



*Report of Independent Auditors and
Financial Statements*

**Senior Services for Northern California
(a supporting organization of Sequoia Living, Inc.)**

December 31, 2020 and 2019



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Report of Independent Auditors

To the Board of Directors
Senior Services for Northern California

Report on the Financial Statements

We have audited the accompanying financial statements of Senior Services for Northern California (“SSNC”), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets and of 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 Senior Services for Northern California as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
April 30, 2021

Financial Statements

Senior Services for Northern California
Statements of Financial Position (In Thousands)
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,773	\$ 598
Marketable securities	29,102	28,314
Pledges receivable, net of allowance, current	<u>519</u>	<u>831</u>
Total current assets	31,394	29,743
Investments held in trust	15,444	15,817
Trust contributions receivable	1,295	1,214
Pledges receivable, net of allowance, less current portion	<u>177</u>	<u>73</u>
Total assets	<u>\$ 48,310</u>	<u>\$ 46,847</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 73	\$ 83
Related party payables	<u>63</u>	<u>249</u>
Total current liabilities	136	332
Liability for payments to trust beneficiaries	6,688	7,039
Other long-term liabilities	<u>1,346</u>	<u>1,408</u>
Total liabilities	<u>8,170</u>	<u>8,779</u>
NET ASSETS		
Net assets without donor restrictions	5,554	5,389
Net assets with donor restrictions	<u>34,586</u>	<u>32,679</u>
Total net assets	<u>40,140</u>	<u>38,068</u>
Total liabilities and net assets	<u>\$ 48,310</u>	<u>\$ 46,847</u>

Senior Services for Northern California
Statements of Activities and Changes in Net Assets (In Thousands)
December 31, 2020 and 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and gains		
Contributions	\$ 238	\$ 330
Investment income including net realized gains on investments	290	460
Unrealized gain on investments, net	541	658
Administrative service fees	143	141
	1,212	1,589
Net assets released from restrictions		
Satisfaction of program restrictions	1,235	1,535
Matured trust agreements	122	103
	2,569	3,227
Expenses		
Support provided to Sequoia Living, Inc. programs	(2,404)	(2,664)
	165	563
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,160	2,479
Investment income including net realized gains on investments	1,463	1,777
Change in value of split-interest agreements	(43)	1,076
Unrealized gain from investments held in trust	684	1,530
Net assets released from restrictions	(1,357)	(1,638)
	1,907	5,224
Change in net assets	2,072	5,787
Net assets at beginning of year	38,068	32,281
Net assets at end of year	\$ 40,140	\$ 38,068

Senior Services for Northern California
Statements of Cash Flows (In Thousands)
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 1,686	\$ 2,177
Cash paid for grants to Sequoia Living, Inc.	(2,452)	(2,496)
Investment income including net realized gains and losses on investments	<u>1,280</u>	<u>1,647</u>
Cash provided by operating activities	<u>514</u>	<u>1,328</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	6,535	4,952
Purchase of investments	<u>(5,380)</u>	<u>(6,123)</u>
Cash provided by (used in) investing activities	<u>1,155</u>	<u>(1,171)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from endowment contributions	3	11
Proceeds from contributions held in trust	123	137
Payments to trust beneficiaries	(978)	(859)
Investment income from marketable securities held in trust	<u>358</u>	<u>528</u>
Cash used in financing activities	<u>(494)</u>	<u>(183)</u>
Net change in cash and cash equivalents	1,175	(26)
CASH AND CASH EQUIVALENTS, beginning of year	<u>598</u>	<u>624</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,773</u></u>	<u><u>\$ 598</u></u>

Senior Services for Northern California
Notes to Financial Statements
Dollars in Thousands

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Senior Services for Northern California (“SSNC”) was incorporated in 1987 as a supporting organization of Sequoia Living, Inc. (“Sequoia Living”), formerly known as Northern California Presbyterian Homes and Services, Inc. The purpose of SSNC is to receive, account for, hold and distribute gifts to Sequoia Living. SSNC qualifies for exemption from income and franchise taxes under Section 501(c)(3) and 23701(d) of the respective federal and state revenue codes.

Recent pronouncements – In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), to improve the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by generally accepted accounting principles. The adoption of ASU 2018-13 is effective for SSNC beginning January 1, 2020. SSNC has adopted ASU 2018-13 for the year ended December 31, 2020. The adoption of ASU 2018-13 did not have a material impact on its financial statements and disclosures.

Basis of presentation – SSNC’s financial statements are prepared on the accrual basis of accounting and are presented in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of SSNC and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions are classified as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions are classified as net assets with donor restrictions. Net assets with donor restrictions include permanent endowment funds and net assets with donor restrictions that can be fulfilled either by actions of SSNC pursuant to those restrictions and/or that expire by the passage of time. Net assets with donor restrictions consist of charitable remainder trusts, other life income funds, and permanent endowment funds.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled, and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Senior Services for Northern California

Notes to Financial Statements

Dollars in Thousands

Fair value of financial instruments – The FASB statement on fair value measurements establishes a framework for measuring fair value in conformity with generally accepted accounting principles and expands disclosures about fair value measurements. This authoritative guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The carrying values reported on the statements of financial position for current financial assets and liabilities approximate fair value. Investments held in trust and trust contribution receivables are carried at fair value. See Note 5 for fair value of SSNC's financial assets and liabilities.

Cash and cash equivalents – Cash and cash equivalents, which consist of deposits and money market funds, include money market funds purchased with a maturity, at purchase date, of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

Marketable securities and investments held in trust – Equity and debt securities are carried at fair value with realized and unrealized gains and losses included in the statements of activities and changes in net assets. Realized gains or losses on the sale of investments represent the difference between cost, on a first-in first-out basis, and the related market price at the sale date. A decline in the fair value of an investment in equity and debt securities that is other than temporary is accounted for as a realized loss, whereby the cost basis of the security is written down to fair value. Cash and cash equivalents, which consist of deposits and money market funds, are carried at cost, which approximates fair value because of the short-term nature of these investments.

Senior Services for Northern California Notes to Financial Statements Dollars in Thousands

Investments held in trust and liability for payments to trust beneficiaries – Investments held in trust represent charitable remainder trusts and other deferred funds in which the donor, or stated beneficiary, has a life interest in the trust income and for which SSNC is trustee and remainderman. Trust assets are carried at fair value remeasured on a recurring basis. The related liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using an appropriate credit risk-adjusted rate determined at the inception of each agreement. The liabilities are adjusted during the terms of the agreements for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. As of December 31, 2020, the valuation technique utilizes published actuarial life expectancies ranging from 2.4 to 16.2 years, and discount rates ranging from 1.63% to 6.75%. As of December 31, 2019, the valuation technique utilizes published actuarial life expectancies ranging from 2.5 to 14.4 years, and discount rates ranging from 1.63% to 6.75%.

Pledges receivable – Pledges receivable are recorded initially at fair value and consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recognized at fair value based on the present value of their estimated cash flows using the discount rate technique. Subsequent to the initial recording, pledges are recorded at net realizable value. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. As of December 31, 2020, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 5.1 years, and discount rates ranging from 1.6% to 9.4%. As of December 31, 2019, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 5.5 years, and discount rates ranging from 1.6% to 9.4%. Pledges receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Conditional promises to give are not included as support until the conditions are substantially met.

Trust contributions receivable – Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets. The change in the fair value of trust contributions receivable is reflected in the change in value of split-interest agreements for net assets with donor restrictions in the statements of activities and changes in net assets. As of December 31, 2020, the valuation technique utilizes published actuarial life expectancies ranging from 3.4 to 10.2 years, and discount rates ranging from 4.0% to 4.8%. As of December 31, 2019, the valuation technique utilizes published actuarial life expectancies ranging from 3.7 to 10.8 years, and discount rates ranging from 4.4% to 4.8%.

Contributions – Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Contributions with donor-imposed restrictions that are met in the same year as received are reported as donor restricted and reclassified to net assets without donor restrictions to reflect the expiration of such restrictions. Donated securities, real property, and contributions in kind are recorded at fair value at the date of contribution. Contributions are derived primarily from donors in Northern California. Contributions of trust interests in which SSNC serves as the trustee are recognized at fair value in the period of receipt. Fair value is determined based upon the difference between the fair value of the assets received and the fair value of the estimated liability to beneficiaries. Contributions of trust interests in which the assets are invested and administered by outside trustees are recorded at fair value when notice of the interest is received.

Senior Services for Northern California

Notes to Financial Statements

Dollars in Thousands

The Woods gift transfer – In December 1992, SSNC received a gift of real property with a fair market value of \$1,000 known as The Woods, a senior manufactured home park in the Mendocino area. This property was received by SSNC in 1992. Forty percent of the property was given to SSNC in part as a bargain sale and in part as an outright gift. The bargain sale was created by the establishment of a wealth replacement trust, funded by SSNC, at the direction of the donors. The asset purchased to fund the wealth replacement trust is no longer sufficient to cover the requirement of the bargain sale agreement. SSNC estimates that an additional \$500 will be required to fund the wealth replacement trust.

Administrative service fees – SSNC manages its split interest agreements internally and assesses a fee of 1% on trust assets per year.

Change in value of split-interest agreements – Changes in the value of split-interest agreements are the result of the following transactions and events related to SSNC's deferred gifts:

- Accretion of the discounts on previously received deferred gifts.
- Revaluations of expected future benefits to be received, net of income earned, and market changes on deferred gift assets.
- Revaluations of expected future payments to beneficiaries, net of payments made, based on changes in life expectancy and other actuarial assumptions.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include pledges and contributions receivable and the liability for payments to trust beneficiaries. Actual results may differ from those estimates.

Senior Services for Northern California
Notes to Financial Statements
Dollars in Thousands

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable were due as follows as of December 31:

	2020	2019
Current portion	\$ 546	\$ 875
Less: allowance	(27)	(44)
Total current portion	\$ 519	\$ 831
One year to five years	\$ 222	\$ 180
More than five years	25	25
	247	205
Less: allowance	(12)	(10)
Less: unamortized discount	(58)	(122)
Total noncurrent portion	\$ 177	\$ 73

NOTE 3 – MARKETABLE SECURITIES

The composition of marketable securities is set forth in the following table. The majority of these are held with two investment firms:

	2020	2019
Money market funds	\$ 2	\$ 809
Government bonds	830	-
Equity mutual funds	16,067	15,256
Fixed income mutual funds	12,203	12,249
	\$ 29,102	\$ 28,314

Operating investment income is comprised of the following for the years ended December 31:

	2020	2019
Interest income	\$ 30	\$ 57
Net realized gains on sales of investments	260	403
	\$ 290	\$ 460

Senior Services for Northern California
Notes to Financial Statements
Dollars in Thousands

NOTE 4 – INVESTMENTS HELD IN TRUST

Investments held in trust at fair value are summarized below. The majority of these are held with one investment firm.

	<u>2020</u>	<u>2019</u>
Money market funds	\$ -	\$ 388
Equity mutual funds	10,170	10,246
Fixed income mutual funds	5,257	5,167
Corporate and government bonds	<u>17</u>	<u>16</u>
	<u>\$ 15,444</u>	<u>\$ 15,817</u>

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2020 and 2019:

	<u>2020</u>			
	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Assets Measured at Fair Value on a Recurring Basis (1)				
Marketable Securities (2)				
Money market funds	\$ 2	\$ 2	\$ -	\$ -
Equity mutual funds	16,067	16,067	-	-
Fixed income mutual funds	12,203	12,203	-	-
Investments Held in Trust				
Money market funds	-	-	-	-
Equity mutual funds	10,170	10,170	-	-
Fixed income mutual funds	5,257	5,257	-	-
Corporate and government bonds	17	17	-	-
Trust Contributions Receivable (3)	<u>1,295</u>	<u>-</u>	<u>-</u>	<u>1,295</u>
	<u>\$ 45,011</u>	<u>\$ 43,716</u>	<u>\$ -</u>	<u>\$ 1,295</u>
Liabilities Measured at Fair Value on a Recurring Basis (4)				
Liability for Payments to Trust Beneficiaries	<u>\$ 6,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,688</u>

Senior Services for Northern California
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Dollars in Thousands

	2019			
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets Measured at Fair Value on a Recurring Basis (1)				
Marketable Securities (2)				
Money market funds	\$ 809	\$ 809	\$ -	\$ -
Equity mutual funds	10,754	15,256	-	-
Fixed income mutual funds	16,751	12,249	-	-
Investments Held in Trust				
Money market funds	388	388	-	-
Equity mutual funds	10,246	10,246	-	-
Fixed income mutual funds	5,167	5,167	-	-
Corporate and government bonds	16	16	-	-
Trust Contributions Receivable (3)	1,214	-	-	1,214
	<u>\$ 45,345</u>	<u>\$ 44,131</u>	<u>\$ -</u>	<u>\$ 1,214</u>
Liabilities Measured at Fair Value on a Recurring Basis (4)				
Liability for Payments to Trust Beneficiaries	<u>\$ 7,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,039</u>

1. For cash and cash equivalents the net carrying value approximates fair value at period end.
2. The fair values of marketable securities included in the statements of financial position are determined based on quoted market prices in active markets. The marketable securities consist of money market funds, corporate obligations, mutual funds equity, and mutual funds fixed as detailed in Note 3.
3. The fair value of trust contributions receivable included in the statements of financial position is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.
4. The fair value of the liability for payments to trust beneficiaries included in the statements of financial position is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

There were no transfers of assets or liabilities between levels during the years ended December 31, 2020 and 2019.

Senior Services for Northern California
Notes to Financial Statements
Dollars in Thousands

The change in value of the trust contributions receivable valued using significant unobservable inputs (Level 3) is shown below:

Fair value at January 1, 2020	\$ 1,214
Total net unrealized gains included in changes in net assets	306
Total net realized gains included in changes in net assets	<u>(225)</u>
Fair value at December 31, 2020	<u>\$ 1,295</u>
Fair value at January 1, 2019	\$ 978
New contributions	41
Maturities	(53)
Total net unrealized gains included in changes in net assets	208
Total net realized losses included in changes in net assets	<u>40</u>
Fair value at December 31, 2019	<u>\$ 1,214</u>
Total gains for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2019	<u>\$ 196</u>

The change in value of the liability for payments to trust beneficiaries valued using significant unobservable inputs (Level 3) is shown below:

Fair value at January 1, 2020	\$ 7,039
New contributions	69
Total net unrealized gains included in changes in net assets	<u>(420)</u>
Fair value at December 31, 2020	<u>\$ 6,688</u>
Fair value at January 1, 2019	\$ 6,177
New contributions	481
Total net unrealized losses included in changes in net assets	<u>381</u>
Fair value at December 31, 2019	<u>\$ 7,039</u>

NOTE 6 – ENDOWMENTS

SSNC's endowment consists of donor-restricted funds established for a variety of purposes. The purpose restrictions consist of financial assistance, meal subsidies, improvements to the quality of life to residents of certain Sequoia Living facilities, and maintenance of a resident garden. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Senior Services for Northern California
Notes to Financial Statements
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Interpretation of relevant law – The Board of Trustees of SSNC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, Sequoia Living classifies as donor-restricted endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the appropriation of all investment income on the endowment funds for expenditure.

The net asset composition for donor restricted endowment funds by type of fund as of December 31 is as follows:

Donor-restricted endowment funds	2020	2019
Tomorrow fund	\$ 12,045	\$ 11,771
Other	649	744
	\$ 12,694	\$ 12,515

Changes in endowment net assets for the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
Endowment net assets with donor restrictions, January 1	\$ 12,515	\$ 11,294
Investment return:		
Investment income	319	328
Net appreciation (realized and unrealized)	(22)	921
Total investment return	297	1,249
Contributions	3	11
Appropriation of endowment assets for expenditure	(121)	(39)
Endowment net assets with donor restrictions, December 31	\$ 12,694	\$ 12,515

The amounts contributed to SSNC endowment funds have been retained permanently by explicit donor stipulation and the fair values of the original gifts have been preserved in accordance with UPMIFA. SSNC does not hold term endowment funds or perpetual endowment funds subject to time restrictions.

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 SSNC to retain as a fund of perpetual duration. SSNC had no deficiencies of this nature in its endowment funds as of December 31, 2020 and 2019.

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Return objectives and risk parameters – SSNC has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the original gift value of the endowment assets. Endowment assets include those assets of donor-restricted funds that SSNC must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index by 3.25% annually, on average, while assuming a moderate level of investment risk. SSNC expects its endowment funds, over time, to provide an average rate of return of at least 6.25% annually. 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, SSNC 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). SSNC targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – SSNC has a policy of appropriating the endowment fund’s investment income for expenditure as the income is earned. In establishing this policy, SSNC considered the long-term expected return on its endowment. This is consistent with SSNC’s objective to maintain the original gift value of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

NOTE 7 – NET ASSETS

SSNC’s net assets with donor restrictions include endowments and other donor-restricted funds established for a variety of purposes as described under endowments. The composition for net assets with donor restrictions is as follows:

	2020	2019
Tomorrow fund	\$ 17,484	\$ 16,494
Other funds	9,172	8,458
Planned gifts	7,930	7,727
Total net assets with donor restrictions	\$ 34,586	\$ 32,679

There are no Board designated net assets without donor restrictions.

Senior Services for Northern California
Notes to Financial Statements
Dollars in Thousands

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

SSNC financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2020	2019
Cash and cash equivalents	\$ 1,773	\$ 598
Marketable securities	29,102	28,314
Pledges receivable, net of allowance, current	519	831
	\$ 31,394	\$ 29,743

Of these financial assets, \$25,321 and \$23,516 are related to marketable securities with donor restrictions as of December 31, 2020 and 2019, respectively. SSNC's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Sequoia Living's available financial assets can help manage unanticipated liquidity needs.

NOTE 9 – RELATED-PARTY TRANSACTIONS

SSNC supports Sequoia Living's projects and programs based upon Sequoia Living's requests for such support. All operating, administrative, and fundraising expenses, including an allocation of costs for employees performing SSNC activities, are incurred by Sequoia Living, on behalf of SSNC. Sequoia Living estimates that the cost of employee services provided to SSNC was approximately \$659 and \$887 in 2020 and 2019, respectively. SSNC reimburses Sequoia Living for these costs.

NOTE 10 – SUBSEQUENT EVENTS

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

SSNC has performed an evaluation of subsequent events through April 30, 2021, which is the date the financial statements were available to be issued.

