REPORT OF INDEPENDENT AUDITORS
AND COMBINED FINANCIAL STATEMENTS

SEACREST FOUNDATION AND AFFILIATE

June 30, 2018 and 2017

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Report of Independent Auditors

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

Report on Combined Financial Statements

We have audited the accompanying combined financial statements of Seacrest Foundation and Affiliate ("Seacrest Foundation"), which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Seacrest Foundation and Affiliate as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
September 4, 2018

ASSETS

	June 30, 2018	June 30, 2017
Cash	$ 863,909	$ 317,992
Investments	26,676,616	25,071,426
Pledges receivable	692,136	272,283
Prepaid expenses	47,885	50,711
Interest receivable	60,839	61,327
Total assets	$ 28,341,385	$ 25,773,739

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable	$ 18,000	$ 23,987
Accounts payable – related party	114,406	48,431
Deferred revenue	47,777	117,273
Total liabilities	180,183	189,691
NET ASSETS		
Unrestricted	21,123,435	20,254,227
Temporarily restricted	4,588,703	3,485,266
Permanently restricted	2,449,064	1,844,555
Total net assets	28,161,202	25,584,048
Total liabilities and net assets	$ 28,341,385	$ 25,773,739

Seacrest Foundation and Affiliate
Combined Statement of Activities

	Year Ended June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total
REVENUE AND SUPPORT				
Investment return	$ 1,456,145	$ 143,972	$ -	$ 1,600,117
Contributions	52,233	2,935,150	604,509	3,591,892
Net assets released from restriction	1,648,497	(1,648,497)	-	-
Total revenue and support	3,156,875	1,430,625	604,509	5,192,009
EXPENSES				
General and administrative	136,958	-	-	136,958
Fundraising	502,212	-	-	502,212
Special events	-	327,188	-	327,188
Grant to Jewish Home Care Services	52,339	-	-	52,339
Grant to San Diego Hebrew Homes	1,596,158	-	-	1,596,158
Total expenses	2,287,667	327,188	-	2,614,855
Change in net assets	869,208	1,103,437	604,509	2,577,154
NET ASSETS				
Beginning	20,254,227	3,485,266	1,844,555	25,584,048
Ending	$ 21,123,435	$ 4,588,703	$ 2,449,064	$ 28,161,202

	Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
REVENUE AND SUPPORT				
Investment return	$ 2,149,487	$ 174,312	$ -	$ 2,323,799
Contributions	24,544	1,457,870	1,100,700	2,583,114
Net assets released from restriction	1,500,014	(1,500,014)	-	-
Total revenue and support	3,674,045	132,168	1,100,700	4,906,913
EXPENSES				
General and administrative	140,537	-	-	140,537
Fundraising	451,875	-	-	451,875
Special events	-	171,264	-	171,264
Grant to Guardians of San Diego	30,655	-	-	30,655
Grant to San Diego Hebrew Homes	1,469,369	-	-	1,469,369
Total expenses	2,092,436	171,264	-	2,263,700
Change in net assets	1,581,609	(39,096)	1,100,700	2,643,213
NET ASSETS				
Beginning	18,672,618	3,524,362	743,855	22,940,835
Ending	$ 20,254,227	$ 3,485,266	$ 1,844,555	$ 25,584,048

Seacrest Foundation and Affiliate
Combined Statements of Cash Flows

	Years Ended June 30, 2018	2017
CASH FLOWS FROM OPERATNG ACTIVITIES		
Change in net assets	$ 2,577,154	$ 2,643,213
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gains on investments	(492,164)	(1,623,455)
Contributions restricted for permanent endowment	(604,509)	(1,100,700)
Change in discount on pledges receivable	110,947	(16,436)
Changes in operating assets and liabilities:		
Pledges receivable	(530,800)	105,928
Accounts receivable – related party	-	209,470
Prepaid expenses	2,826	(50,711)
Interest receivable	488	2,037
Accounts payable	(5,987)	2,987
Accounts payable – related party	65,975	48,431
Deferred revenue	(69,496)	117,273
Grants payable	-	(796,991)
Net cash provided by (used in) operating activities	1,054,434	(458,954)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	3,951,351	(5,604,180)
Proceeds from sale of investments	(5,064,377)	5,280,426
Net cash used in investing activities	(1,113,026)	(323,754)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for permanent endowment	604,509	1,100,700
Net cash provided by financing activities	604,509	1,100,700
NET CHANGE IN CASH	545,917	317,992
Cash, beginning of year	317,992	-
Cash, end of year	$ 863,909	$ 317,992

See accompanying notes.

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of activities – Seacrest Foundation ("Seacrest") is a California nonprofit public benefit corporation formed in August 2002 to support San Diego Hebrew Homes and charitable activities that are connected with San Diego Hebrew Homes ("SDHH").

Per the bylaws, the principal purpose of Seacrest is to support SDHH and Jewish Home Care Services Inc. in their provision of service to the elderly Jewish community of San Diego County, or to support a successor to that supported organization in the event that they no longer principally serve the elderly Jewish community of San Diego County. The Board of Directors of Seacrest (the "Board") has the right to distribute, in any fiscal year, up to 5% of the fair market value of the net assets held as of the end of the preceding fiscal year. Any distribution in excess of 5% requires a two-thirds majority. The current Board is comprised of twenty members.

Guardians of San Diego, Inc. ("Guardians") is a California nonprofit private charity with the purpose of supporting SDHH and Seacrest activities. Effective July 17, 2017, Guardians amended its bylaws such that Seacrest appoints the Guardians board of directors, and therefore the operations of Guardians are included in the accompanying combined financial statements. Guardians continues to be a separate legal entity; however, it does not have any assets, liabilities, or activities.

Collectively, Seacrest and Guardians are referred to as the Foundation.

Basis of combination – The combined financial statements include the accounts of Seacrest and Guardians. All significant inter-organization accounts and transactions have been eliminated in the combined financial statements.

Financial statement presentation – The Foundation reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.

- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

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

Fair value measurements – The Foundation defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Foundation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of receivables and payables approximates fair value as of June 30, 2018 and 2017, due to the relative short maturities of these instruments.

Investments – The Foundation's investments include various marketable securities, which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term, and such changes could materially affect the amounts reported in the combined financial statements. The fair value is determined using quoted market prices. Investment gains and losses are included in the changes in net assets in the combined statement of activities.

Investment return on restricted assets is reported as an increase in unrestricted net assets if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment return is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Pledges receivable – Unconditional written pledges of private gifts to the Foundation in the future are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Unconditional written pledges must be evidenced by donor signature and deemed legally enforceable by the Board. Conditional pledges, including intentions to pledge, are recognized as revenue when the funds are actually received. After pledges are originally recorded, an allowance for uncollectible pledges may be established based on specific circumstances.

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

Revenue and support – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Contributed services – Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with various programs. The services do not meet the criteria for recognition as a contribution, and are not reflected in the combined financial statements. The fair market value of contributed professional services is reported as support and an expense in the period in which the services are performed. Contributions of noncash assets are recorded at their fair values in the period received.

Grants – The Foundation recognizes grant expense and corresponding grant payable when grants are approved by the Board for distribution to recipient organizations.

Use of estimates – The preparation of the combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation has been determined by the Internal Revenue Service not to be private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation may be subject to tax on income which is not related to its exempt purpose. The Foundation reported no unrelated business income for the years ended June 30, 2018 and 2017.

The Foundation follows accounting standards related to the recognition of uncertain tax positions. These standards provide detailed guidance for combined financial statement recognition, measurement, and disclosure of uncertain tax positions taken or expected to be taken on the income tax returns. The Foundation will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. Management has determined that the Foundation does not have any uncertain tax positions as of June 30, 2018. The Foundation files informational and income tax returns in the United States and various state and local jurisdictions.

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

Recent accounting standards – In August 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-04, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which improves the current net asset classification requirements and the information presented in financial statements and notes about an entity's liquidity, financial performance, and cash flows. The update removes the requirement to present three classes of net assets with two classes, net assets with donor restrictions and net assets without donor restrictions. The update also removes the requirement to present or disclose the indirect method (reconciliation) if using the direct method for the statement of cash flows as well as added several additional enhanced disclosures to the notes. The amendments in this update are effective for fiscal years beginning after December 15, 2017 and interim periods beginning after December 15, 2018, with application to interim financial statements permitted but not required in the initial year of application. Management is currently evaluating the impact of the provisions of ASU No. 2016-04 on the combined financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. As compared to existing guidance on revenue recognition, ASU No. 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU No. 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. GAAP in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU No. 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date of ASU No. 2014-09 was deferred by ASU No. 2015-14, *Deferral of the Effective Date,* to annual periods beginning after December 15, 2018. Management is currently evaluating the impact of the provisions of ASU No. 2014-09 on the combined financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the combined statement of financial position date but before the combined financial statements are available to be issued. The Foundation recognizes in the combined financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the combined statement of financial position, including the estimates inherent in the process of preparing the combined financial statements. The Foundation's combined financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the combined statement of financial position but arose after the combined statement of financial position date and before the combined financial statements are available to be issued.

The Foundation has evaluated subsequent events through September 4, 2018, which is the date the combined financial statements were issued.

Note 2 – Pledges Receivable

Pledges receivable consist of the following as of June 30, 2018 and 2017:

	2018	2017
Gross pledges receivable	$ 830,800	$ 300,000
Present value discount – 6%	(138,664)	(27,717)
Allowance for doubtful pledges	-	-
	$ 692,136	$ 272,283
Due in one year or less	$ 212,800	$ 100,000
Due after one year through five years	418,000	200,000
Due thereafter	200,000	-
	$ 830,800	$ 300,000

Note 3 – Investments

Investment return and its classification for the years ended June 30, 2018 and 2017 consist of the following:

	2018		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	$ 710,935	$ 46,488	$ 757,423
Investment expense	(69,825)	(12,938)	(82,763)
Unrealized gains	390,513	101,651	492,164
Realized gains	424,522	8,771	433,293
	$ 1,456,145	$ 143,972	$ 1,600,117

	2017		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	$ 588,293	$ 25,450	$ 613,743
Investment expense	(62,541)	(7,152)	(69,693)
Unrealized losses	1,489,574	133,881	1,623,455
Realized gains (losses)	134,161	22,133	156,294
	$ 2,149,487	$ 174,312	$ 2,323,799

Note 3 – Investments (continued)

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

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

Note 3 – Investments (continued)

The following table presents the fair value of financial instruments in the fair value hierarchy as of June 30, 2017:

	2017				
	Level 1	Level 2	Level 3	Assets Held at Net Asset Value	Total
Investments:					
Corporate bonds	$ 5,786,581	$ -	$ -	$ -	$ 5,786,581
Certificates of deposit	-	1,801,373	-	-	1,801,373
Corporate preferred securities	1,356,372	-	-	-	1,356,372
Money market funds	350,174	-	-	-	350,174
Foreign corporate bonds	-	203,879	-	-	203,879
Corporate trusts	-	-	-	101,195	101,195
Pooled funds	-	-	-	1,096,661	1,096,661
Mutual funds:					
U.S. equity-large cap	5,029,670	-	-	-	5,029,670
Developed non-U.S. equity	3,168,478	-	-	-	3,168,478
U.S. equity-small/mid-cap	2,099,625	-	-	-	2,099,625
Emerging market	1,241,486	-	-	-	1,241,486
Growth equity	1,076,915	-	-	-	1,076,915
Growth high yield fixed income	887,266	-	-	-	887,266
Bond	68,113	-	-	-	68,113
Real estate	754,530	-	-	-	754,530
Equity income funds	49,108	-	-	-	49,108
	$ 21,868,318	$ 2,005,252	$ -	$ 1,197,856	$ 25,071,426

The fair value of certificates of deposit and foreign corporate bonds are determined by discounting the related cash flow based on the current yield on similar instruments with comparable durations considering the credit worthiness of the issuer.

Corporate trusts and pooled funds are reported at fair value based on the net asset value estimates provided by the custodian.

Note 4 – Endowment

The Foundation’s endowment consists of four individual funds established for separate purposes. The Foundation’s policy is to administer the endowment fund consistent with donor wishes and the provisions of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”).

Note 4 – Endowment (continued)

The Board has interpreted the 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 classifies as permanently restricted net assets (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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner that is 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

The endowment net asset composition by type of fund consists of the following at June 30, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 345,111	$ 2,449,064	$ 2,794,175

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 201,139	$ 1,844,555	$ 2,045,694

Note 4 – Endowment (continued)

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

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 201,139	$ 1,844,555	$ 2,045,694
Investment return:				
Interest and dividends	-	46,488	-	46,488
Investment expenses	-	(12,938)	-	(12,938)
Realized and unrealized gains	-	110,422	-	110,422
Total investment return	-	143,972	-	143,972
Grant to SDHH	-	-	-	-
Contributions	-	-	604,509	604,509
Endowment net assets, end of year	$ -	$ 345,111	$ 2,449,064	$ 2,794,175

Changes in endowment net assets for the years ended June 30, 2017, consist of the following:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 62,827	$ 743,855	$ 806,682
Investment return:				
Interest and dividends	-	25,450	-	25,450
Investment expenses	-	(7,152)	-	(7,152)
Realized and unrealized losses	-	156,014	-	156,014
Total investment return	-	174,312	-	174,312
Grant to SDHH	-	(36,000)	-	(36,000)
Contributions	-	-	1,100,700	1,100,700
Endowment net assets, end of year	$ -	$ 201,139	$ 1,844,555	$ 2,045,694

Note 4 – Endowment (continued)

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies in the years ended June 30, 2018 and 2017.

Return objectives and risk parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide funding for the operating expenses of programs supported by its endowment.

Investment strategy – The investment strategy of the Foundation is to develop a diversified portfolio of investments. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending policy – The Foundation has a policy of appropriating for distribution each year an amount equal to one percent (1%) per calendar quarter of the calculated average endowment fund value, equaling four percent (4%) per annum. No amounts will be appropriated to the extent that such distributions will result in the endowment assets falling below the historic contribution amount. This policy is consistent with the donor instructions. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Note 5 – Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2018 and 2017:

	2018	2017
Sunshine Brooks endowment	$ 2,805,400	$ 2,805,400
Restricted for the benefit of SDHH:		
SDHH expansion	286,064	385,994
Katzin resident assistance	157,993	104,479
SDHH resident assistance	1,199,185	81,180
Operations	10,177	-
Home Care services	129,884	108,213
	$ 4,588,703	$ 3,485,266

Note 5 – Net Assets (continued)

The Sunshine Brooks general endowment, contributed by SDHH to the Foundation, states that the Board may release and use the principal of the fund only in emergency situations. No endowment funds were released during the years ended June 30, 2018 and 2017.

Permanently restricted net assets consist of the following as of June 30, 2018 and 2017:

	2018	2017
Silverman Fund, income restricted for SDHH resident assistance	$ 643,855	$ 643,855
Fisher Fund, income restricted for SDHH resident assistance	300,700	200,700
Foster Family Fund, income restricted for SDHH resident assistance	1,000,000	1,000,000
Levine Fund, income restricted for SDHH resident assistance	504,509	-
	$ 2,449,064	$ 1,844,555

Note 6 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 7 – Related Parties

Grant expense – As part of its operating activities, the Foundation makes grants to the organizations it supports. As of and for the year ended June 30, 2018, the Foundation recognized grant expense to SDHH of $1,596,158 and to Jewish Home Care Services of $52,339. As of and for the year ended June 30, 2017, the Foundation recognized grant expense to SDHH of $1,469,369 and to Guardians of San Diego of $30,665.

Management agreement – The Foundation has a philanthropic and management agreement with SDHH that is in effect as of July 1, 2016 for the performance of philanthropic and operational administrative services for a monthly fee of $2,500 plus billable expenses as defined in the agreement. The agreement expires on June 30, 2021. The total amounts incurred by the Foundation under this contractual arrangement was $914,148 and $743,417 during the years ended June 30, 2018 and 2017, respectively. Included in accounts payable – related party is $114,406 and $48,431 payable under this contractual agreement as of June 30, 2018 and 2017, respectively.

Note 7 – Related Parties (continued)

Guaranty on bonds – On August 27, 2010, the Colorado Educational and Cultural Authority ("Issuer") issued $8 million of fixed rate Revenue Bonds Series H-1 ("Bonds") on behalf of SDHH and Seacrest Holdings Corp. (collectively the "Borrower"). The Bonds were issued pursuant to and secured by a financing agreement ("Agreement") between the Issuer, City National Bank (Bondholder and Lender) and the Borrower. The term of the Bonds are 10 years, beginning October 1, 2010. Principal and interest payments were due monthly at an interest rate of 4.67%. The Bonds were secured by a first trust deed on real property held by Seacrest Holdings Corp. and a guaranty by the Foundation. The Bonds were paid in full during the year ended June 30, 2017 and the guaranty was released.