HOSPICE GIVING FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.

October 27, 2020

Hayashi Wayland, LLP

HOSPICE GIVING FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash	$ 136,229	$ 1,007,232
Contributions receivable	303,445	2,056,778
Short-term investments	495,019	42,978
Prepaid expenses	17,513	19,067
Total current assets	952,206	3,126,055
PROPERTY AND EQUIPMENT – Net	16,971	22,661
OTHER ASSETS:		
Deposits	3,250	3,250
Long-term investments	24,281,514	21,901,344
Trusts receivable	1,768,290	2,103,475
Total other assets	26,053,054	24,008,069
TOTAL ASSETS	$ 27,022,231	$ 27,156,785
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 17,880	$ 44,106
Accrued liabilities	49,673	24,428
Current portion of trust and annuity liabilities	1,045	1,045
Total current liabilities	68,598	69,579
TRUST AND ANNUITY LIABILITIES	5,134	5,623
Total liabilities	73,732	75,202
NET ASSETS:		
Without donor restrictions:		
Undesignated	738,042	3,089,339
Board designated for grants and operating reserve	20,045,579	17,631,682
Total without donor restrictions	20,783,621	20,721,021
With donor restrictions:		
Purpose or time restricted	2,575,342	2,781,026
Donor restricted endowment	3,589,536	3,579,536
Total with donor restrictions	6,164,878	6,360,562
Total net assets	26,948,499	27,081,583
TOTAL LIABILITIES AND NET ASSETS	$ 27,022,231	$ 27,156,785

See Notes to Financial Statements.

HOSPICE GIVING FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
OPERATING SUPPORT AND REVENUE:		
Contributions and pledges	$ 236,721	$ 251,723
Special events	306,326	337,220
Bequests	182,604	3,692,989
Other income	41,370	25,215
Net assets released from restrictions	503,841	186,294
Total operating support and revenue	1,270,862	4,493,441
OPERATING EXPENSES:		
Program Services:		
Community education	134,671	161,224
Grant making	814,311	799,142
Supporting Services:		
General and administrative	447,419	368,537
Bequest management	8,142	10,532
Fundraising	363,744	491,468
Community engagement	64,280	14,754
Total operating expenses	1,832,567	1,845,657
Changes in net assets from operations	(561,705)	2,647,784
OTHER CHANGES:		
Investment return – net:		
Board designated	669,450	1,031,323
Trust and annuities	3,540	10,653
Change in value of split-interest agreements	1,619	26,443
Community engagement – Brand marketing project	(50,304)	–
Total other changes	624,305	1,068,419
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 62,600	$ 3,716,203

HOSPICE GIVING FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

	2020	2019
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	$ 176,220	$ 101,841
Investment return – net –		
Donor restricted endowment	117,122	254,034
Change in value of split-interest agreements	14,815	169,757
Net assets released from restrictions	(503,841)	(186,294)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(195,684)	339,338
CHANGE IN NET ASSETS	(133,084)	4,055,541
NET ASSETS, BEGINNING OF YEAR	27,081,583	23,026,042
NET ASSETS, END OF YEAR	$ 26,948,499	$ 27,081,583

See Notes to Financial Statements.

HOSPICE GIVING FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	PROGRAM SERVICES		SUPPORTING SERVICES				2020 TOTAL
	Community Education	Grant Making	General and Administrative	Bequest Management	Fundraising	Community Engagement	
Grants	$ -	$ 802,000	$ -	$ -	$ -	$ -	$ 802,000
Salaries and wages	85,207	-	254,983	-	170,919	-	511,109
Employee benefits and taxes	11,695	-	84,124	-	20,334	-	116,153
Administration	1,747	-	14,423	-	1,743	4	17,917
Depreciation	-	-	5,690	-	-	-	5,690
Development and donor relations	46	643	516	-	1,006	2,344	4,555
Direct mail expense	-	-	-	-	19,556	4,378	23,934
Dues and subscriptions	350	-	1,955	-	1,160	858	4,323
Educational workshops	7,899	-	-	-	-	(280)	7,619
Marketing and advertising	222	-	249	-	299	55,790	56,560
Office	1,344	144	5,691	-	1,382	33	8,594
Planned giving expense	-	-	-	2,192	810	-	3,002
Printing and reproduction	4,297	86	2,732	-	1,327	1,153	9,595
Professional fees	900	-	44,980	5,950	900	-	52,730
Rent	11,438	11,438	15,687	-	11,438	-	50,001
Repairs and maintenance	108	-	782	-	337	-	1,227
Special events	5,049	-	-	-	112,962	-	118,011
Taxes and fees	-	-	1,124	-	-	-	1,124
Technology	3,423	-	11,280	-	18,538	-	33,241
Travel, conference, meals	946	-	3,203	-	1,033	-	5,182
TOTALS	$ 134,671	$ 814,311	$ 447,419	$ 8,142	$ 363,744	$ 64,280	$ 1,832,567

See Notes to Financial Statements.

HOSPICE GIVING FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

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

See Notes to Financial Statements.

HOSPICE GIVING FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (133,084)	$ 4,055,541
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,690	6,514
Change in value of split-interest agreements	(16,434)	(196,200)
Distribution from split-interest agreements	350,000	–
Net realized/unrealized (gain)/loss on investments	(194,489)	(780,123)
(Increase) decrease in:		
Contributions receivable	1,753,333	(1,683,826)
Prepaid expenses	1,554	(7,729)
Increase (decrease) in:		
Accounts payable	(26,226)	38,644
Accrued liabilities	25,245	(33,959)
Contributions restricted for endowment	(10,000)	(23,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,755,589	1,375,862
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,550,967)	(1,543,451)
Proceeds from the sale of investments	913,245	955,186
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(2,637,722)	(588,265)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of contributions restricted for endowment	10,000	23,000
Payments on annuity contracts – net of refunds	1,130	(6,572)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	11,130	16,428
NET INCREASE (DECREASE) IN CASH	(871,003)	804,025
CASH AT BEGINNING OF YEAR	1,007,232	203,207
CASH AT END OF YEAR	$ 136,229	$ 1,007,232

See Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations – Hospice Giving Foundation (the Foundation) is an independent foundation established in 1997. The Foundation provides leadership and direction to help ensure quality, end-of-life care is available to all people, across Monterey and San Benito Counties. As the primary funder for end-of-life care and services, 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. Services include providing extensive public education on advance healthcare preparedness, understanding options for care, effective communications, as well as professional continuing education. The Foundation works closely with funded agencies and partners to establish a more integrated model of care which benefits individuals with serious illness, families, caregivers and health care professionals/organizations.

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)

The Foundation hosted two special events for the year-ended June 30, 2020. The Annual Hospice Giving Foundation Scramble was hosted on September 9, 2019 and included lunch, golf cart, green fees, reception and an awards dinner. The Hospice Giving Foundation Party was hosted on February 22, 2020 and included a reception, dinner, entertainment and dancing. The Foundation recognized admission and sponsorship revenue from hosting these events of $80,359 and $70,000, respectively. To obtain access to an event, attendees and sponsors purchase tickets for admission based on set prices. There are no adjustments or discounts. The tax-deductible portion of these amounts are considered contributions. Net proceeds of the events are awarded as grants for proposals submitted to the Foundation from non-profit providers of end-of-life programs and support services in Monterey and San Benito counties. The events were staffed by Foundation employees and volunteers.

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, 2020 and 2019.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019 totaled $12,020 and $5,184, 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.

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.

Effect of New Pronouncements – The Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606*), as amended as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Foundation has adopted FASB ASU No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting. The adoption of this standard resulted in no significant changes in the way the Foundation recognizes revenue.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements – On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). Non-public entities are required to adopt the standard for reporting periods beginning after December 15, 2021. 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 No. 2016-02 will have on the accompanying financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement* (Topic 820). The amendments in the Update modify the disclosure requirements for 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 No. 2018-13 will have on the accompanying financial statements.

Subsequent Events – Subsequent events have been evaluated through October 27, 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, 2020 and June 30, 2019, all the Foundation's cash in bank deposit accounts was covered by FDIC Insurance.

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.

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

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:

	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investments (Note 5)	$ 24,776,533	$ –	$ –	$ 21,944,322	$ –	$ –
Trusts receivable (Note 6)	$ –	$ –	$ 1,768,290	$ –	$ –	$ 2,103,475

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.

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, 2020 and 2019 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, 2020 and 2019 for assets and liabilities measured at fair value based on Level 3 inputs:

	2020
	Trusts Receivable
Balance, beginning of year	$ 2,103,475
Costello trust pay out	(350,000)
Change in value of split-interest agreements	14,815
Balance, end of year	$ 1,768,290

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

	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

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 consist of the following:

	2020	2019
Bracken-Schruben Family Trust	$ 50,000	$ –
Conway and Norma Esselstyn Trust	–	430,589
Freeder Family Trust	157,000	227,048
Emilie Koontz Trust	–	1,369,141
Monterey Peninsula Foundation	35,000	–
Schein Family Trust	50,000	–
Julia Vilarengo Trust	6,000	30,000
Other	5,445	–
Total	$ 303,445	$ 2,056,778

NOTE 5. INVESTMENTS

The Foundation classifies its investments as follows:

Undesignated Fund – The Undesignated Fund accounts for those funds which are not restricted as Board Designated, Donor Restricted Endowment or Charitable Gift Annuities.

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.

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.

NOTE 5. INVESTMENTS (Continued)

At June 30, 2020 and 2019, $5,904 and $6,183, 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:

	2020				
	Undesignated Fund	Board Designated Fund	Donor Restricted Endowment Fund	Charitable Gift Annuities Fund	Total
Money Market	$ 361,522	$ 107,131	$ 9,983	$ 16,383	$ 495,019
Domestic corporate bonds and bond funds	–	9,021,377	1,529,081	92,934	10,643,392
Domestic stocks and stock funds	–	6,174,915	1,480,956	39,747	7,695,618
International stocks and stock funds	–	3,745,573	995,936	–	4,741,509
Other	–	996,583	204,412	–	1,200,995
Total	$ 361,522	$ 20,045,579	$ 4,220,368	$ 149,064	$ 24,776,533

	2019				
	Undesignated Fund	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

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

	2020			
	Board Designated Fund	Donor Restricted Endowment Fund	Trust and Annuities	Total
Interest/dividend income	$ 591,150	$ 124,767	$ 2,614	$ 718,531
Realized/unrealized gains (losses) on investments	184,602	8,961	926	194,489
Investment fees	(106,302)	(16,606)	-	(122,908)
Total investment return – net	$ 669,450	$ 117,122	$ 3,540	$ 790,112

NOTE 5. INVESTMENTS (Continued)

	2019			
	Board Designated Fund	Donor Restricted 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

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 2019 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:

	2020	2019
Charitable remainder trusts in which the Foundation does not serve as Trustee – net present value:		
Remainder interest in Costello Family trust	$ 9,508	$ 399,048
Remainder interest in Armstrong trust	45,468	46,649
Remainder interest in Christensen Charitable Trust	1,713,314	1,657,778
Total	$ 1,768,290	$ 2,103,475

NOTE 6. SPLIT–INTEREST AGREEMENTS (Continued)

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

	2020	2019
Payable for charitable gift annuities	$ 6,179	$ 6,668
Total trust and annuity liabilities	$ 6,179	$ 6,668

NOTE 7. PROPERTY AND EQUIPMENT – NET

Property and equipment at June 30 consist of the following:

	2020	2019
Furniture and fixtures	$ 74,175	$ 74,175
Less accumulated depreciation	(57,204)	(51,514)
Property and equipment – net	$ 16,971	$ 22,661

Depreciation expense was $5,690 and $6,514 for the years ended June 30, 2020 and 2019, respectively.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Subject to expenditure for specific purpose or passage of time:		
Split-interest agreements	$ 1,768,290	$ 2,103,475
Dalton statue fund	10,000	10,000
Other	250	650
Palliative care	555	4,330
Children end-of-life	23,200	29,715
Community education	120,105	44,146
Emergency Relief Funding	22,110	–
Endowment earnings:		
Community outreach and education	7,391	6,551
Hospice care at Westland House	15,545	13,429
Hospice care – Westland Fund	210,227	184,648
General	397,669	384,082
Subtotal	2,575,342	2,781,026
Endowments held in perpetuity:		
Donor-restricted endowment	3,589,536	3,579,536
Total	$ 6,164,878	$ 6,360,562

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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:

	2020	2019
Split-interest agreements	$ 350,000	$ –
Other	650	850
Palliative care	4,330	8,943
Children end-of-life	29,715	8,575
Community education	44,146	625
Endowment earnings:		
Alzheimer's	684	2,427
General	74,316	164,874
Total	$ 503,841	$ 186,294

NOTE 9. ENDOWMENT

At June 30, 2020 and 2019, 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, 2020 and 2019 was $3,589,536 and $3,579,536, 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

NOTE 9. ENDOWMENT (Continued)

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 $130,000 and $166,000 for the years ending June 30, 2020 and 2019, respectively. Distributions from the donor-restricted endowment funds for the years ending June 30, 2020 and June 30, 2019 were approximately 3% of the 3-year rolling average of donor-restricted endowment funds. Distributions from the board-designated funds were $560,000 and $705,000 for the years ending June 30, 2020 and 2019, respectively.

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: Asset allocations for the board designated fund include: Domestic Stocks 13% to 44%, target 30%; International Stocks 11% to 41%, target 20%; Fixed Income Assets 30% to 80%, target 45%; and Alternative Investments 0% to 25%, target 5%. The donor restricted endowment includes asset allocations of: Domestic Stocks 20% to 50%, target 35%; International Stocks 10% to 40%, target 25%; Fixed Income Assets 20% to 70%, target 35%; and Alternative Investments 0% to 45%, 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.

NOTE 9. ENDOWMENT (Continued)

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments	$ –	$ 4,220,368	$ 4,220,368
Board-designated endowments	20,045,579	–	20,045,579
	$ 20,045,579	$ 4,220,368	$ 24,265,947

	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

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at Beginning of Year	$ 17,631,682	$ 4,168,246	$ 21,799,928
Investment return:			
Investment income	591,150	124,767	715,917
Realized/Unrealized gain (loss)	184,602	8,961	193,563
Investment fees	(106,302)	(16,606)	(122,908)
Total investment return	669,450	117,122	786,572
Contributions	–	10,000	10,000
Board Designations/Transfers	2,304,447	55,000	2,359,447
Appropriation of endowment assets for expenditure	(560,000)	(130,000)	(690,000)
Balance at End of Year	$ 20,045,579	$ 4,220,368	$ 24,265,947

NOTE 9. ENDOWMENT (Continued)

	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	–	23,000	23,000
Board Designations/Transfers	919,951	(1,300)	918,651
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

NOTE 10. 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 lease was renegotiated with new terms commencing July 1, 2020.

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

2021	$ 44,625
2022	51,000
2023	57,000
2024	62,000
2025	21,000
Total	$ 235,625

Total rent expense for the years ended June 30, 2020 and 2019 amounted to $50,001 and $47,466, respectively.

NOTE 11. 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, 2020 and 2019 were $24,489 and $25,355, respectively. There are no unfunded prior service costs.

NOTE 12. CONTINGENCIES

Bequests - 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.

COVID-19 Pandemic – On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses.

The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. Investment valuations based on stock market conditions and the ability to host in-person events can be impacted by the pandemic. It is unknown how long these conditions will last and what the financial effect will be to the Foundation.

In Spring 2020, in response to the pandemic and the associated economic decline, the Foundation's Board of Directors approved the transfer of $3.4 million from the board designated fund to a liquid investment reserve account, not impacted by market fluctuations. The transfer of funds occurred in July 2020. By doing so, the Foundation ensures funds to support grant-making and operations while maintaining stability and the capacity to fulfill its mission. The Board of Directors will continue to authorize the management of remaining assets with long-term strategies per professional advisors and consultants.

NOTE 13. 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.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following at June 30, 2020 and 2019:

	2020	2019
Cash	$ 127,313	$ 998,317
Contributions receivable	90,445	1,823,778
Undesignated funds	361,522	–
Board-designated funds	20,045,579	17,631,682
Donor-restricted funds designated for general expenditure	397,669	384,082
Financial assets available for general expenditure within one year	$ 21,022,528	$ 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 30th each year.

NOTE 13. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Board-designated funds are $20,045,579 and $17,631,682 as of June 30, 2020 and 2019, respectively. These funds are subject to the Foundation's spending policy but are 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 $397,669 and $384,082 for the years-ended June 30, 2020 and 2019, respectively are considered available within the next year.