

The Washington Home

Financial Report
June 30, 2021

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Independent Auditor's Report

RSM US LLP

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 statements of financial position as of June 30, 2021 and 2020, the related statements of activities and changes in net assets, 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 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, 2021 and 2020, 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.

RSM US LLP

Baltimore, Maryland
December 8, 2021

The Washington Home

Statements of Financial Position
June 30, 2021 and 2020
(In Thousands)

	2021	2020
Assets		
Cash and cash equivalents	\$ 312	\$ 1,706
Other	319	429
Assets of discontinued operations	-	137
Investments held in trust	9,173	8,166
Investments	58,990	47,860
Property and equipment, net	2,480	2,910
Total assets	\$ 71,274	\$ 61,208
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 170	\$ 193
Accrued salaries, benefits and payroll taxes	90	99
Liabilities of discontinued operations	-	137
Amounts held for others	412	419
Total liabilities	672	848
Contingencies		
Net assets:		
Without donor restrictions		
Undesignated	55,655	44,100
Board designated	5,535	5,535
Total net assets without donor restrictions	61,190	49,635
With donor restrictions	9,412	10,725
Total net assets	70,602	60,360
Total liabilities and net assets	\$ 71,274	\$ 61,208

See notes to financial statements.

The Washington Home

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contributions from donors	\$ 50	\$ -	\$ 50
Interest and dividends	922	40	962
Net assets released from restrictions	3,218	(3,218)	-
Total revenues	4,190	(3,178)	1,012
Expenses:			
Program services	5,613	-	5,613
General and administrative	1,061	-	1,061
Total expenses	6,674	-	6,674
Deficiency of operating revenue over expenses	(2,484)	(3,178)	(5,662)
Other income (loss):			
Realized gain on investments	2,039	88	2,127
Unrealized gain on investments	7,840	340	8,180
Income from investments held in trust	-	166	166
Net unrealized and realized gain on investments held in trust	-	1,988	1,988
Termination of interest in beneficial trust	-	(717)	(717)
Rental income	4,160	-	4,160
Total other income	14,039	1,865	15,904
Change in net assets	11,555	(1,313)	10,242
Net assets:			
Beginning	49,635	10,725	60,360
Ending	\$ 61,190	\$ 9,412	\$ 70,602

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, 2021 (In Thousands)

	Program	General and Administrative	Total
Salaries and benefits	\$ 185	\$ 558	\$ 743
Purchased services and other	9	261	270
Audit, legal and consulting	256	242	498
Rent	219	-	219
Grants to charitable organizations	4,423	-	4,423
Depreciation and amortization	521	-	521
Total expenses	\$ 5,613	\$ 1,061	\$ 6,674

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

Statements of Cash Flows Years Ended June 30, 2021 and 2020 (In Thousands)

	2021	2020
Cash flows from operating activities:		
Change in net assets from continuing operations	\$ 10,242	\$ 1,744
Adjustments to reconcile change in net assets from continuing operations to net cash (used in) provided by operating activities:		
Depreciation and amortization	521	524
Loss on investments held in trust	717	-
Net unrealized and realized (gain) loss on investments	(12,295)	253
Changes in assets and liabilities:		
Decrease in:		
Other assets	27	294
(Decrease) increase in:		
Accounts payable and accrued expenses	(23)	(171)
Amounts held for others	(7)	(7)
Accrued salaries, benefits and payroll taxes	(9)	66
Net cash (used in) provided by operating activities for continuing operations	(827)	2,703
Net cash used in operating activities for discontinued operations	-	(370)
Net cash (used in) provided by operating activities	(827)	2,333
Cash flows from investing activities:		
Proceeds from sale of investments	17,186	33,103
Purchases of investments	(17,745)	(34,231)
Purchases of property and equipment	(8)	(82)
Net cash used in investing activities for continuing operations	(567)	(1,210)
Net (decrease) increase in cash and cash equivalents	(1,394)	1,123
Cash and cash equivalents:		
Beginning of year	1,706	583
End of year	<u>\$ 312</u>	<u>\$ 1,706</u>

See notes to financial statements.

The Washington Home

Notes to Financial Statements (In Thousands)

Note 1. Nature of Activities and Significant Accounting Policies

The Washington Home is a not-for profit 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. To accomplish its mission, The Washington Home uses this revenue to provide funding to charitable organizations 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. The Board of Directors has a standing policy that certain funds without donor restrictions are designated by the Board for long-term investment and expected future contributions to other not-for profit organizations that serve the elderly and terminally ill.

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 statements of activities and changes in net assets as net assets released from restrictions.

The Washington Home

Notes to Financial Statements (In Thousands)

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. Due to the exit from its hospice operations, during the year ended June 30, 2021, The Washington Home agreed to transfer its interest in three investments held in trusts. This resulted in a loss on investments held in trusts of \$717 for the year ended June 30, 2021.

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.

The Washington Home

Notes to Financial Statements (In Thousands)

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 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 the shorter of their economic lives or the lease agreement period. Depreciable lives are as follows:

	<u>Years</u>
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 years ended June 30, 2021 and 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.

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. During the year ended June 30, 2021, charitable organizations were awarded grants totaling \$4,423. There were no grants awarded for the year ended June 30, 2020, and no grants payable as of June 30, 2021 and 2020.

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.

The Washington Home

Notes to Financial Statements (In Thousands)

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 statements of functional expenses for the years ended June 30, 2021 and 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 (the Code) and does not have any unrelated business income for the years ended June 30, 2021 and 2020. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

Beginning on July 1, 2020, The Washington Home is classified as a private foundation under 509(a) of the Code. For the year ended June 30, 2021, the Washington Home is subject to federal excise tax of 1.39% of its net investment income (see Note 13).

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, 2018.

Fair value of financial instruments: The carrying amounts of cash and cash equivalents, accounts payable and accrued expenses, and other assets approximate fair value given the short-term nature of these financial instruments. 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 lessors 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 years ended June 30, 2021 and 2020. Accumulated amortization was \$1,150 and \$1,067 at June 30, 2021 and 2020, respectively, and is included in other assets on the statement of financial position. Amortization expense for each of the years ended June 30, 2021 and 2020, amounted to \$83.

The Washington Home

Notes to Financial Statements (In Thousands)

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

Future amortization expense is as follows:

Years ending June 30:

2022	\$	83
2023		83
2024		22
	\$	<u>188</u>

Accounting policies adopted: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 replaces most existing revenue recognition guidance in generally accepted accounting principles in the United States (U.S. GAAP) and permits the use of either a full retrospective or retrospective with cumulative effect transition method. As of July 1, 2020, The Washington Home adopted Topic 606, using the modified retrospective approach, which applies the standard to contracts that are not completed as of the date of adoption. The majority of The Washington Home's revenue is derived from rental income (see Note 8), income from its investments, and donor contributions, all of which are scoped out from this standard. The Washington Home concluded that the adoption of the new standard did not require an adjustment to the opening balance of net assets.

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. As a resource provider, The Washington Home adopted this portion of the standard on July 1, 2020 and the adoption did not require adjustments to the reported net assets as of that date.

Recently issued accounting guidance: 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 statements 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 statements of activities and changes in net assets. 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.

Subsequent events: The Washington Home evaluated subsequent events through December 8, 2021, which is the date the financial statements were available to be issued.

The Washington Home

Notes to Financial Statements (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, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 312	\$ 1,706
Investments held in trust	9,173	8,166
Investments	58,990	47,860
	<u>68,475</u>	<u>57,732</u>
Less:		
Investments held in trust	(9,173)	(8,166)
Board designated assets without restrictions	(5,535)	(5,535)
Net assets with donor restrictions	<u>(9,412)</u>	<u>(10,725)</u>
	<u>(24,120)</u>	<u>(24,426)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 44,355</u>	<u>\$ 33,306</u>

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, were valued at \$1,000, which was considered a charitable donation from The Washington Home to Capital Caring. 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	<u>\$ 137</u>
Accounts payable and accrued expenses	\$ 137
Total liabilities	<u>\$ 137</u>

The Washington Home

Notes to Financial Statements (In Thousands)

Note 3. Discontinued Operations (Continued)

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

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

As of and for the year ended June 30, 2021, there were no assets or liabilities related to discontinued operations and no change in net assets resulting from discontinued operations.

Note 4. Investments

Investments and investments held in trust consisted of the following at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 548	\$ 1,873
U.S. government and agency issues	915	2,678
Mutual funds	37,841	34,713
Fixed income securities	2,805	2,169
Marketable equity securities	26,054	14,593
Total investments	<u>68,163</u>	<u>56,026</u>
Net assets with donor restrictions	(9,412)	(10,725)
Investments available for unrestricted use	<u><u>\$ 58,751</u></u>	<u><u>\$ 45,301</u></u>

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2021 and 2020:

	2021	2020
Land	\$ 28	\$ 28
Building and improvements	15,866	15,866
Furniture and equipment	149	141
	<u>16,043</u>	<u>16,035</u>
Less accumulated depreciation	(13,563)	(13,125)
Property and equipment for continuing operations	<u><u>\$ 2,480</u></u>	<u><u>\$ 2,910</u></u>

Depreciation expense was \$438 and \$524 for the years ended June 30, 2021 and 2020, respectively.

The Washington Home

Notes to Financial Statements (In Thousands)

Note 6. Net Assets With Restrictions

Net assets with donor restrictions consisted of the following funds at June 30, 2021 and 2020:

	2021	2020
William Woodville, in memory of his sister, Elizabeth Woodville, fund for care of seniors and the critically ill	\$ -	\$ 1,678
Frederick R. Blaylock and Peter J. and Catherine B. Henderson fund for care of indigent cancer residents	195	331
Pamela Murdock fund for the Employee of the Year Award	7	8
Time restricted for general operations for future periods after June 30, 2021 and 2020	343	657
Assets restricted in perpetuity	2,493	2,940
Endowment funds included in net assets with donor restrictions (see Note 7)	6,374	5,111
	<u>\$ 9,412</u>	<u>\$ 10,725</u>

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

	2021	2020
Hospice caregiver's relief and care for the critically ill and isolated	\$ 1,867	\$ 204
Time restricted for general operations for periods after June 30	262	38
Endowment funds included in net assets with donor restrictions (see Note 7)	1,089	573
	<u>\$ 3,218</u>	<u>\$ 815</u>

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 U.S. GAAP, 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.

The Washington Home

Notes to Financial Statements (In Thousands)

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

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 6 individual funds that are to remain in perpetuity, but not considered endowments under UPMIFA. These 6 funds are reported in net assets with donor restrictions, and their activity is reported as other donor-restricted funds in the following tables.

Composition of endowment and other net assets with restrictions by type of fund consisted of the following as of June 30, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,535	\$ -	\$ 5,535
Donor-restricted endowment funds	-	2,630	2,630
Other donor-restricted funds	-	6,237	6,237
	<u>\$ 5,535</u>	<u>\$ 8,867</u>	<u>\$ 14,402</u>

	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
	<u>\$ 5,535</u>	<u>\$ 8,051</u>	<u>\$ 13,586</u>

The Washington Home

Notes to Financial Statements (In Thousands)

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

Changes in endowment and other net assets with restrictions consisted of the following for the years ended June 30, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 5,535	\$ 8,051	\$ 13,586
Investment return:			
Investment income	83	206	289
Termination of interest in beneficial trust	-	(717)	(717)
Net change in value (realized and unrealized)	-	2,416	2,416
Total investment return	83	1,905	1,988
Appropriation of assets and transfers	(83)	(1,089)	(1,172)
Net assets, end of year	\$ 5,535	\$ 8,867	\$ 14,402
	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 Washington Home to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no funds with deficiencies at June 30, 2021 and 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.

The Washington Home

Notes to Financial Statements (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 Washington Home 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.

A percentage of unrestricted investment income is allocated to the Board-designated endowment funds. This investment income is used for long-term investments and contributions to not-for profit organizations that are in line with The Washington Home's mission to serve the elderly and terminally ill.

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 each of the years ended June 30, 2021 and 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 \$219 and \$309 for the years ended June 30, 2021 and 2020, respectively. Minimum rental payments to be made under this lease for the ensuing years are as follows:

Years ending June 30:	
2022	\$ 255
2023	44
	<u>\$ 299</u>

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:

The Washington Home

Notes to Financial Statements (In Thousands)

Note 9. Fair Value Measurements (Continued)

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. The Washington Home had no Level 3 investments at June 30, 2021 and 2020.

The following tables summarize The Washington Home's assets that were accounted at fair value on a recurring basis as of June 30, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 9,466	\$ -	\$ -	\$ 9,466
International	462	-	-	462
Large cap	11,954	-	-	11,954
Emerging markets	378	-	-	378
Mid cap	252	-	-	252
Equities	10,024	-	-	10,024
Small cap	2,400	-	-	2,400
Commodities	2,905	-	-	2,905
Marketable equity securities:				
Large cap	13,464	-	-	13,464
Small cap	2,123	-	-	2,123
Mid cap	10,467	-	-	10,467
U.S. government and agency issues	-	915	-	915
Fixed income securities	-	2,805	-	2,805
Total assets at fair value	<u>\$ 63,895</u>	<u>\$ 3,720</u>	<u>\$ -</u>	<u>67,615</u>
Cash and cash equivalents				548
Total investments				<u>\$ 68,163</u>

The Washington Home

Notes to Financial Statements (In Thousands)

Note 9. Fair Value Measurements (Continued)

	2020			Net Balance
	Level 1	Level 2	Level 3	
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	<u>\$ 49,306</u>	<u>\$ 4,847</u>	<u>\$ -</u>	<u>54,153</u>
Cash and cash equivalents				<u>1,873</u>
Total investments				<u>\$ 56,026</u>

The Washington Home excludes cash and cash equivalents from the fair value hierarchy as cash is generally measured at cost. As such, approximately \$548 and \$1,873 of cash and cash equivalents in The Washington Home's investment portfolio at June 30, 2021 and 2020, respectively, 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 2021 and 2020 plan years. The 401(k) Plan employer contributions were \$7 and \$22 for the years ended June 30, 2021 and 2020, respectively, and are included in salaries and benefits expense.

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Notes to Financial Statements (In Thousands)

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, 2021 and 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. The line is available to the Washington Home as long as the investments are maintained by the bank. 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 years ended June 30, 2021 and 2020.

Note 13. Federal Excise Tax

In accordance with the applicable provisions of the Code, for the year ended June 30, 2021, The Washington Home is subject to a 1.39% federal excise tax on net investment income, including realized gains. Accordingly, current federal excise taxes have been provided for in the amount of \$101 for the year ended June 30, 2021 and are included in purchased services and other in the statement of functional expenses and general and administrative expenses on the statement of activities and changes in net assets.

With the transition to a private foundation, The Washington Home is subject to the Code requirement of making minimum distributions in accordance with a specified formula. Determination of whether The Washington Home has met the minimum distribution requirement, as defined by the Code, will be determined in the year ending June 30, 2022.