# HOSPICE GIVING FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018

AND INDEPENDENT AUDITORS' REPORT

**HOSPICE GIVING FOUNDATION**

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HAYASHI | WAYLAND

## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors**
**Hospice Giving Foundation**
**Monterey, California**

### Report on the Financial Statements

We have audited the accompanying financial statements of ***Hospice Giving Foundation*** *(the Foundation) (a California nonprofit corporation)* which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.



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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 financial statements referred to above present fairly, in all material respects, the financial position of ***Hospice Giving Foundation*** 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.

January 20, 2020

Hayashi Wayland, LLP

**HOSPICE GIVING FOUNDATION**
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | $ 1,007,232 | $ 203,207 |
| Contributions receivable | 2,056,778 | 372,952 |
| Short-term investments | 42,978 | 57,025 |
| Prepaid expenses | 19,067 | 11,338 |
| Total current assets | 3,126,055 | 644,522 |
| PROPERTY AND EQUIPMENT – Net | 22,661 | 29,175 |
| OTHER ASSETS: | | |
| Deposits | 3,250 | 3,250 |
| Long-term investments | 21,901,344 | 20,518,909 |
| Trusts receivable | 2,103,475 | 1,933,718 |
| Total other assets | 24,008,069 | 22,455,877 |
| TOTAL ASSETS | $ 27,156,785 | $ 23,129,574 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 44,106 | $ 5,462 |
| Accrued liabilities | 24,428 | 58,387 |
| Current portion of trust and annuity liabilities | 1,045 | 9,595 |
| Total current liabilities | 69,579 | 73,444 |
| TRUST AND ANNUITY LIABILITIES | 5,623 | 30,088 |
| Total liabilities | 75,202 | 103,532 |
| NET ASSETS: | | |
| Without donor restrictions: | | |
| Undesignated | 3,089,339 | 619,410 |
| Board designated | 17,631,682 | 16,385,408 |
| Total without donor restrictions | 20,721,021 | 17,004,818 |
| With donor restrictions: | | |
| Purpose or time restricted | 2,781,026 | 2,464,688 |
| Donor restricted endowment | 3,579,536 | 3,556,536 |
| Total with donor restrictions | 6,360,562 | 6,021,224 |
| Total net assets | 27,081,583 | 23,026,042 |
| TOTAL LIABILITIES AND NET ASSETS | $ 27,156,785 | $ 23,129,574 |

See Notes to Financial Statements.

**HOSPICE GIVING FOUNDATION**
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|---|---|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| OPERATING SUPPORT AND REVENUE: | | |
| Contributions and pledges | $ 251,723 | $ 307,568 |
| Special events | 337,220 | 314,177 |
| Bequests | 3,692,989 | 541,720 |
| Other income | 25,215 | 14,698 |
| Net assets released from restrictions | 186,294 | 619,595 |
| Total operating support and revenue | 4,493,441 | 1,797,758 |
| OPERATING EXPENSES: | | |
| Program Services: | | |
| Community education | 161,224 | 141,828 |
| Grant making | 799,142 | 800,000 |
| Supporting Services: | | |
| General and administrative | 368,537 | 499,689 |
| Bequest management | 10,532 | 2,178 |
| Fundraising | 491,468 | 505,639 |
| Community engagement | 14,754 | – |
| Total operating expenses | 1,845,657 | 1,949,334 |
| Changes in net assets from operations | 2,647,784 | (151,576) |
| OTHER CHANGES: | | |
| Investment return – net: | | |
| Board designated | 1,031,323 | 425,785 |
| Program endowment | – | 383,902 |
| Trust and annuities | 10,653 | 3,846 |
| Change in value of split-interest agreements | 26,443 | (8,306) |
| Total other changes | 1,068,419 | 805,227 |
| INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS | $ 3,716,203 | $ 653,651 |

See Notes to Financial Statements.

**HOSPICE GIVING FOUNDATION**
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(Continued)

| | 2019 | 2018 |
|---|---|---|
| CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS: | | |
| Contributions | $ 101,841 | $ 31,773 |
| Investment return – net – | | |
| Donor restricted endowment | 254,034 | 252,056 |
| Change in value of split-interest agreements | 169,757 | 21,930 |
| Net assets released from restrictions | (186,294) | (619,595) |
| INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS | 339,338 | (313,836) |
| CHANGE IN NET ASSETS | 4,055,541 | 339,815 |
| NET ASSETS, BEGINNING OF YEAR | 23,026,042 | 22,686,227 |
| NET ASSETS, END OF YEAR | $ 27,081,583 | $ 23,026,042 |

See Notes to Financial Statements.

**HOSPICE GIVING FOUNDATION**
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2018)

| | PROGRAM SERVICES | | SUPPORTING SERVICES | | | | 2019 TOTAL | 2018 TOTAL |
|---|---|---|---|---|---|---|---|---|
| | Community Education | Grant Making | General and Administrative | Bequest Management | Fundraising | Community Engagement | | |
| Grants | $ - | $ 771,000 | $ - | $ - | $ - | $ - | $ 771,000 | $ 800,000 |
| Salaries and wages | 92,503 | 14,327 | 192,508 | - | 207,840 | - | 507,178 | 572,934 |
| Employee benefits and taxes | 13,896 | 1,800 | 67,866 | - | 44,684 | - | 128,246 | 123,665 |
| Administration | 3,113 | - | 9,938 | - | 4,903 | 281 | 18,235 | 17,464 |
| Depreciation | - | - | 6,514 | - | - | - | 6,514 | 4,344 |
| Development and donor relations | 182 | - | 180 | - | 3,775 | 8,486 | 12,623 | 32,390 |
| Direct mail expense | - | - | - | - | 16,888 | 4,692 | 21,580 | 28,709 |
| Dues and subscriptions | 1,448 | - | 1,784 | - | 1,148 | - | 4,380 | 7,460 |
| Educational workshops | 3,744 | - | 205 | - | - | - | 3,949 | 3,759 |
| Marketing and advertising | 18,624 | - | 5,339 | - | 17,619 | 668 | 42,250 | 43,460 |
| Office | 1,549 | - | 5,579 | - | 1,466 | - | 8,594 | 8,731 |
| Planned giving expense | - | - | - | 2,443 | 75 | - | 2,518 | 4,230 |
| Printing and reproduction | 5,614 | 126 | 3,667 | - | 1,491 | 627 | 11,525 | 9,347 |
| Professional fees | 1,570 | - | 47,599 | 8,089 | 1,570 | - | 58,828 | 69,027 |
| Rent | 11,866 | 11,866 | 11,868 | - | 11,866 | - | 47,466 | 45,435 |
| Repairs and maintenance | - | - | - | - | - | - | - | 235 |
| Special events | - | - | - | - | 93,059 | - | 93,059 | 112,072 |
| Taxes and fees | - | - | 1,552 | - | - | - | 1,552 | - |
| Technology | 4,925 | - | 9,099 | - | 83,631 | - | 97,655 | 54,982 |
| Travel, conference, meals | 2,190 | 23 | 4,839 | - | 1,453 | - | 8,505 | 11,090 |
| TOTALS | $ 161,224 | $ 799,142 | $ 368,537 | $ 10,532 | $ 491,468 | $ 14,754 | $ 1,845,657 | $ 1,949,334 |

See Notes to Financial Statements.

**HOSPICE GIVING FOUNDATION**
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ 4,055,541 | $ 339,815 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 6,514 | 4,344 |
| Change in value of split-interest agreements | (196,200) | (13,624) |
| Distribution from split-interest agreements | – | 342,743 |
| Net realized/unrealized (gain)/loss on investments | (780,123) | (610,590) |
| (Increase) decrease in: | | |
| Contributions receivable | (1,683,826) | (361,952) |
| Prepaid expenses | (7,729) | 127 |
| Increase (decrease) in: | | |
| Accounts payable | 38,644 | (16,528) |
| Accrued liabilities | (33,959) | 36,268 |
| Endowment assets to be transferred to CHOMP | – | (7,351,761) |
| Contractual payment to CHOMP | – | (450,797) |
| Contributions restricted for endowment | (23,000) | (12,780) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 1,375,862 | (8,094,735) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | – | (17,432) |
| Purchases of investments | (1,543,451) | (789,815) |
| Proceeds from the sale of investments | 955,186 | 8,989,982 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (588,265) | 8,182,735 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds of contributions restricted for endowment | 23,000 | 12,780 |
| Payments on annuity contracts | (6,572) | (9,595) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | 16,428 | 3,185 |
| NET INCREASE (DECREASE) IN CASH | 804,025 | 91,185 |
| CASH AT BEGINNING OF YEAR | 203,207 | 112,022 |
| CASH AT END OF YEAR | $ 1,007,232 | $ 203,207 |

See Notes to Financial Statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Description of Operations** – Hospice Giving Foundation (the Foundation) is an independent nonprofit foundation that raises, manages, and invests donor funds in order to award grants to a network of agencies that provide end-of-life care in Monterey and San Benito counties. The Foundation ensures donor dollars are properly directed, conducts thorough vetting of all prospective grantee organizations, and supports a breadth and depth of end-of-life services throughout the identified communities. By funding direct patient care, family support, community education and planning, the Foundation supports a continuum of services.

**Basis of Presentation** – The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The net assets, revenues, gains and losses, other support and expenses and other changes in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Foundation and changes therein are classified as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions. This includes certain amounts designated by the Board for endowment and other purposes.

- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time, or net assets that are perpetual in nature and subject to donor-imposed restrictions that they be maintained in perpetuity by the Foundation. Generally, the donors of these assets permit the Foundation to use all or a part of the income earned on related investments for general or donor-restricted purposes.

**Recognition of Donor Restriction** – Support that is restricted by the donor is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as “net assets released from restrictions”.

Gifts of land, buildings, and equipment are presented as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Revenue Recognition** – Contributions, which include unconditional promises to give, are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

**Cash** – The Foundation considers all highly liquid investments with an initial maturity of three months or less at the date of purchase to be cash except for money market funds held in investment brokerage accounts, which are classified as investments.

**Contributions Receivable** – Contributions receivable, which include unconditional promises to give, that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using an estimated discount rate applicable to the years in which the promises are received.

The Foundation uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management analysis of specific contributions made. The allowance has been estimated at zero for the years ended June 30, 2019 and 2018.

**Investments** – Marketable debt and equity securities are measured at fair value. Increases or decreases in market value are recognized in the period in which they occur.

**Property and Equipment** – All equipment acquired by purchase is stated at cost. Donated property is stated at fair value at the date of gift. Major improvements are capitalized to the property accounts, while maintenance and repairs which do not extend the life of the respective assets are expensed currently. The Foundation typically capitalizes items costing or valued at $500 or more with an estimated useful life of more than one year.

**Depreciation** – Depreciation is computed by use of the straight-line method based on the estimated useful lives of the respective assets, which range from five to fifteen years.

**Accrued Compensated Absences** – All employees of the Foundation accrue vacation and sick leave. The rate of accrual is based on seniority. Vacation accrues at the rate of 10 days for one year but less than three years of service, 15 days for 3 years but less than 8 years, and 20 days after 8 years of employment. Sick leave accrues at a rate of 10 days per year plus 2 personal days. Vacation is allowed to carryover at a maximum of 10 days. Any unused vacation accrual is paid upon termination. The President/CEO's accrued vacation and sick leave is negotiated as part of their annual contract with the board.

**Donated Services** – Donated services are not recorded unless such services create or enhance nonfinancial assets or require specialized skills and are so essential that they would be purchased if not provided by donation.

**Advertising Costs** – It is the policy of the Foundation to expense advertising costs as they are incurred. Advertising expenses for the years ended June 30, 2019 and 2018 totaled $5,184 and $6,541, respectively.

**Income Taxes** – As a tax-exempt not-for-profit organization, the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701(d) but is subject to taxes on unrelated business income when earned.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Management has considered the Foundation's tax positions and believes that all of the positions taken in its federal and state tax returns are more likely than not to be sustained upon examination. The Foundation's returns are subject to income tax examinations by the federal and state tax authorities, generally for three years and four years, respectively, after they are filed.

**Functional Allocation of Expenses** – The costs of providing program services and other activities have been presented on a functional basis in the statements of activities. Certain categories of expenses are attributable to both program and supporting functions. Accordingly, such costs have been allocated among the programs and supporting services benefited. Salaries, payroll taxes and benefits are allocated by a percentage of use determined by staff time. Facilities, equipment and other expenses which are attributable to more than one function are allocated based on the ratio of program or supporting services which receive the benefit of those expenses.

**Fair Value of Financial Instruments** – The carrying amount of financial instruments including cash, contributions receivable, accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

**Reclassifications** – Certain reclassifications have been made to the prior year comparative financial statements to conform with the current year presentation.

**Estimates** – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

**Summarized Comparative Totals** – The statement of functional expenses includes prior-year summarized comparative information in total, as functional expenses reporting under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities was not yet effective for the prior year ended June 30, 2018. Such information does not include sufficient detail to constitute presentation in conformity with U.S. generally accepted accounting principles (GAAP).

**Effect of New Pronouncements** – On August 18, 2016, the FASB issued ASU 2016-14. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The Foundation adopted the new guidance effective July 1, 2018 and applied the changes retrospectively. Implementation of this guidance resulted in a change in presentation of net assets, expenses and additional disclosures surrounding the Foundation's liquidity and availability of financial assets and the Foundation's functional expense allocation.

**Recent Accounting Pronouncements** – In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 provides a robust framework for addressing revenue recognition issues and, upon its effective date, will replace almost all pre-existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP. Implementation for non-public entities must occur in years beginning after December 15, 2018. Early application of the amendments in this Update is permitted. The Foundation has no plan for early implementation of this Statement. At this time the Foundation is not certain of the effect the adoption of ASU 2014-09 will have on the accompanying financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

On February 25, 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Non-public entities are required to adopt the standard for reporting periods beginning after December 15, 2020. All entities may elect to early-adopt. The core principle of the new leases standard is that lessees should recognize assets and liabilities arising from all leases, except for leases with a lease term of

12 months or less. This will significantly gross-up many entities balance sheets. The Foundation has no plan for early implementation of this Statement. At this time the Foundation is not certain of the effect the adoption of ASU 2016-02 will have on the accompanying financial statements.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. This standard is effective for nonpublic companies for years beginning after December 15, 2018. The Foundation has no plan for early implementation of this Statement. At this time the Foundation is not certain of the effect the adoption of ASU 2018-08 will have on the accompanying financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820). The amendments in the Update modify the disclosure requirements on fair value measurements, including the removal of the requirement to disclose: 1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; 2) the policy for timing of transfers between levels; 3) the valuation processes for Level 3 fair value measurements; 4) for nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. In lieu of a rollforward for Level 3 fair value measurement, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Foundation has no plan for early implementation of this Statement. At this time the Foundation is not certain of the effect the adoption of ASU 2018-13 will have on the accompanying financial statements.

**Subsequent Events** – Subsequent events have been evaluated through January 20, 2020, which is the date the financial statements were available to be issued.

**NOTE 2. CONCENTRATION OF CREDIT RISK**

The Foundation maintains cash in bank deposit accounts at several financial institutions located in California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2019 and June 30, 2018, all the Foundation's cash in bank deposit accounts was covered by FDIC Insurance.

Included in cash are Treasury Bills in the amount of $805,310 and $0 as of June 30, 2019 and June 30, 2018, respectively, which are insured up to $500,000 by the Securities Investor Protection Corporation (SIPC). At June 30, 2019 this balance exceeded SIPC limits by $305,310.

## NOTE 3. FAIR VALUE MEASUREMENTS

The Foundation measures its assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

The guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The guidance expands disclosures about instruments measured at fair value. The guidance applies to other accounting pronouncements that require or permit fair value measurements, and, accordingly, the guidance does not require any new fair value measurements.

As noted above, the guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. 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 statement.

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurements.

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 following table presents the financial instruments carried at fair value as of June 30, by caption on the statement of financial position by the valuation hierarchy defined above:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Investments (Note 5) | $ 21,944,322 | $ – | $ – | $ 20,575,934 | $ – | $ – |
| Trusts receivable (Note 6) | $ – | $ – | $ 2,103,475 | $ – | $ – | $ 1,933,718 |

Following is a description of the Foundation's valuation methodologies for assets and liabilities measured at fair value:

Fair value for Level 1 is based upon quoted market prices. Inputs are obtained from various sources including market participants, dealers, brokers and financial institutions.

**NOTE 3. FAIR VALUE MEASUREMENTS (Continued)**

Fair value for Level 3 utilizes the key input of a discount rate to convert the expected future cash flows from the trusts to a single present value amount. The Foundation utilizes an estimated discount rate at June 30, 2019 and 2018 and develops measurement criteria based on the best information possible. The net present value of the split-interest agreements in which the Foundation does not serve as trustee utilizes significant unobservable inputs in estimating fair value. The following is a comparative summary of activities for the years ended June 30, 2019 and 2018 for assets and liabilities measured at fair value based on Level 3 inputs:

| | 2019 |
|---|---|
| | Trusts Receivable |
| Balance, beginning of year | $ 1,933,718 |
| Change in value of split-interest agreements | 169,757 |
| Balance, end of year | $ 2,103,475 |

| | 2018 |
|---|---|
| | Trusts Receivable |
| Balance, beginning of year | $ 2,254,531 |
| Williams trust pay out | (342,742) |
| Change in value of split-interest agreements | 21,929 |
| Balance, end of year | $ 1,933,718 |

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**NOTE 4. CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30 consists of the following:

| | 2019 | 2018 |
|---|---|---|
| Conway and Norma Esselstyn Trust | $ 430,589 | $ – |
| Freeder Family Trust | 227,048 | 372,952 |
| Emilie Koontz Trust | 1,369,141 | – |
| Julia Vilarengo Trust | 30,000 | – |
| Total | $ 2,056,778 | $ 372,952 |

## NOTE 5. INVESTMENTS

The Foundation classifies its investments as follows:

**Board Designated Fund** – The Board Designated Fund accounts for those funds which are not restricted and will be expended for specific purposes as designated by the Board of Directors.

**Donor Restricted Endowment Fund** – The Donor Restricted Endowment Fund accounts for funds donated to the Foundation in which the principal is to be invested and only the related income and appreciation in the value of the endowment investments can be expended.

**Program Endowment Fund** – The Program Endowment Fund accounted for funds which were contractually obligated for the benefit of Hospice of the Central Coast, payable to Community Hospital of the Monterey Peninsula. Effective June 30, 2017 these funds are no longer contractually obligated. See Note 8 for further information.

**Charitable Gift Annuities Fund** – The Charitable Gift Annuities Fund accounts for funds donated to the Foundation in which the donor is to be paid annuity payments for life. The Foundation invests these funds based upon regulations of the California Department of Insurance and the Florida Office of Insurance Regulation.

At June 30, 2019 and 2018, $6,183 and $36,479, respectively, of the charitable gift annuities fund and other funds as needed, are required as reserves to meet the expected future payment obligations under the Foundation's outstanding annuity contracts.

Investments are stated at fair market value based on quoted market prices (Level 1). The investments portfolio included the following at June 30:

| | 2019 | | | |
|---|---|---|---|---|
| | Board Designated Fund | Donor Restricted Endowment Fund | Charitable Gift Annuities Fund | Total |
| Money Market | $ 18,893 | $ 13,581 | $ 10,504 | $ 42,978 |
| U. S. Government notes, bonds and T-bills | – | – | 74,997 | 74,997 |
| Domestic corporate bonds and bond funds | 7,839,845 | 1,441,712 | 15,867 | 9,297,424 |
| Domestic stocks and stock funds | 5,102,936 | 1,466,950 | 28,755 | 6,598,641 |
| International fixed income | – | – | 6,903 | 6,903 |
| International stocks and stock funds | 3,766,912 | 1,048,242 | 7,368 | 4,822,522 |
| Other | 903,096 | 197,761 | – | 1,100,857 |
| Total | $ 17,631,682 | $ 4,168,246 | $ 144,394 | $ 21,944,322 |

## NOTE 5. INVESTMENTS (Continued)

| | 2018 | | | |
|---|---|---|---|---|
| | Board Designated Fund | Donor Restricted Endowment Fund | Charitable Gift Annuities Fund | Total |
| Money Market | $ 46,482 | $ 8,625 | $ 1,918 | $ 57,025 |
| U. S. Government notes, bonds and T-bills | – | – | 72,491 | 72,491 |
| Domestic corporate bonds and bond funds | 7,069,140 | 1,312,786 | 13,024 | 8,394,950 |
| Domestic stocks and stock funds | 4,804,357 | 1,434,317 | 34,599 | 6,273,273 |
| International fixed income | – | – | 18,282 | 18,282 |
| International stocks and stock funds | 3,578,999 | 1,076,969 | – | 4,655,968 |
| Other | 886,430 | 217,515 | – | 1,103,945 |
| Total | $ 16,385,408 | $ 4,050,212 | $ 140,314 | $ 20,575,934 |

Investment return – net is comprised of the following for the years ended June 30:

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Board Designated Fund | Donor Restricted Endowment Fund | Program Endowment Fund | Trust and Annuities | Total |
| Interest/dividend income | $ 477,445 | $ 113,272 | $ – | $ 6,814 | $ 597,531 |
| Realized/unrealized gains (losses) on investments | 619,606 | 156,678 | – | 3,839 | 780,123 |
| Investment fees | (65,728) | (15,916) | – | – | (81,644) |
| Total investment return – net | $ 1,031,323 | $ 254,034 | $ – | $ 10,653 | $ 1,296,010 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Board Designated Fund | Donor Restricted Endowment Fund | Program Endowment Fund | Trust and Annuities | Total |
| Interest/dividend income | $ 338,483 | $ 105,393 | $ 71,106 | $ 3,346 | $ 518,328 |
| Realized/unrealized gains (losses) on investments | 132,216 | 158,499 | 319,375 | 500 | 610,590 |
| Investment fees | (44,914) | (11,836) | (6,579) | – | (63,329) |
| Total investment return – net | $ 425,785 | $ 252,056 | $ 383,902 | $ 3,846 | $ 1,065,589 |

## NOTE 6. SPLIT–INTEREST AGREEMENTS

**Trusts Receivable** –The Foundation is a remainderman beneficiary of three charitable remainder trusts for which the Foundation does not serve as Trustee. The assets of these trusts are in no way subject to the control of the Foundation at this time and are recorded at the estimated net present value of the assets to be received. The charitable remainder trust agreements stipulate that certain amounts are to be paid to individuals from trust income until such time that the trust is terminated. The Foundation also has two charitable gift annuities. The assets donated are recorded at fair market value. The charitable gift annuity agreements stipulate that the Foundation will pay an annual annuity for the life of the donor.

The net present value of assets and trust and annuity liabilities are recorded based on the present value of future payments calculated using IRS life expectancy tables in IRS Publication 590, dated December 2018 and discounted to its net present value at an estimated discount rate for the period of time at the date of the gift. The discount rates used ranged from 3.35% to 6.00% depending on when the contribution was received. The change in value of the trust agreements is recorded for the amortization of the discount and any changes in actuarial assumptions.

Upon the death of the last beneficiary of each trust, the assets of the individual trusts will become the property of the Foundation.

The carrying value of the split-interest agreements at June 30 consists of the following:

| | 2019 | 2018 |
|---|---|---|
| Charitable remainder trusts in which the Foundation does not serve as Trustee – net present value: | | |
| Remainder interest in Costello Family trust | $ 399,048 | $ 283,957 |
| Remainder interest in Armstrong trust | 46,649 | 45,718 |
| Remainder interest in Christensen Charitable Trust | 1,657,778 | 1,604,043 |
| Total | $ 2,103,475 | $ 1,933,718 |

At June 30 trust and annuity liabilities consists of the following:

| | 2019 | 2018 |
|---|---|---|
| Payable for charitable gift annuities | $ 6,668 | $ 39,683 |
| Total trust and annuity liabilities | $ 6,668 | $ 39,683 |

## NOTE 7. PROPERTY AND EQUIPMENT – NET

Property and equipment at June 30 consist of the following:

| | 2019 | 2018 |
|---|---|---|
| Furniture and fixtures | $ 74,175 | $ 74,175 |
| Less accumulated depreciation | 51,514 | 45,000 |
| Property and equipment – net | $ 22,661 | $ 29,175 |

Depreciation expense was $6,514 and $4,344 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 8. AGREEMENT WITH MONTAGE HEALTH**

Effective June 30, 2017, an agreement was signed between Montage Health (the parent company for Community Hospital of the Monterey Peninsula (CHOMP)) and the Foundation that altered the structure of the Program Endowment Fund while enabling both organizations to support end-of-life care in the community more fully. Restructuring this fund will allow both organizations to be more responsive to patient needs and families facing end-of-life concerns. The commitment remains to ensure the future of quality end-of-life care in the community. The organizations concluded that funding would be more effective if the two entities divided the original endowment and deployed the funds independently. Under the new agreement, a portion of the resources that once benefited only Hospice of the Central Coast will be pooled with the Foundation's other funds, bolstering the impact of the Foundation's grants to a range of organizations. In addition, a portion of the endowment fund will be transferred to Montage Health Foundation, the philanthropic arm of CHOMP's parent company, Montage Health. Those funds will support expanded end-of-life programs, including hospice, palliative care, transitional care to hospice, and a variety of support for patients and their families by the hospital and related Montage entities. Pursuant to this new agreement the assets transferred to Montage Health Foundation were $7,351,761 and that obligation was reflected in the Statement of Financial Position as a liability in a prior year. Payment was made to Montage Health Foundation in July 2017. The Foundation continued to record and track the remaining funds as a Program Endowment Fund until the board chose to designate the funds as part of the Board Designated fund in December 2017.

In order to facilitate a transition by Montage Health to supporting fully its own fundraising programs for its hospice and end of life services, in its revised June 2017 contract, the Foundation agreed to provide a temporary subsidy for up to five (5) years commencing on June 30, 2018 and ending on June 30, 2023. The subsidy, if payable, will be paid annually, commencing on June 30, 2018, and on June 30 of each succeeding year, through June 30, 2023. Per the 2017 agreement, the aggregate maximum amount of the subsidy will be $134,296. The annual payout, if any, will be up to $26,859. Reductions to the subsidy are cumulative. Montage Health reports its fundraising income annually to determine the subsidy calculation, if any.

As a result of Montage Health fundraising, the cumulative funds raised for its hospice service, Hospice of the Central Coast totaled $187,083 for the years ended June 30, 2019 and 2018. As this amount exceeds the $134,296 aggregate maximum subsidy, Hospice Giving Foundation no longer has a financial obligation to Montage Health and the subsidy obligation has ended.

## NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

At June 30 net assets with donor restrictions consist of the following:

| | 2019 | 2018 |
|---|---|---|
| Subject to expenditure for specific purpose or passage of time: | | |
| Split-interest agreements | $ 2,103,475 | $ 1,933,718 |
| Dalton statue fund | 10,000 | 10,000 |
| Other | 650 | 850 |
| Palliative care | 4,330 | 8,943 |
| Children end-of-life | 29,715 | 8,575 |
| Community education | 44,146 | 625 |
| Endowment earnings: | | |
| Community outreach and education | 6,551 | 4,726 |
| Hospice care at Westland House | 13,429 | 8,825 |
| Hospice care – Westland Fund | 184,648 | 129,012 |
| Alzheimer's | – | 939 |
| General | 384,082 | 358,475 |
| Subtotal | 2,781,026 | 2,464,688 |
| Endowments held in perpetuity: | | |
| Donor-restricted endowment | 3,579,536 | 3,556,536 |
| Total | $ 6,360,562 | $ 6,021,224 |

During the course of the year, net assets that were subject to donor-imposed restrictions were fulfilled by actions of the Foundation pursuant to those restrictions. These net assets are shown in the Statement of Activities as "Net assets released from restriction." The detail of the net assets released from restrictions at June 30 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Split-interest agreements | $ – | $ 342,742 |
| Other | 850 | 165 |
| Palliative care | 8,943 | 24,213 |
| Hospice care | – | 50 |
| Children end-of-life | 8,575 | 41,885 |
| Community education | 625 | 60,540 |
| Endowment earnings: | | |
| Hospice care – Westland Fund | – | 15,000 |
| Alzheimer's | 2,427 | 3,000 |
| General | 164,874 | 132,000 |
| Total | $ 186,294 | $ 619,595 |

## NOTE 10. ENDOWMENT

At June 30, 2019 and 2018, the Foundation's endowment fund is composed of various donor restricted contributions. Under the terms of these contributions, the original donation must be kept in perpetuity and depending on the donors' wishes, the earnings are available for unrestricted or restricted uses. The total of these permanently restricted contributions at June 30, 2019 and 2018 was $3,579,536 and $3,556,536, respectively.

The Foundation's endowment consists of eight individual funds, three established for general operating purposes, one for the Westland House and the remaining are for patient care, community outreach and education, and Alzheimer's. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** – The Foundation's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity under net assets with donor restrictions is classified as net assets with donor restrictions that are restricted by time or purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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

**Spending Policy** – Each year a percentage of the earnings in each donor-restricted endowment fund or board designated fund shall be appropriated and then distributed in the following year according to written criteria with a proportion left in each fund for growth. The percentage shall be reviewed annually by the Foundation's investment committee, which may make recommendations to the board as to any recommended changes. Distributions from the donor-restricted endowment funds were $166,000 and $150,000 for the years ending June 30, 2019 and 2018, respectively. Distributions from the donor-restricted endowment funds for the years ending June 30, 2019 and June 30, 2018 were approximately 4% of the 3-year rolling average of donor-restricted endowment funds. Distributions from the board-designated funds were $705,000 and $942,220 for the years ending June 30, 2019 and 2018, respectively.

**NOTE 10. ENDOWMENT (Continued)**

**Investment Policy** –

**Investment Objective:** The Fund is a balanced portfolio composed of equity, fixed income, and cash equivalent securities and, as such, is intended to be more aggressive than fixed income-oriented portfolios and less aggressive than equity-oriented portfolios. In this context "aggressive" relates to such issues as investment vehicles, diversification among economic and industry sectors and individual securities, and expected long-term rates of return and return volatility. Within this framework, the investment objectives for the Fund are stated below in order of importance:

**A. Preservation of Purchasing Power** – Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve purchasing power of the Foundation's assets.

**B. Growth of Capital** – Asset growth is expected to be consistent with the investment consultant's stated style characteristics over a complete market cycle (generally three to five years).

**C. Preservation of Capital** – Over the investment time horizon, capital gains are to be protected. A positive return must be experienced over the investment time horizon.

**Asset Allocation Limitations:** Common Stocks 5% to 40%, target 35%; International Stocks 5% to 30%, target 25%; Fixed Income Assets 5% to 40%, target 35%; and Alternative Investments 5% to 10%, target 5%.

**Risk Tolerance:** The Board recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, as measured and evidenced by high volatility and/or low-quality rated securities, the assumption of risk is warranted and encouraged in order to allow the investment consultant the opportunity to achieve satisfactory long-term results consistent with the objectives and fiduciary character of the Foundation.

**Endowment Net Asset Composition** –
Endowment net asset composition as of June 30:

| | 2019 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowments | $ – | $ 4,168,246 | $ 4,168,246 |
| Board-designated endowments | 17,631,682 | – | 17,631,682 |
| | $ 17,631,682 | $ 4,168,246 | $ 21,799,928 |

| | 2018 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowments | $ – | $ 4,058,512 | $ 4,058,512 |
| Board-designated endowments | 16,385,408 | – | 16,385,408 |
| | $ 16,385,408 | $ 4,058,512 | $ 20,443,920 |

**NOTE 10. ENDOWMENT (Continued)**

**Changes in Endowment Net Assets** –
Changes in endowment net assets for the years ended June 30:

| | 2019 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Balance at Beginning of Year | $ 16,385,408 | $ 4,058,512 | $ 20,443,920 |
| Investment return: | | | |
| Investment income | 477,445 | 113,272 | 590,717 |
| Realized/Unrealized gain (loss) | 619,606 | 156,678 | 776,284 |
| Investment fees | (65,728) | (15,916) | (81,644) |
| Total investment return | 1,031,323 | 254,034 | 1,285,357 |
| Contributions | 919,951 | 23,000 | 942,951 |
| Prior year income adjustment | – | (1,300) | (1,300) |
| Appropriation of endowment assets for expenditure | (705,000) | (166,000) | (871,000) |
| Balance at End of Year | $ 17,631,682 | $ 4,168,246 | $ 21,799,928 |

| | 2018 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Balance at Beginning of Year | $ 16,256,233 | $ 3,943,676 | $ 20,199,909 |
| Investment return: | | | |
| Investment income | 409,589 | 105,393 | 514,982 |
| Realized/Unrealized gain (loss) | 451,591 | 158,499 | 610,090 |
| Investment fees | (51,493) | (11,836) | (63,329) |
| Total investment return | 809,687 | 252,056 | 1,061,743 |
| Contributions | 261,708 | 12,780 | 274,488 |
| Transferred to board designated | – | – | – |
| Appropriation of endowment assets for expenditure | (942,220) | (150,000) | (1,092,220) |
| Balance at End of Year | $ 16,385,408 | $ 4,058,512 | $ 20,443,920 |

**NOTE 11. LEASE COMMITMENTS**

The Foundation conducts a portion of its operations from office space in Monterey, California leased under a noncancelable lease agreement terminating October 31, 2024.

The minimum future lease payments for the year ended June 30 are as follows:

| | | |
|---|---|---|
| 2020 | $ | 50,000 |
| 2021 | | 53,000 |
| 2022 | | 56,000 |
| 2023 | | 59,000 |
| 2024 and thereafter | | 83,000 |
| Total | $ | 301,000 |

Total rent expense for the years ended June 30, 2019 and 2018 amounted to $47,466 and $45,435, respectively.

**NOTE 12. RETIREMENT PLAN**

The Foundation has a 403(b) retirement plan that covers all eligible employees. Retirement costs include current service costs which are accrued and funded by an employer contribution of five percent of wages, on a current basis. An individual employee has the option to designate placement of the contribution made on his or her behalf in mutual funds and/or annuity contracts. The employee can also make a contribution in an amount equal to the maximum allowed by law or 25% of their wages for the year. Retirement costs charged to operations for the years ended June 30, 2019 and 2018 were $25,355 and $27,621, respectively. There are no unfunded prior service costs.

**NOTE 13. CONTINGENCIES**

The Foundation has been informed of several bequests. As the estates have not been settled, no estimates of actual distributions payable to the Foundation are available. Accordingly, the Foundation has not recorded any support income or receivables due from these bequests.

**NOTE 14. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash, receivables and investments.

## NOTE 14. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

| | |
|---|---|
| Cash | $ 998,317 |
| Contributions receivable | 1,823,778 |
| Board-designated funds | 17,631,682 |
| Donor-restricted funds designated for general expenditure | 384,082 |
| Financial assets available for general expenditure within one year | $ 20,837,859 |

The Foundation's endowment fund consists of donor-restricted endowments and funds designated by the board as endowments. A spending rate is determined annually by the investment advisory committee. The approved percentage is based on the average 12-quarter fair market values of the funds as of June 30$^{th}$ each year.

Although board-designated funds of $17,631,682 are subject to the Foundation's spending policy, this amount is available if necessary.

Donor-restricted endowment funds, other than earnings from general endowment funds, are not available for general expenditure. Earnings from donor-restricted endowments are restricted by time or for specific purposes. Donor-restricted fund earnings designated for general expenditure of $384,082 are considered available within the next year.