The Washington Home

Financial Statements
and Independent Auditor's Report

June 30, 2023 and 2022

The Washington Home

Financial Statements
June 30, 2023 and 2022

Contents

ROGERS & COMPANY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Washington Home

Opinion

We have audited the accompanying financial statements of The Washington Home ("the Organization"), which comprise the statement of financial position as of June 30, 2023; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization as of June 30, 2022, were audited by other auditors whose report, dated December 21, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Rogers + Company PLLC

Vienna, Virginia
December 6, 2023

The Washington Home

Statements of Financial Position
June 30, 2023 and 2022 (In Thousands)

	2023	2022
Assets		
Cash	$ 741	$ 604
Investments	55,089	52,190
Prepaid expenses and other assets	40	127
Property and equipment, net	1,632	2,049
Deferred leasing costs, net	21	104
Investments held in trust	7,513	7,564
Total assets	$ 65,036	$ 62,638
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 72	$ 271
Accrued salaries, benefits, and payroll taxes	56	65
Amounts held for others	364	386
Total liabilities	492	722
Net Assets		
Without donor restrictions:		
Undesignated	52,747	49,912
Board-designated endowment fund	5,535	5,535
Total without donor restrictions	58,282	55,447
With donor restrictions:		
Purpose restricted	3,819	3,975
Perpetual in nature	2,443	2,494
Total with donor restrictions	6,262	6,469
Total net assets	64,544	61,916
Total liabilities and net assets	$ 65,036	$ 62,638

See accompanying notes.

The Washington Home

Statement of Activities
For the Year Ended June 30, 2023 (In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions	$ 32	$ -	$ 32
In-kind contributions	170	-	170
Rental income	4,160	-	4,160
Net assets released from restrictions	1,066	(1,066)	-
Total operating revenue and support	5,428	(1,066)	4,362
Expenses			
Program services	5,828	-	5,828
Supporting services:			
General and administrative	1,039	-	1,039
Total expenses	6,867	-	6,867
Change in Net Assets from Operations	(1,439)	(1,066)	(2,505)
Non-Operating Activities			
Investment return, net	4,274	159	4,433
Investment return, net from investments held in trust	-	700	700
Change in Net Assets	2,835	(207)	2,628
Net Assets, beginning of year	55,447	6,469	61,916
Net Assets, end of year	$ 58,282	$ 6,262	$ 64,544

The Washington Home

Statement of Activities
For the Year Ended June 30, 2022 (In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions	$ 596	$ -	$ 596
Rental income	4,160	-	4,160
Net assets released from restrictions	1,110	(1,110)	-
Total operating revenue and support	5,866	(1,110)	4,756
Expenses			
Program services	4,554	-	4,554
Supporting services:			
General and administrative	828	-	828
Total expenses	5,382	-	5,382
Change in Net Assets from Operations	484	(1,110)	(626)
Non-Operating Activities			
Investment return, net	(6,227)	(571)	(6,798)
Investment return, net from investments held in trust	-	(1,262)	(1,262)
Change in Net Assets	(5,743)	(2,943)	(8,686)
Net Assets, beginning of year	61,190	9,412	70,602
Net Assets, end of year	$ 55,447	$ 6,469	$ 61,916

The Washington Home

Statement of Functional Expenses
For the Year Ended June 30, 2023 (In Thousands)

	Program Services	Supporting Services General and Administrative	Total Expenses
Salaries and benefits	$ 197	$ 625	$ 822
Purchased services and other	-	186	186
Audit, legal, and consulting	55	228	283
Rent	40	-	40
Grants to charitable organizations	4,867	-	4,867
In-kind expenses	170	-	170
Depreciation and amortization	499	-	499
Total Expenses	$ 5,828	$ 1,039	$ 6,867

See accompanying notes.

The Washington Home

Statement of Functional Expenses
For the Year Ended June 30, 2022 (In Thousands)

	Program Services		Supporting Services General and Administrative		Total Expenses	
Salaries and benefits	$	195	$	584	$	779
Purchased services and other		7		152		159
Audit, legal, and consulting		105		92		197
Rent		226		-		226
Grants to charitable organizations		3,500		-		3,500
Depreciation and amortization		521		-		521
Total Expenses	$	4,554	$	828	$	5,382

See accompanying notes.

The Washington Home

Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022 (In Thousands)

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 2,628	$ (8,686)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(3,053)	11,263
Depreciation and amortization	416	438
Loss on asset disposal	3	-
Amortization of deferred leasing costs	83	83
Change in operating assets and liabilities:		
Decrease in:		
Prepaid expenses and other assets	87	5
Increase (decrease) in:		
Accounts payable and accrued expenses	(199)	101
Accrued salaries, benefits, and payroll taxes	(9)	(26)
Amounts held for others	(22)	(25)
Net cash (used in) provided by operating activities	(66)	3,153
Cash Flows from Investing Activities		
Purchases of investments and reinvested interest	(19,000)	(7,311)
Proceeds from sale of investments	19,205	4,457
Purchase of property and equipment	(2)	(7)
Net cash provided by (used in) investing activities	203	(2,861)
Net Increase in Cash	137	292
Cash, beginning of year	604	312
Cash, end of year	$ 741	$ 604

1. Nature of Operations

The Washington Home ("the Organization") is a nonprofit 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 (DC) and end-of-life hospice care services in DC and Maryland. In December 2016, the nursing home facility operations ceased entirely. WHCH's end of life hospice care operations ceased by November 1, 2019.

The Organization continues to generate revenue from donor contributions, income earned on investment funds, and leased property. To accomplish its mission, the Organization 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, DC metropolitan area.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Organization's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include both undesignated and Board-designated amounts. The Organization's Board of Directors segregated amounts received without donor restrictions from various donors into a Board-designated endowment fund for long term investment and expected future contributions to other not-for-profit organizations that served the elderly and terminally ill.

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. The Organization report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses, net of investment management fees, are reported in net investment return in the accompanying statements of activities. Money market and short-term investment funds, held as a portion of the Organization's investment portfolio, are not considered to be cash equivalents for purposes of cash flows.

The Organization invests in a professionally managed portfolio with funds that are exposed to various risks such as interest rate, market, and credit risks. 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 accompanying financial statements.

Property and Equipment

Property and equipment acquisitions with a cost in excess of $1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to 40 years. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the shorter of the remaining lease term or the useful life of the improvement. Donated furniture and equipment exceeding the capitalization threshold are recorded at their estimated fair value on the date received. Expenditures for repairs and maintenance are expensed as incurred.

2. Summary of Significant Accounting Policies (continued)

Valuation of Long-Lived Assets

The Organization 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 of fair value, less costs to sell. Management determined there were no impairment losses to be recognized during the years ended June 30, 2023 and 2022.

Deferred Leasing Costs

The Organization exercised the fifth five-year renewal option, which commenced on October 1, 2018 and ended on September 30, 2023. 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, 2023 and 2022. Accumulated amortization was $1,317 and $1,233 at June 30, 2023 and 2022, respectively. Amortization expense for both years ended June 30, 2023 and 2022 amounted to $83.

Amounts Held for Others

The Organization 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 Organization's use.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

The Organization recognizes contributions when cash, securities, or other assets, or an unconditional promise to give, is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. Rental income falls under this category and is recognized at a point in time when a performance obligation is transferred to the tenants as rentals become due. Rental payments received in advance are deferred and recognized as income in the period to which the rent relates.

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statements of activities as in-kind contributions. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used.

For the year ended June 30, 2023, in-kind contributions consist of donated burial plots of $162 and donated office items of $8 that benefit both program and supporting services. The Organization did not have any in-kind contributions for the year ended June 30, 2022.

Contributed nonprofessional services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition.

2. Summary of Significant Accounting Policies (continued)

Grants Payable and Grant 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. All payments require approval of the Organization's Board of Directors as well as the grantees satisfying various criteria as specified in each grant agreement. Grants payable within one year are recorded at fair value at the date of approval. Grants payable in more than one year are recorded at net present value based on projected cash flows.

During the years ended June 30, 2023 and 2022, charitable organizations were awarded grants approximately totaling $4,867 and $3,500, respectively. There were no grants payable at both June 30, 2023 and 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred. The Organization did not have any advertising costs for the years ended June 30, 2023 and 2022.

Measure of Operations

The Organization includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes net investment return.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Adopted Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Organization adopted ASU 2020-07 during the year ended June 30, 2023. There were no changes to the financial statements as a result of adopting ASU 2020-07.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 6, 2023, the date the financial statements were available to be issued.

June 30, 2023 and 2022 (In Thousands)

3. Liquidity and Availability

The Organization strives to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of this liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments. Additionally, the Organization has a line of credit available to meet any obligations due that 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 statements of financial position date, comprise the following at June 30:

	2023	2022
Cash	$ 741	$ 604
Investments	55,089	52,190
Total financial assets	55,830	52,794
Less: Board-designated endowment fund	(5,535)	(5,535)
Less: net assets with donor restrictions –		
Purpose restricted	(3,819)	(3,975)
Perpetual in nature	(2,443)	(2,494)
Total available for general expenditures	$ 44,033	$ 40,790

4. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and investments. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The uninsured portions of these accounts are backed solely by the asset of the underlying financial institution. Therefore, the failure of an underlying institution could result in financial loss for the Organization. The Organization has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

June 30, 2023 and 2022 (In Thousands)

5. Investments and Fair Value Measurements

The Organization's investments composition was as follows at June 30:

	2023	2022
Investments	$ 55,089	$ 52,190
Investments held in trust	7,513	7,564
Total	$ 62,602	$ 59,754

The Organization follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures,* for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. The Organization also invests in government securities and fixed income funds, which are valued based on quoted prices for instruments that are identical or similar in markets that are not active and for which all significant inputs are observable, either directly or indirectly, in active markets. As such, these assets are classified as Level 2.

June 30, 2023 and 2022 (In Thousands)

5. Investments and Fair Value Measurements (continued)

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 6,569	$ -	$ -	$ 6,569
Mutual funds	29,757	-	-	29,757
Equities	12,811	-	-	12,811
ETFs and CEFs	8,996	-	-	8,996
Government securities	-	2,655	-	2,655
Fixed income funds	-	1,814	-	1,814
Total assets at fair value	$ 58,133	$ 4,469	$ -	$ 62,602

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,080	$ -	$ -	$ 1,080
Mutual funds	32,907	-	-	32,907
Equities	13,312	-	-	13,312
ETFs and CEFs	9,466	-	-	9,466
Government securities	-	893	-	893
Fixed income funds	-	2,096	-	2,096
Total assets at fair value	$ 56,765	$ 2,989	$ -	$ 59,754

June 30, 2023 and 2022 (In Thousands)

5. Investments and Fair Value Measurements (continued)

Net investment return consists of the following for the years ended June 30:

	2023	2022
Interest and dividends	$ 2,069	$ 3,194
Net realized and unrealized gain (loss)	2,509	(9,825)
Less: investment management fees	(145)	(167)
Total investment return, net	$ 4,433	$ (6,798)

Net investment return from investments held in trust consists of the following for the years ended June 30:

	2023	2022
Interest and dividends	$ 201	$ 265
Net realized and unrealized gain (loss)	544	(1,438)
Less: investment management fees	(45)	(89)
Total investment return, net from investments held in trust	$ 700	$ (1,262)

6. Property and Equipment

The Organization held the following property and equipment at June 30:

	2023	2022
Land	$ 28	$ 28
Building and building improvements	15,866	15,866
Furniture and equipment	80	156
Total property and equipment	15,974	16,050
Less: accumulated depreciation	(14,342)	(14,001)
Property and equipment, net	$ 1,632	$ 2,049

June 30, 2023 and 2022 (In Thousands)

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2023	2022
Purpose restricted:		
Pamela Murdock fund for Employee of the Year Award	$ 4	$ 6
Unappropriated earnings on endowment funds	857	1,002
Unappropriated earnings on funds held in trust	2,958	2,967
Perpetual in nature:		
Endowment funds	1,125	1,176
Funds held in trust	1,318	1,318
Total net assets with donor restrictions	$ 6,262	$ 6,469

8. Endowments

The Organization's endowment funds were established for a variety of purposes and consist of the following:

a) Board-Designated Endowment Fund

The Organization's Board of Directors segregated amounts received without donor restrictions from various donors into a Board-designated endowment fund for long term investments and expected future contributions to other not-for-profit organizations that served the elderly and terminally ill. The Organization's Board-designated endowment fund is classified as part of net assets without donor restrictions.

b) Donor-Restricted Endowment Funds

At June 30, 2023, there were two donor-restricted endowment funds, the Eugene B. Casey Endowment for hospice care for indigent patients, and the Fitzgerald Endowment for Hospice Care to provide hospice care and training. As of June 30, 2022, there were four donor-restricted endowment funds. During the year ended June 30, 2023, two of the donor-restricted endowment funds were terminated and liquidated, and the funds were released from donor restrictions.

8. Endowments (continued)

c) Funds Held in Trust

The Organization has six individual funds that are to remain in perpetuity, but not considered endowments under UPMIFA. These six funds and their activities are reported in net assets with donor restrictions.

The Funds Held in Trust consist of:

- Casey Clark Memorial Fund – to provide inpatient hospice care;
- Seaton Perry Memorial Fund – to provide inpatient hospice care;
- Mary Farr Perry-Clementine Duff Memorial Fund – to defray the cost of food and meals to residents and staff at an inpatient hospice care in DC;
- Fannie Moyers Consaul Trust – for general purposes;
- Frederick J. Goddard Charitable Trust – to care for the infirmed who are otherwise unable to care for themselves; and
- Mary B. Thyson Trust – to be used for general purposes.

<u>Interpretation of Relevant Law</u>

The Board of Directors of the Organization has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial gift amounts donated to the endowment, (b) the original value of subsequent gift amounts donated to the endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) duration and preservation of the fund; (2) the purpose of the Organization 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 or depreciation of investments; (6) other resources of the Organization; and (7) investment policies of the Organization.

8. Endowments (continued)

Return Objectives, Risk Parameters, and Strategies

The Organization maintains 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and Related Investment Objectives

The Organization 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 guideline. Actual appropriation may vary from year to year with the average goal of 5% over a period. When agreeing to the policy, the Organization considered the long-term expected return on its endowments. These spending policies are consistent with the Organization'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 return is allocated to the Board-designated endowment funds. This investment return is used for long-term investments and contributions to not-for-profit organizations that are in line with the Organization's mission to serve the elderly and terminally ill.

June 30, 2023 and 2022 (In Thousands)

8. Endowments (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 Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions. There were no funds with deficiencies at June 30, 2023 and 2022.

Composition of Endowment Net Assets

Endowment net assets composition was as follows at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment fund	$ 5,535	$ -	$ 5,535
Donor-restricted endowment funds	-	1,125	1,125
Unappropriated earnings on endowment funds	-	857	857
Funds held in trust	-	1,318	1,318
Unappropriated earnings on funds	-	2,958	2,958
Total endowment net assets	$ 5,535	$ 6,258	$ 11,793

June 30, 2023 and 2022 (In Thousands)

8. Endowments (continued)

Endowment net assets composition was as follows at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment fund	$ 5,535	$ -	$ 5,535
Donor-restricted endowment funds	-	1,176	1,176
Unappropriated earnings on endowment funds	-	1,002	1,002
Funds held in trust	-	1,318	1,318
Unappropriated earnings on funds held in trust	-	2,967	2,967
Total endowment net assets	$ 5,535	$ 6,463	$ 11,998

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	$ 5,535	$ 6,463	$ 11,998
Investment return, net:			
Interest and dividends	-	276	276
Net realized and unrealized gain	-	633	633
Less: investment management fees	-	(50)	(50)
Total investment return, net	-	859	859
Appropriation of endowment assets for expenditure	-	(1,064)	(1,064)
Endowment net assets, June 30, 2023	$ 5,535	$ 6,258	$ 11,793

June 30, 2023 and 2022 (In Thousands)

8. Endowments (continued)

Changes in Endowment Net Assets (continued)

Changes in endowment net assets were as follows for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	$ 5,535	$ 8,871	$ 14,406
Investment return, net:			
Interest and dividends	-	394	394
Net realized and unrealized loss	-	(2,138)	(2,138)
Less: investment management fees	-	(89)	(89)
Total investment return, net	-	(1,833)	(1,833)
Appropriation of endowment assets for expenditure	-	(575)	(575)
Endowment net assets, June 30, 2022	$ 5,535	$ 6,463	$ 11,998

9. Line of Credit

The Organization maintains a 10 million dollar secured liquidity access line of credit with a bank. The line is collateralized by the Organization's investment securities account as a compensating balance. This line of credit bears interest at a variable rate equal to the bank's prime rate, which was 6.17% and 2.14% at June 30, 2023 and 2022, respectively. The Organization did not have an outstanding balance on this line of credit at both June 30, 2023 and 2022.

10. Leases

The Organization 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, which commenced on October 1, 2018 and ended on September 30, 2023. For both years ended June 30, 2023 and 2022, The Organization recognized $4,160 of rental income associated with this lease.

The Organization maintained a noncancelable operating lease for its headquarters that expired on August 2022. Rent expense included a based charge plus a pro rata share of operating costs of the building. Rent expenses were $40 and $226 for the years ended June 30, 2023 and 2022, respectively.

11. Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include all overhead expenses reported in the accompanying statements of functional expenses, which are allocated on the basis of estimates of time and effort, except grants, and in-kind expenses.

12. Retirement Plan

The Organization maintains a defined contribution 401(k) retirement plan for all eligible employees. As defined in the plan, all employees are eligible to participate upon hire. The Organization offers employer matching contributions of 25% up to 6% of employee contributions, and a vesting of 20% for each year of service. Employer contributions totaled $8 for both years ended June 30, 2023 and 2022, and are included in salaries and benefits expenses.

13. Income Taxes

The Organization is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). For the years ended June 30, 2023 and 2022, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded.

The Organization has adopted the accounting standards on accounting for uncertainty in income taxes, which address 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 Organization 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 Organization’s tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions under this guidance. Generally, the Organization is no longer subject to income tax examinations under the U.S. federal, state, or local tax authorities for years before June 30, 2018.

14. Federal Excise Tax

Beginning on July 1, 2020, the Organization is classified as a private foundation under IRC Section 509(a). For the years ended June 30, 2023 and 2022, the Organization is subject to a federal excise tax of 1.39%, of its net investment return, including realized gains. Accordingly, federal excise tax expense in the amount of $50 and $76 for the years ended June 30, 2023 and 2022, respectively, are included in purchased services and other in the accompanying statements of functional expenses.

With the transition to a private foundation, the Organization is subject to the IRC requirement of making minimum distributions in accordance with a specified formula. Determination of whether the Organization has met the minimum distribution requirement, as defined by the IRC, was determined through the year ended June 30, 2023. Management of the Organization determined adequate provision has been made through June 30, 2023 to satisfy its excise tax requirement.