



Report of Independent Auditors and
Financial Statements

**Senior Services for Northern California
(a Supporting Organization of Sequoia Living, Inc.)**

December 31, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Senior Services for Northern California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Senior Services for Northern California (SSNC) which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SSNC as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 SSNC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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 SSNC'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 GAAS 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 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 GAAS, 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 SSNC'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 SSNC's ability to continue as a going concern for a reasonable period of time.

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.



San Francisco, California
April 30, 2024

Financial Statements

Senior Services for Northern California
Statements of Financial Position (in thousands)
December 31, 2023 and 2022

| | 2023 | 2022 |
|--|-----------|-----------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,737 | \$ 2,530 |
| Marketable securities | 36,341 | 25,840 |
| Pledges receivable - net of allowance, current portion | 640 | 5,534 |
| Total current assets | 38,718 | 33,904 |
| INVESTMENTS, OTHER | 3,137 | 3,113 |
| INVESTMENTS HELD IN TRUST | 10,851 | 10,834 |
| TRUST CONTRIBUTIONS RECEIVABLE | 1,143 | 1,047 |
| BENEFICIAL INTEREST IN NET INCOME TRUST | 626 | - |
| PLEDGES RECEIVABLE - net of allowance, net of current portion | 128 | 58 |
| Total assets | \$ 54,603 | \$ 48,956 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 64 | \$ 68 |
| Related-party payables | 765 | 381 |
| Total current liabilities | 829 | 449 |
| LIABILITY FOR PAYMENTS TO TRUST BENEFICIARIES | 4,908 | 4,924 |
| OTHER LONG-TERM LIABILITIES | 610 | 570 |
| Total liabilities | 6,347 | 5,943 |
| NET ASSETS | | |
| Net assets without donor restrictions | 7,890 | 6,544 |
| Net assets with donor restrictions | 40,366 | 36,469 |
| Total net assets | 48,256 | 43,013 |
| Total liabilities and net assets | \$ 54,603 | \$ 48,956 |

See accompanying notes.

Senior Services for Northern California
Statements of Activities and Changes in Net Assets (in thousands)
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|-----------|-----------|
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| Revenues and gains | | |
| Contributions | \$ 263 | \$ 557 |
| Investment income including net realized gains and losses on investments | 480 | 297 |
| Unrealized gains (losses) on investments, net | 1,121 | (1,022) |
| Administrative service fees | 104 | 122 |
| Total revenues and gains | 1,968 | (46) |
| Net assets released from restrictions | | |
| Satisfaction of program restrictions | 1,268 | 1,586 |
| Matured trust agreements | 57 | 773 |
| Total net assets released from restrictions | 1,325 | 2,359 |
| Expenses | | |
| Support provided to Sequoia Living, Inc. programs | (2,203) | (2,843) |
| Provision for uncollectible pledges receivable | 256 | (277) |
| Changes in net assets without donor restrictions | 1,346 | (807) |
| NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 1,185 | 5,428 |
| Investment income including net realized gains on investments | 987 | 1,389 |
| Changes in value of split-interest agreements | 688 | (2,189) |
| Unrealized gains (losses) from investments held in trust | 2,362 | (4,898) |
| Net assets released from restrictions | (1,325) | (2,359) |
| Changes in net assets with donor restrictions | 3,897 | (2,629) |
| CHANGES IN NET ASSETS | 5,243 | (3,436) |
| NET ASSETS, beginning of year | 43,013 | 46,449 |
| NET ASSETS, end of year | \$ 48,256 | \$ 43,013 |

See accompanying notes.

Senior Services for Northern California
Statements of Cash Flows (in thousands)
Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-------------------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from contributions | \$ 6,410 | \$ 1,773 |
| Cash paid for grants to Sequoia Living, Inc. | (1,887) | (2,726) |
| Investment income including net realized gains and losses on investments | <u>1,467</u> | <u>1,686</u> |
| Net cash provided by operating activities | <u>5,990</u> | <u>733</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 15,385 | 5,667 |
| Purchase of investments | <u>(22,885)</u> | <u>(7,643)</u> |
| Net cash used in investing activities | <u>(7,500)</u> | <u>(1,976)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from endowment contributions | 165 | 5 |
| Proceeds from contributions held in trust | 678 | 789 |
| Payments to trust beneficiaries | (678) | (918) |
| Investment income from marketable securities held in trust | <u>552</u> | <u>723</u> |
| Net cash provided by financing activities | <u>717</u> | <u>599</u> |
| NET CHANGES IN CASH AND CASH EQUIVALENTS | (793) | (644) |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>2,530</u> | <u>3,174</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u><u>\$ 1,737</u></u> | <u><u>\$ 2,530</u></u> |
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY | | |
| Noncash investment contribution | \$ 138 | \$ 37 |

See accompanying notes.

Senior Services for Northern California Notes to Financial Statements (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 June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 replaces the current incurred loss impairment methodology for credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. SSNC will be required to use a forward-looking expected credit loss model for accounts receivable and other financial instruments. The adoption of ASU 2016-13 is effective for SSNC beginning January 1, 2023. The adoption of ASU 2016-13 did not have a material impact on SSNC’s financial statements.

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 (U.S. GAAP) 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 (in thousands)

Fair value of financial instruments – The FASB statement on fair value measurements establishes a framework for measuring fair value in conformity with U.S. GAAP 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 and beneficial interest in net income trust 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. SSNC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. If any of the financial institutions with whom SSNC does business were to be placed into receivership with the Federal Deposit Insurance Corporation, SSNC may be unable to access the cash it has on deposit with such institutions. If SSNC was unable to access its cash and cash equivalents as needed, its financial position and ability to operate its business could be adversely affected. SSNC has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Senior Services for Northern California Notes to Financial Statements (in thousands)

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. 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.

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, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 2.3 to 14.4 years, and discount rates ranging from 1.63% to 6.75%. As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 2.4 to 15.0 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, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.2 years, and discount rates ranging from 1.6% to 9.4%. As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.5 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, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 3.3 to 7.2 years, and a discount rate of 1.1%. As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 4.8 to 7.7 years, and discount rates ranging from 2.1% to 3.8%.

Senior Services for Northern California Notes to Financial Statements (in thousands)

Beneficial interest in net income trust – SSNC recognizes an asset when it becomes aware of the agreements and has sufficient information to measure the beneficial interest. The beneficial interest asset is measured at fair value, which is estimated as the present value of the expected future cash flows from trusts. Change in the fair value of the beneficial interest asset is recognized as an increase or decrease in change in value of split-interest agreements. As the net income trust beneficiary, SSNC recognizes revenue for the beneficial interest as stipulated in the agreements.

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.

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

Changes 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 U.S. GAAP 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, beneficial interest in net income trust, and the liability for payments to trust beneficiaries. Actual results may differ from those estimates.

Senior Services for Northern California
Notes to Financial Statements (in thousands)

Note 2 – Pledges Receivable, Net

Pledges receivable, net were due as follows as of December 31:

| | <u>2023</u> | <u>2022</u> |
|----------------------------|---------------|-----------------|
| Current portion | \$ 674 | \$ 5,773 |
| Less, allowance | <u>(34)</u> | <u>(239)</u> |
| Total current portion | <u>\$ 640</u> | <u>\$ 5,534</u> |
| One year to five years | \$ 150 | \$ 171 |
| More than five years | <u>-</u> | <u>-</u> |
| | 150 | 171 |
| Less, allowance | (7) | (58) |
| Less, unamortized discount | <u>(15)</u> | <u>(55)</u> |
| Total noncurrent portion | <u>\$ 128</u> | <u>\$ 58</u> |

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:

| | <u>2023</u> | <u>2022</u> |
|---|------------------|------------------|
| Money market funds | \$ 36 | \$ 18 |
| Equity mutual funds | 24,124 | 16,479 |
| Fixed income mutual funds | <u>12,181</u> | <u>9,343</u> |
| | 36,341 | 25,840 |
| Investments measured at net asset value (“NAV”) | <u>3,137</u> | <u>3,113</u> |
| | <u>\$ 39,478</u> | <u>\$ 28,953</u> |

Senior Services for Northern California Notes to Financial Statements (in thousands)

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

| | 2023 | 2022 |
|---|--------|--------|
| Interest income | \$ 642 | \$ 335 |
| Net realized losses on sales of investments | (61) | (13) |
| Investment expenses | (101) | (25) |
| | \$ 480 | \$ 297 |

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.

| | 2023 | 2022 |
|---------------------------|-----------|-----------|
| Money market funds | \$ 103 | \$ 257 |
| Equity mutual funds | 6,491 | 4,046 |
| Fixed income mutual funds | 4,257 | 6,531 |
| | \$ 10,851 | \$ 10,834 |

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, 2023 and 2022:

| | 2023 | | | | |
|--|-----------|---|--|-------------------------------------|----------|
| | Total | 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 | \$ 36 | \$ 36 | \$ - | \$ - | \$ - |
| Equity mutual funds | 24,124 | 24,124 | - | - | - |
| Fixed income mutual funds | 12,181 | 12,181 | - | - | - |
| Investments held in trust | | | | | |
| Money market funds | 103 | 103 | - | - | - |
| Equity mutual funds | 6,491 | 6,491 | - | - | - |
| Fixed income mutual funds | 4,257 | 4,257 | - | - | - |
| Investment in Real Estate Fund | 3,137 | - | - | - | 3,137 |
| Beneficial interest in net income trust ⁽⁵⁾ | 626 | - | - | 626 | - |
| Trust contributions receivable ⁽³⁾ | 1,143 | - | - | 1,143 | - |
| | \$ 52,098 | \$ 47,192 | \$ - | \$ 1,769 | \$ 3,137 |
| Liabilities measured at fair value on a recurring basis ⁽⁴⁾ | | | | | |
| Liability for payments to trust beneficiaries | \$ 4,908 | \$ - | \$ - | \$ 4,908 | \$ - |

Senior Services for Northern California Notes to Financial Statements (in thousands)

| | 2022 | | | | NAV |
|--|------------------|---|--|-------------------------------------|-----------------|
| | Total | 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 | \$ 18 | \$ 18 | \$ - | \$ - | \$ - |
| Equity mutual funds | 16,479 | 16,479 | - | - | - |
| Fixed income mutual funds | 9,343 | 9,343 | - | - | - |
| Investments held in trust | | | | | |
| Money market funds | 257 | 257 | - | - | - |
| Equity mutual funds | 4,046 | 4,046 | - | - | - |
| Fixed income mutual funds | 6,531 | 6,531 | - | - | - |
| Investment in Real Estate Fund | 3,113 | - | - | - | 3,113 |
| Trust contributions receivable ⁽³⁾ | 1,047 | - | - | 1,047 | - |
| | <u>\$ 40,834</u> | <u>\$ 36,674</u> | <u>\$ -</u> | <u>\$ 1,047</u> | <u>\$ 3,113</u> |
| Liabilities measured at fair value on a recurring basis ⁽⁴⁾ | | | | | |
| Liability for payments to trust beneficiaries | <u>\$ 4,924</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,924</u> | <u>\$ -</u> |

- (1) For cash and cash equivalents the net carrying value approximates fair value at year 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, equity mutual funds, and fixed income mutual funds, 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.
- (5) The fair value of beneficial interest in net income trust included in the statements of financial position is determined using a present value calculation of expected future cash flows from trusts.

There were no transfers of assets or liabilities between levels during the years ended December 31, 2023 and 2022.

Senior Services for Northern California

Notes to Financial Statements (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, 2023 | \$ 1,047 |
| New contributions | - |
| Total net unrealized gains included in changes in net assets | 96 |
| Total net realized losses included in changes in net assets | - |
| | - |
| Fair value at December 31, 2023 | \$ 1,143 |
| Fair value at January 1, 2022 | \$ 1,281 |
| Total net unrealized losses included in changes in net assets | (204) |
| Total net realized losses included in changes in net assets | (30) |
| | (30) |
| Fair value at December 31, 2022 | \$ 1,047 |

The change in value of the beneficial interest in net income trust valued using significant unobservable inputs (Level 3) is shown below:

| | |
|-------------------------------------|------------|
| Fair value at January 1, 2023 | \$ - |
| New contributions | 626 |
| | 626 |
| Fair value at December 31, 2023 | \$ 626 |

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, 2023 | \$ 4,924 |
| New contributions | 45 |
| Maturities | (203) |
| Total net unrealized gains included in changes in net assets | 142 |
| | 142 |
| Fair value at December 31, 2023 | \$ 4,908 |
| Fair value at January 1, 2022 | \$ 6,607 |
| New contributions | 389 |
| Maturities | (267) |
| Total net unrealized losses included in changes in net assets | (1,805) |
| | (1,805) |
| Fair value at December 31, 2022 | \$ 4,924 |

Senior Services for Northern California

Notes to Financial Statements (in thousands)

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 U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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:

| | 2023 | 2022 |
|---------------|-----------|-----------|
| Tomorrow fund | \$ 13,462 | \$ 12,688 |
| Other | 441 | 325 |
| | \$ 13,903 | \$ 13,013 |

Changes in endowment net assets for the years ended December 31 are as follows:

| | 2023 | 2022 |
|---|-----------|-----------|
| Endowment net assets with donor restrictions, January 1 | \$ 13,013 | \$ 14,259 |
| Investment return | | |
| Investment income | 280 | 401 |
| Net depreciation (realized and unrealized) | 706 | (1,239) |
| | 986 | (838) |
| Total investment return (loss) | | |
| Contributions | 165 | 5 |
| Appropriation of endowment assets for expenditure | (261) | (413) |
| | \$ 13,903 | \$ 13,013 |
| Endowment net assets with donor restrictions, December 31 | | |

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.

Senior Services for Northern California Notes to Financial Statements (in thousands)

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, 2023 and 2022.

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:

| | 2023 | 2022 |
|--|-----------|-----------|
| Tomorrow fund | \$ 18,843 | \$ 16,904 |
| Other funds | 15,713 | 9,556 |
| Planned gifts | 5,810 | 10,009 |
| Total net assets with donor restrictions | \$ 40,366 | \$ 36,469 |

There are no Board designated net assets without donor restrictions.

Senior Services for Northern California Notes to Financial Statements (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:

| | 2023 | 2022 |
|--|-----------|-----------|
| Cash and cash equivalents | \$ 1,737 | \$ 2,530 |
| Marketable securities | 36,341 | 25,840 |
| Pledges receivable - net of allowance, current portion | 640 | 5,534 |
| | \$ 38,718 | \$ 33,904 |

Of these financial assets, \$29,015 and \$24,838 are related to marketable securities with donor restrictions as of December 31, 2023 and 2022, 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 \$679 and \$689 in 2023 and 2022, 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, 2024, which is the date the financial statements were available to be issued.

