The Washington Home

Financial Report
June 30, 2020

Contents

Independent Auditor's Report

Board of Directors
The Washington Home

Report on the Financial Statements
We have audited the accompanying financial statements of The Washington Home, which comprise the statement of financial position as of June 30, 2020, the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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 The Washington Home as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 3, in June 2019, The Washington Home entered into a memorandum of understanding to transfer the assets of its hospice operations. An agreement to transfer the assets was entered into on September 12, 2019. The Washington Home had hospice operations in Maryland and the District of Columbia, each of which has separate regulatory approval requirements. As such, closing to transfer Maryland assets occurred on September 30, 2019, and closing to transfer District of Columbia assets occurred on November 1, 2019.

RSM US LLP

Baltimore, Maryland
November 24, 2020

The Washington Home

Statement of Financial Position
June 30, 2020
(In Thousands)

Assets		
Cash and cash equivalents	$	1,706
Other		429
Assets of discontinued operations		137
Investments held in trust		8,166
Investments		47,860
Property and equipment, net		2,910
Total assets	$	61,208
Liabilities and Net Assets		
Accounts payable and accrued expenses	$	193
Accrued salaries, benefits and payroll taxes		99
Liabilities of discontinued operations		137
Amounts held for others		419
Total liabilities		848
Contingencies		
Net assets:		
Without donor restrictions		
Undesignated		44,100
Board designated		5,535
Total net assets without donor restrictions		49,635
With donor restrictions		10,725
Total net assets		60,360
Total liabilities and net assets	$	61,208

See notes to financial statements.

The Washington Home

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contributions from donors	$ 141	$ -	$ 141
Interest and dividends	1,385	60	1,445
Net assets released from restrictions	815	(815)	-
Total revenues	2,341	(755)	1,586
Expenses:			
Program services	1,162	-	1,162
General and administrative	2,148	-	2,148
Fundraising	635	-	635
Total expenses	3,945	-	3,945
Deficiency of operating revenue over expenses	(1,604)	(755)	(2,359)
Other income (loss):			
Realized gain on investments	295	13	308
Unrealized loss on investments	(582)	(25)	(607)
Income from investments held in trust	-	196	196
Net unrealized and realized gain on investments held in trust	-	46	46
Rental income	4,160	-	4,160
Change in net assets from discontinued operations	(1,273)	-	(1,273)
Total other income	2,600	230	2,830
Change in net assets	996	(525)	471
Net assets:			
Beginning	48,639	11,250	59,889
Ending	$ 49,635	$ 10,725	$ 60,360

See notes to financial statements.

The Washington Home

Statement of Functional Expenses
Year Ended June 30, 2020
(In Thousands)

	Program	General and Administrative	Fundraising	Total
Salaries and benefits	$ 1,434	$ 1,326	$ 55	$ 2,815
Purchased services and other	510	697	29	1,236
Medical supplies and drugs	86	-	-	86
Audit, legal and consulting	2	864	-	866
Rent	326	-	-	326
Depreciation and amortization	524	-	-	524
Total operating expenses	2,882	2,887	84	5,853
Salaries, benefits, travel and consulting fees	-	-	551	551
Total expenses	$ 2,882	$ 2,887	$ 635	$ 6,404

See notes to financial statements.

The Washington Home

Statement of Cash Flows
Year Ended June 30, 2020
(In Thousands)

Cash flows from operating activities:	
Change in net assets from continuing operations	$ 1,744
Adjustments to reconcile change in net assets from continuing operations to net cash provided by operating activities:	
Depreciation and amortization	524
Net unrealized and realized loss on investments	253
Changes in assets and liabilities:	
Decrease in:	
Other	294
(Decrease) increase in:	
Accounts payable and accrued expenses	(171)
Amounts held for others	(7)
Accrued salaries, benefits and payroll taxes	66
Net cash provided by operating activities for continuing operations	2,703
Net cash used in operating activities for discontinued operations	(370)
Net cash provided by operating activities	2,333
Cash flows from investing activities:	
Proceeds from sale of investments	33,103
Purchases of investments	(34,231)
Purchases of property and equipment	(82)
Net cash used in investing activities for continuing operations	(1,210)
Net increase in cash and cash equivalents	1,123
Cash and cash equivalents:	
Beginning of year	583
End of year	$ 1,706

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

The Washington Home is a not-for profit 501(c)(3) organization founded in the District of Columbia in 1888. Formerly known as The Washington Home and Community Hospices (WHCH), the entity provided healthcare to people who are aging, chronically ill, or living with terminal illnesses. WHCH operated two lines of business; a 192 bed nursing home facility located in the District of Columbia (the District) and end of life hospice care services in the District of Columbia and Maryland. In December 2016, the nursing home facility operations ceased entirely. As described in Note 3, WHCH's end of life hospice care operations ceased by November 1, 2019.

The Washington Home continues to generate revenue from donor contributions, income earned on investment funds and leased property. The Washington Home will use this revenue to provide funding to entities that create and deliver innovative, compassionate and well-managed programs to improve the quality of life for elderly and terminally ill residents in the Washington, D.C. metropolitan area.

A summary of The Washington Home's significant accounting policies follows:

Financial statement presentation: In accordance with the accounting guidance for financial statements of not-for-profit organizations, The Washington Home is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Furthermore, information is required to segregate program service expenses from management and general and fundraising expenses.

The Washington Home conforms with the accounting guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). During January 2008, the District enacted UPMIFA, the provisions of which apply to funds existing on or established after that date. A key component of this guidance is a requirement to classify the portion of investment return from donor-restricted endowment funds that are restricted in perpetuity until appropriated for expenditure. The disclosure requirements of this guidance are set forth in Note 7.

Net assets without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations.

Net assets with donor restrictions are contributions whose use is limited by donor-imposed stipulations in perpetuity or that either expire by passage of time or can be fulfilled and removed by actions of The Washington Home pursuant to these stipulations. Net assets may be restricted for various purposes, such as use in future periods or use for specified purposes.

Contributions and contributions receivable: Contributions are recorded as net assets without restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Donations, gifts and gifts in-kind are reported at fair value at the date of the gift. Conditional promises to give include a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer the assets. The presence of a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barriers in the agreement. Conditional promises to give are not recognized until the barriers in the agreement are overcome. Indications of intentions to give are reported at fair value at the date the gift is received.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include but are not limited to the allowance for doubtful accounts and third-party contractual adjustments.

Cash and cash equivalents: Cash and cash equivalents consist principally of bank deposits, money market funds and repurchase agreements that are readily convertible into cash with an original maturity of three months or less. Overnight repurchase agreements are collateralized by U.S. government securities.

Other assets: Other assets consist primarily of prepaid expenses and deposits. Prepaid expenses are amortized over the period impacted.

Investments held in trust: Assets deposited with a trustee under terms of a trust indenture are classified as investments held in trust.

Amounts held for others: The Washington Home administers a charitable remainder trust, which provides for the payments of distributions to a designated beneficiary over the trust's term. If at the end of the trust's term there are remaining assets, those assets are available for The Washington Home's use.

Investments: Investments are carried at fair value. The fair value of marketable equity securities, bonds and other investments are based on quoted market prices. Realized and unrealized gains and losses are recorded in either net assets without donor restrictions or net assets with donor restrictions. Cost used in the determination of gains and losses on sales of investments is based on the specific cost of the investment sold.

The Washington Home invests in a professionally managed portfolio that contains mutual funds, marketable equity securities, government obligations and fixed income securities. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment purchased are recorded at cost. Donated items are recorded at fair market value at the date of contribution. Improvements and replacements at The Washington Home are capitalized; maintenance and repairs are expensed. Depreciation is computed using the straight-line method over the estimated economic lives of the assets. Leasehold improvements are amortized over their economic lives or the lease agreement period, whichever is shorter. Depreciable lives are as follows:

	Years
Building and improvements	10-40
Furniture and equipment	5-15

Valuation of long-lived assets: The Washington Home reviews the valuation of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Management determined there were no impairment losses to be recognized during the year ended June 30, 2020.

Grants payable and related expenses: Unconditional grants are recorded as expense during the year of approval. Grants subject to certain conditions are recorded as expense during the year in which the conditions are substantially met, or the possibility that the conditions will not be met is remote, as determined by management. Grants payable within one year are recorded at fair value at the date of authorization. Grants payable in more than one year are recorded at the present value of the future cash outflows using a risk-free rate of return.

Under the terms of two conditional grant agreements entered into during the year ended June 30, 2020, The Washington Home has committed to pay a total of $3 million to two grantees. All payments require approval by The Washington Home Board of Directors as well as the grantees satisfying various criteria as specified in each grant agreement. As of June 30, 2020, none of the conditions had been satisfied. Therefore, no grants payable and related expenses have been recognized.

Contributed services and equipment: Contributed professional services are recognized in the accompanying financial statements as both revenue and expense, at their estimated fair value. One of the following two conditions must be met to record contributed professional services: (1) the service creates or enhances a nonfinancial asset or (2) the service requires specialized skills, provided by entities or persons possessing those skills and would be purchased if they were not donated. Contributed nonprofessional services are not recognized in the accompanying financial statements since the services provided do not meet the previously mentioned requirements for financial statement recognition. Contributed equipment is recorded at its estimated fair value.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing various program and supporting activities have been presented on a detailed basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The costs are allocated consistently based upon direct costs incurred by cost center. The statement of functional expenses for the period ending June 30, 2020, includes the operating expenses of both the continuing and discontinued operations.

Income taxes: The Washington Home is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and does not have any unrelated business income for the year ended June 30, 2020. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

The Washington Home has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, The Washington Home may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated The Washington Home's tax positions and has concluded that The Washington Home has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance. Generally, The Washington Home is no longer subject to income tax examinations for the U.S. federal, state or local tax authorities for years before June 30, 2017.

Fair value of financial instruments: The carrying amounts of cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, other assets and cash held for residents approximate fair value given the short-term nature of these financial instruments. Third-party payor settlements are based on management's estimate and approximate fair value. Fair values of investments are based on quoted market prices. Additional required disclosures are included in Note 9.

Rental income and expense: Rental income is recognized as rentals become due. Rental payments received in advance are deferred and recognized as income in the period to which the rent relates.

Rents are expensed on a straight-line basis in accordance with the terms of the lease. Deferred rent is recorded in the amount of the difference between the actual payments made and the straight-line expense. All leases between The Washington Home and the landlords of the properties are operating leases.

Deferred leasing costs: The Washington Home exercised the fifth five-year renewal option commencing October 1, 2018, and ending September 30, 2023 (see Note 8). Total leasing costs of $1,338 incurred to renew the rental contract are being deferred and amortized over the five-year term of the related lease using the straight-line method for the year ended June 30, 2020. Accumulated amortization was $1,067 at June 30, 2020, and is included in other assets on the statement of financial position. Amortization expense for the year ended June 30, 2020, amounted to $83.

(In Thousands)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Future amortization expense is as follows:

Years ending June 30:		
2021	$	83
2022		83
2023		83
2024		22
	$	271

Accounting policies adopted: On July 1, 2019, The Washington Home adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made,* which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Among other changes, the ASU evaluates whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and determines whether a contribution is conditional. As a resource recipient, The Washington Home adopted the guidance using a modified prospective approach to agreements entered into after July 1, 2019. There was not a material impact on these financial statements.

Recently issued accounting guidance: In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2014-09 an additional year, making it effective for annual reporting periods beginning after December 15, 2019. Management has not yet selected a transition method and is currently evaluating the effect the standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expenses recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Management is currently evaluating the impact of the adoption of the new standard on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions *made* to assist entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions; and (2) determining whether a contribution made in conditional. For an entity that serves as a resource provider, this portion of the standard is effective for fiscal years beginning after December 15, 2019. As a resource provider, The Washington Home is currently evaluating the effect that this guidance will have on its financial statements.

Subsequent events: The Washington Home evaluated subsequent events through November 24, 2020, which is the date the financial statements were available to be issued.

(In Thousands)

Note 2. Liquidity and Availability

The Washington Home is primarily supported by donor contributions, rental income and income earned on investment funds. As part of The Washington Home's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Further, The Washington Home has a line of credit, as described in Note 12, available to meet any obligations due which would not be covered by available financial assets.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, are comprised of the following at June 30, 2020:

Cash and cash equivalents	$	1,706
Investments held in trust		8,166
Investments		47,860
		57,732
Less:		
Investments held in trust		(8,166)
Board designated assets without restrictions		(5,535)
Net assets with donor restrictions		(10,725)
		(24,426)
Financial assets available to meet cash needs for general expenditures within one year	$	33,306

Note 3. Discontinued Operations

In June 2019, The Washington Home entered into a memorandum of understanding agreement to transfer the assets of the hospice operations to an unrelated third party, Capital Hospice, Inc. d/b/a Capital Caring (Capital Caring). The agreement was executed and effective on September 12, 2019. The Washington Home retained its operations surrounding investments. The value of the assets being transferred to Capital Caring, including future revenue stream, are valued at $1,000, which is considered a charitable donation from The Washington Home to Capital Caring. The agreement also includes the potential for up to $2,000 to be contributed by The Washington Home to Capital Caring based upon future events. The Washington Home has ceased its hospice operations as of the date of closing. The Washington Home had hospice operations in Maryland and the District of Columbia, each of which has separate regulatory approval requirements. As such, closing to transfer Maryland assets occurred on September 30, 2019, and closing to transfer District of Columbia assets occurred on November 1, 2019.

Total assets and liabilities related to discontinued operations consisted of the following at June 30, 2020:

Cash and cash equivalents	$	137
Total assets	$	137
Accounts payable and accrued expenses	$	137
Total liabilities	$	137

(In Thousands)

Note 3. Discontinued Operations (Continued)

Change in net assets from discontinued operations consisted of the following for the years ended June 30, 2020:

Total patient service revenue	$	1,189
Provision for bad debts		42
Net patient service revenue less provision for bad debts		1,231
Total operating expenses		2,459
Loss from discontinued operations		(1,228)
Total other income and expenses		(45)
Change in net assets from discontinued operations	$	(1,273)

Note 4. Investments

Investments and investments held in trust consisted of the following at June 30, 2020:

Cash and cash equivalents	$	1,873
U.S. government and agency issues		2,678
Mutual funds		34,713
Fixed income securities		2,169
Marketable equity securities		14,593
Total investments		56,026
Net assets with donor restrictions		(10,725)
Investments available for unrestricted use	$	45,301

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2020:

Land	$	28
Building and improvements		15,866
Furniture and equipment		141
		16,035
Less accumulated depreciation		(13,125)
Property and equipment for continuing operations	$	2,910

Depreciation expense was $524 for the year ended June 30, 2020.

(In Thousands)

Note 6. Net Assets With Restrictions

Net assets with donor restrictions consisted of the following funds at June 30, 2020:

William Woodville, in memory of his sister, Elizabeth Woodville, fund for care of indigent hospice residents	$	1,678
Frederick R. Blaylock and Peter J. and Catherine B. Henderson fund for care of indigent cancer residents		331
Pamela Murdock fund for the Employee of the Year Award		8
Time restricted for general operations for periods after June 30, 2020		657
Assets restricted in perpetuity		1,764
Endowment funds included in net assets with donor restrictions (see Note 7)		6,287
	$	10,725

The net assets released from restrictions were used for the following purposes:

Hospice caregiver's relief	$	204
Time restricted for general operations for periods after June 30		38
Endowment funds included in net assets with donor restrictions (see Note 7)		573
	$	815

Note 7. Endowment Funds and Net Assets With Restrictions

The Washington Home's endowment funds consist of five individual funds established for a variety of purposes. They include four donor restricted endowment funds and a fund designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with the endowment fund designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence of donor imposed restrictions. Therefore, The Washington Home's board designated endowment fund is classified as part of net assets without donor restrictions.

Interpretation of relevant law: The Washington Home has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowments funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Washington Home classifies as net assets with donor restrictions: (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the 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. Donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by The Washington Home in a manner consistent with the standard of prudence prescribed by UPMIFA. In addition, The Washington Home has ten individual funds that are to remain in perpetuity, but not considered endowments under UPMIFA. These ten funds are reported in net assets with donor restrictions, and their activity is reported as other donor-restricted funds in the following tables.

(In Thousands)

Note 7. Endowment Funds and Net Assets With Restrictions (Continued)

Composition of endowment and other net assets with restrictions by type of fund consisted of the following as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 5,535	$ -	$ 5,535
Donor-restricted endowment funds	-	2,214	2,214
Other donor-restricted funds	-	5,837	5,837
	$ 5,535	$ 8,051	$ 13,586

Changes in endowment and other net assets with restrictions consisted of the following for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 5,535	$ 8,334	$ 13,869
Investment return:			
Investment income	-	256	256
Net change in value (realized and unrealized)	-	34	34
Total investment return	-	290	290
Appropriation of assets and transfers	-	(573)	(573)
Net assets, end of year	$ 5,535	$ 8,051	$ 13,586

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 organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. There were no funds with deficiencies at June 30, 2020.

Return objectives and risk parameters: The Washington Home has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the value of the original endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return (after inflation) of at least 5% annually on a rolling three- to five-year period while assuming a moderate amount of risk. Actual returns in any given year may vary from this amount.

(In Thousands)

Note 7. Endowment Funds and Net Assets With Restrictions (Continued)

Strategies employed for achieving objectives: To satisfy its long-term rate of return investment objectives, The Washington Home 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). The organization targets a diversified asset allocation that places a great emphasis on equity based investments to achieve long term return objectives within prudent risk constraints.

Spending policy and related investment objectives: The Washington Home has a policy for appropriating funds each year of no more than 5% of the three-year moving value of the total portfolio at the fiscal year-end. However, operating and capital needs are always considered when applying this guide line. Actual appropriation may vary from year to year with the average goal of 5% over a period of time. When agreeing to this spending policy, The Washington Home considered the long-term expected return on its endowment. These spending policies are consistent with The Washington Home's objective to maintain the corpus of the assets held in perpetuity, to provide a consistent and predictable funding stream to support spending which is consistent with donor restrictions, as well as, to provide growth through new gifts and investment returns.

Note 8. Leases

The Washington Home leases a portion of its real estate to the U.S. Postal Service under a 20-year lease agreement that commenced in 1978, with seven, five-year renewal options. At the beginning of each of the five-year renewal option periods, the rent will be 8% of the appraised value of the land at the beginning of such periods. On April 24, 2018, the parties exercised the fifth five-year renewal option commencing October 1, 2018, and ending September 30, 2023. During the year ended June 30, 2020, The Washington Home recognized $4,160 of rental revenue associated with this lease .

The Washington Home entered into a lease for its headquarters facility that expires August 2022. Rental expense includes a base charge plus a pro rata share of operating costs of the building. Rental expense was $309 for the year ended June 30, 2020. Minimum rental payments to be made under this lease for the ensuing years are as follows:

Years ending June 30:	
2021	$ 247
2022	255
2023	44
	$ 546

Note 9. Fair Value Measurements

The Washington Home has adopted guidance issued by the FASB which 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 sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and mutual funds.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds and over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Washington Home’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

(In Thousands)

Note 9. Fair Value Measurements (Continued)

The following tables summarize The Washington Home's assets and liabilities that were accounted at fair value on a recurring basis as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	$ 8,720	$ -	$ -	$ 8,720
International	8,843	-	-	8,843
Large cap	5,967	-	-	5,967
Emerging markets	320	-	-	320
Mid cap	737	-	-	737
Equities	5,751	-	-	5,751
Small cap	2,350	-	-	2,350
Commodities	2,025	-	-	2,025
Marketable equity securities:				
Large cap	11,559	-	-	11,559
Small cap	532	-	-	532
Mid cap	2,502	-	-	2,502
U.S. government and agency issues	-	2,678	-	2,678
Fixed income securities	-	2,169	-	2,169
Total assets at fair value	$ 49,306	$ 4,847	$ -	54,153
Cash and cash equivalents				1,873
Total investments				$ 56,026

The Washington Home excludes cash and cash equivalents from the fair value hierarchy as cash is generally measured at cost. As such, approximately $1,873 of cash and cash equivalents in The Washington Home's investment portfolio at June 30, 2020, has been excluded from fair value classification in this table.

Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investment in corporate bonds and government obligations are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 2 in the fair value hierarchy.

Note 10. Pension Plan

The Washington Home offers a 401(k) plan (the 401(k) Plan) to its employees. The 401(k) Plan's attributes include eligibility upon hire, an employer matching contribution of 25% up to 6% of employee contributions after six months of service, and a vesting of 20% for each year of service. No additional discretionary payments were made for the 2020 plan year. The 401(k) Plan employer contributions were $22 for the year ended June 30, 2020, and are included in salaries and benefits expense.

Note 11. Concentrations of Credit Risk

The Washington Home maintains its cash with a bank and amounts on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250. At times, these balances may exceed the federal insurance limits; however, The Washington Home has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2020.

Note 12. Line of Credit

In August 2016, The Washington Home entered into a $10,000,000 secured liquidity access line of credit with a bank. The line of credit is collateralized by The Washington Home's investment securities account as a compensating balance. Interest on any advancement accrues at a variable rate as set forth in the terms and conditions of the credit agreement. There were no advances under the line of credit for the year ended June 30, 2020.

Note 13. Subsequent Events

On July 1, 2020, The Washington Home elected to transition to become a private foundation. With this transition, going forward, The Washington Home will be subject to distribution requirements and a federal excise tax on net investment income.