Jewish Home Care Services, Inc. of $46,000.

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, 2025. The total amounts incurred by the Foundation under this contractual arrangement were $638,745 and $577,089 during the years ended June 30, 2023 and 2022, respectively. Included in accounts payable – related party is $139,379 and $142,435 payable under this contractual agreement as of June 30, 2023 and 2022, respectively.

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, 2023 and 2022, were $6,973,125 and $7,264,275, respectively.

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, 2023, comprised the following:

Cash	$	61,623
Short-term investments		1,116,322
Interest receivable		88,297
	$	1,266,242

The Foundation 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 Foundation 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.