

**THE CARMEL FOUNDATION**  
**FINANCIAL STATEMENTS**  
**with**  
**INDEPENDENT AUDITOR'S REPORT**  
**JUNE 30, 2024 and 2023**

**MCCGILLOWAY, RAY, BROWN & KAUFMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

# THE CARMEL FOUNDATION

## Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7



McGilloway | Ray  
Brown | Kaufman  
ACCOUNTANTS AND CONSULTANTS

2511 Garden Road  
Suite A180  
Monterey, CA 93940  
831-373-3337  
Fax 831-373-3437

379 West Market Street  
Salinas, CA 93901  
831-424-2737  
Fax 831-424-7936

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Carmel Foundation  
Carmel, California

### **Opinion**

We have audited the financial statements of The Carmel Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities, functional expenses 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 the Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 the Foundation 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Gerald Ray, CPA | Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA

## **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 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 the Foundation'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 Foundation'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.



McGilloway, Ray, Brown & Kaufman  
Salinas, California  
December 11, 2024

THE CARMEL FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2024 AND 2023

	2024	2023
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,477,004	\$ 1,222,529
Pledges receivable	30,172	56,082
Bequests receivable	-	69,169
Grants receivable	10,000	-
Beneficial interest in split-interest trusts	1,008,470	770,963
Prepaid expenses and other assets	43,926	34,840
Total current assets	2,569,572	2,153,583
Investments	11,784,835	13,977,462
Property and equipment, net	6,266,351	3,295,413
Donated land lease, net	648,172	687,264
Total assets	\$ 21,268,930	\$ 20,113,722
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 35,932	\$ 35,512
Accrued liabilities	99,823	104,753
Deposits	45,909	51,541
Total liabilities	181,664	191,806
Net assets		
Without donor restrictions		
Undesignated	5,017,245	5,874,529
Board designated	13,140,658	11,345,153
Total without donor restrictions	18,157,903	17,219,682
With donor restrictions		
Purpose and time restrictions	1,673,893	1,446,764
Perpetual in nature	1,255,470	1,255,470
Total with donor restrictions	2,929,363	2,702,234
Total net assets	21,087,266	19,921,916
Total liabilities and net assets	\$ 21,268,930	\$ 20,113,722

The accompanying notes are an integral part of these financial statements.

THE CARMEL FOUNDATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Investment return, net of fees	\$ 1,196,346	\$ 87,883	\$ 1,284,229	\$ 1,159,635	\$ 87,883	\$ 1,247,518
Bequests, grants and contributions	1,264,932	10,000	1,274,932	783,832	69,169	853,001
Program service fees	178,703	-	178,703	171,569	-	171,569
Membership contributions	198,617	-	198,617	198,934	-	198,934
Senior housing rental income	439,570	-	439,570	367,856	-	367,856
Change in value of split-interest agreements	-	237,507	237,507	-	392,522	392,522
In-kind donation - land lease	-	80,908	80,908	-	105,548	105,548
Grant revenue	265,849	-	265,849	331,148	-	331,148
Special event income, net	51,839	-	51,839	45,330	-	45,330
Other income	21,148	-	21,148	12,139	-	12,139
Total support and revenue	<u>3,617,004</u>	<u>416,298</u>	<u>4,033,302</u>	<u>3,070,443</u>	<u>655,122</u>	<u>3,725,565</u>
Net assets released from restrictions	189,169	(189,169)	-	170,000	(170,000)	-
Total support, revenue and net assets released from restrictions	<u>3,806,173</u>	<u>227,129</u>	<u>4,033,302</u>	<u>3,240,443</u>	<u>485,122</u>	<u>3,725,565</u>
Expenses						
Program services						
Senior housing rentals	848,854	-	848,854	810,276	-	810,276
Meal program	522,691	-	522,691	560,059	-	560,059
Other programs	417,674	-	417,674	409,592	-	409,592
Total program services	<u>1,789,219</u>	<u>-</u>	<u>1,789,219</u>	<u>1,779,927</u>	<u>-</u>	<u>1,779,927</u>
Supporting services						
General and administrative	807,210	-	807,210	815,649	-	815,649
Fundraising	271,523	-	271,523	219,353	-	219,353
Total supporting services	<u>1,078,733</u>	<u>-</u>	<u>1,078,733</u>	<u>1,035,002</u>	<u>-</u>	<u>1,035,002</u>
Total expenses	<u>2,867,952</u>	<u>-</u>	<u>2,867,952</u>	<u>2,814,929</u>	<u>-</u>	<u>2,814,929</u>
Change in net assets	938,221	227,129	1,165,350	425,514	485,122	910,636
Net assets, beginning of year	17,219,682	2,702,234	19,921,916	16,794,168	2,217,112	19,011,280
Net assets, end of year	<u>\$ 18,157,903</u>	<u>\$ 2,929,363</u>	<u>\$ 21,087,266</u>	<u>\$ 17,219,682</u>	<u>\$ 2,702,234</u>	<u>\$ 19,921,916</u>

The accompanying notes are an integral part of these financial statements.

THE CARMEL FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services			Supporting Services			Total
	Senior Housing	Meal Program	Other Programs	Program Services Total	Management and General	Fundraising	
Salaries - general	\$ 77,311	\$ 202,471	\$ 118,315	\$ 398,097	\$ 274,494	\$ 24,331	\$ 696,922
Employee benefits - general	15,175	52,559	16,789	84,523	46,982	2,452	133,957
Payroll taxes and worker's comp - general	7,878	25,061	13,075	46,014	22,984	2,125	71,123
Salaries - supervision	147,862	70,152	132,756	350,770	-	132,009	482,779
Employee benefits - supervision	32,849	13,119	26,268	72,236	-	16,476	88,712
Payroll taxes and worker's comp - supervision	17,738	8,393	14,352	40,483	-	10,705	51,188
Total salaries and related expenses	298,813	371,755	321,555	992,123	344,460	188,098	1,524,681
Depreciation	142,089	2,117	20,282	164,488	69,871	-	234,359
Repairs and maintenance	99,763	3,718	14,740	118,221	69,722	-	187,943
Utilities and security	102,034	7,245	4,413	113,692	57,238	-	170,930
Donated rent	120,000	-	-	120,000	-	-	120,000
Food and meals	-	123,231	5,993	129,224	-	-	129,224
Service contracts	4,266	10,291	1,463	16,020	96,342	1,573	113,935
Insurance	54,558	-	-	54,558	31,680	-	86,238
Financial assistance	-	-	24,560	24,560	-	-	24,560
Professional fees	-	-	-	-	58,077	-	58,077
Miscellaneous	212	1,171	3,162	4,545	31,083	1,925	37,553
Postage and printing	-	-	-	-	1,596	36,279	37,875
Supplemental property taxes	25,531	-	-	25,531	12,963	-	38,494
Other programs	-	967	14,729	15,696	-	-	15,696
Office supplies	-	-	337	337	18,940	7,149	26,426
Telecommunications	1,588	2,196	2,311	6,095	12,233	695	19,023
Donor recognition	-	-	4,129	4,129	959	7,869	12,957
Training and conferences	-	-	-	-	135	-	135
Automobile	-	-	-	-	1,911	-	1,911
Fundraising	-	-	-	-	-	27,935	27,935
	<u>\$ 848,854</u>	<u>\$ 522,691</u>	<u>\$ 417,674</u>	<u>\$ 1,789,219</u>	<u>\$ 807,210</u>	<u>\$ 271,523</u>	<u>\$ 2,867,952</u>

The accompanying notes are an integral part of these financial statements.

THE CARMEL FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services			Supporting Services			Total
	Senior Housing	Meal Programs	Other Programs	Program Services Total	Management and General	Fundraising	
Salaries - general	\$ 63,901	\$ 194,283	\$ 84,794	\$ 342,978	\$ 288,815	\$ 16,644	\$ 648,437
Employee benefits - general	11,339	57,188	22,155	90,682	54,184	2,533	147,399
Payroll taxes and worker's comp - general	7,534	23,463	9,538	40,535	21,626	1,783	63,944
Salaries - supervision	149,951	78,728	128,202	356,881	-	106,408	463,289
Employee benefits - supervision	32,361	14,359	25,225	71,945	-	18,400	90,345
Payroll taxes and worker's comp - supervision	15,701	7,907	13,490	37,098	-	8,444	45,542
Total salaries and related expenses	280,787	375,928	283,404	940,119	364,625	154,212	1,458,956
Depreciation	133,416	2,117	507	136,040	70,703	-	206,743
Repairs and maintenance	52,439	22,847	27,449	102,735	66,561	-	169,296
Utilities and security	142,142	7,335	1,723	151,200	74,461	-	225,661
Donated rent	120,000	-	-	120,000	-	-	120,000
Food and meals	-	133,828	2,876	136,704	-	34	136,738
Service contracts	1,765	15,149	1,733	18,647	72,782	-	91,429
Insurance	51,246	-	-	51,246	31,020	-	82,266
Financial assistance	-	-	49,006	49,006	-	-	49,006
Professional fees	-	-	-	-	48,475	-	48,475
Miscellaneous	268	1,091	7,789	9,148	27,917	6,404	43,469
Postage and printing	-	-	508	508	5,847	27,115	33,470
Supplemental property taxes	26,913	-	-	26,913	14,004	-	40,917
Other programs	-	-	2,381	2,381	766	11,044	14,191
Office supplies	-	582	4,279	4,861	11,623	3,560	20,044
Telecommunications	1,300	1,167	1,396	3,863	18,631	473	22,967
Member activities	-	-	17,488	17,488	4,084	725	22,297
Donor recognition	-	-	364	364	27	3,851	4,242
Training and conferences	-	-	-	-	258	-	258
Automobile	-	15	189	204	2,904	-	3,108
Library	-	-	1,837	1,837	-	-	1,837
Fundraising	-	-	6,663	6,663	961	11,935	19,559
	<u>\$ 810,276</u>	<u>\$ 560,059</u>	<u>\$ 409,592</u>	<u>\$ 1,779,927</u>	<u>\$ 815,649</u>	<u>\$ 219,353</u>	<u>\$ 2,814,929</u>

The accompanying notes are an integral part of these financial statements.



THE CARMEL FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 1,165,350	\$ 910,636
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Donated land lease	120,000	120,000
Amortization of donated land lease	(80,908)	(105,548)
Depreciation	234,359	206,743
Change in value of split-interest agreements	(237,507)	(392,522)
Net realized/unrealized gain on investments	(315,522)	(966,322)
Loss of disposal of property and equipment	-	16,568
(Increase) decrease in operating assets		
Pledges receivable	25,910	(25,910)
Bequests receivable	69,169	(19,169)
Grants receivable	(10,000)	-
Prepaid expenses and other assets	(9,086)	9,278
Increase (decrease) in operating liabilities		
Accounts payable	420	1,160
Accrued liabilities	(4,930)	10,668
Deposits	(5,632)	14,516
Net cash provided (used) by operating activities	951,623	(219,902)
Cash Flows from Investing Activities		
Proceeds from sale of investments	3,422,380	764,774
Purchases of investments	(914,231)	(727,331)
Purchases of property and equipment	(3,205,297)	(60,217)
Net cash used by investing activities	(697,148)	(22,774)
Net decrease in cash and cash equivalents	254,475	(242,676)
Cash and cash equivalents, beginning of year	1,222,529	1,465,205
Cash and cash equivalents, end of year	\$ 1,477,004	\$ 1,222,529

The accompanying notes are an integral part of these financial statements.

THE CARMEL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

## 1. Summary of Significant Accounting Policies

### *Nature of Activities*

The Carmel Foundation (the Foundation) is a California non-profit public benefit corporation established in 1950. The Foundation is committed to increasing the comfort, happiness, and sense of well-being of the senior residents of the Monterey Peninsula. The Foundation is a membership Foundation that provides low-cost housing for eligible seniors, transportation, prepared meals and a variety of programs, classes, and activities from its facilities in Carmel, California.

### *Basis of Accounting and Financial Statement Presentation*

The accompanying financial statements are presented using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The net assets, revenues, gains and losses, and other support, expenses and other changes in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Foundation and changes therein are classified as follows:

- Net Assets Without Donor Restrictions  
Net assets that are not subject to donor-imposed stipulations. This includes any amounts designated by the Board for certain purposes.
- Net Assets With Donor Restrictions  
Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

### *Recognition of Donor Restrictions*

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or the purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as “net assets released from restriction.”

### *Cash and Cash Equivalents*

The Foundation considers all short-term investments with an original maturity at the date of purchase of three months or less to be cash equivalents for purposes of the statement of cash flows. Cash and cash equivalents include demand deposit accounts, money market accounts, and cash on hand.

### *Pledges Receivable*

Unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. No allowance has been recorded for uncollectible promises to give, as management believes all amounts to be collectible. All unconditional promises to give are expected to be received within one year and have not been discounted.

### *Bequests Receivable*

Bequests are recognized as revenue once the Foundation has received notification, and a reasonably estimated valuation has been received from the executor of the estate.

### *Investments*

The Foundation initially records investments purchased at cost. Investments with readily determinable fair values are measured at fair value in the statement of financial position. The fair

THE CARMEL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

values are based on quoted market prices. The fair value of investments held in pooled funds is calculated as a net asset value per share (or equivalent) as investors hold fund shares rather than individual securities. Gains and losses on disposition of investments are accounted for using the specific identification method. Net realized and unrealized gains and losses are included in the statement of activities.

***Unconditional Promises to Give***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

***Property and Equipment***

Property and equipment are recorded at cost, and donated property and equipment is recorded at fair value on the date contributed to the Foundation. The Foundation typically capitalizes items costing or valued at \$5,000 or more with an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets:

Buildings	25 – 50 Years
Furniture and equipment	3 – 10 Years
Vehicles	5 – 7 Years

Expenditures for maintenance and repairs are charged to expense as incurred. Renewals or betterments of significant items are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is recognized.

Assets donated with explicit restrictions regarding their use and contributions of cash that are restricted to property and equipment purchases are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets are to be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service.

***Concentrations of Credit Risk***

The Foundation maintains deposits and investments at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

The Foundation maintains cash in bank accounts at various financial institutions. The balance, at times, exceeds federally insured limits.

The Foundation's investments are exposed to various risks, such as fluctuations in the market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that the changes in the values of investment securities will occur in the near future and that such changes could materially affect the amounts reported in the statement of financial position and changes therein.

***Revenue and Revenue Recognition***

The Foundation recognizes membership dues, which are nonrefundable, as a component of a change element based on the value of benefits provided and a contribution element for the difference between the total dues paid and the exchange element. The Foundation recognizes the

THE CARMEL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

exchange portion of the membership dues over the membership period and the contribution portion immediately. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. At June 30, 2024, one bequest comprised 14% of total revenue.

The Foundation recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest 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 met.

Revenues derived from sales of food, beverages and programs are recognized as the goods and services are delivered to the buyer.

***Income Taxes***

As a tax-exempt not-for-profit foundation, the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701(d) but is subject to taxes on unrelated business income when earned.

Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt Foundation tax returns are more likely than not to be sustained upon examination. The Foundation’s returns are subject to examinations by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

***Contributed Nonfinancial Assets***

The Foundation received the following contributions of nonfinancial assets for the years ended June 30:

	2024	2023
Auction items	\$ 27,845	30,400
Donated land rent	80,908	105,548

The Foundation receives items to be sold at its annual auction. Contributed auction items (Gifts in Kind) are valued at the stated value of the gift certificate received from the contributor. The selling price of these auction items are recorded at the gross selling price. Donors contributing auction items have not restricted the proceeds from sale.

The Foundation is a beneficiary of a land lease from the City of Carmel-by-the-Sea for a term of 50 years that will expire in 2038 for an annual payment of \$1 which is less than the amount that would be charged for similar space that is rented under similar terms. Using publicly available commercial real estate rental listings, the Foundation estimates what the fair value of the donation is and reports as an unconditional promise to give in the accompanying statements of financial position, and the related rent expense is recorded straight line over the life of the lease in the accompanying statements of activities. See Note 7 for additional details.

The Foundation also receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statements of activities for these fundraising and special projects services because the criteria for recognition have not been satisfied.

***Functional Allocation of Expenses***

The costs of providing program services and other activities have been presented on a functional basis in the statement of activities. Expenses relating to more than one function are allocated based on employee time, expense studies or other appropriate usage factors.

THE CARMEL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

***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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. Fair Value Measurements**

The Foundation measures its assets and liabilities at fair value in accordance with the Fair Value Measurements Topic 820 of the FASB Accounting Standards Codification. Assets recorded at fair value in the statement of position are categorized upon the level of judgement associated with the inputs used to measure their fair value.

Level inputs are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial statement.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurements.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Fair value of assets measures on a recurring basis at June 30 are as follows:

Assets	2024			
	Level 1	Level 2	Level 3	Total
Investments	\$ 9,015,039	\$ -	\$ -	\$ 9,015,039
Beneficial interest in split-interest agreements valued at net asset value	-	-	1,008,470	1,008,470
Total	<u>\$ 9,015,039</u>	<u>\$ -</u>	<u>\$ 1,008,470</u>	<u>\$ 10,023,509</u>
Brandes Investment Partners measured at NAV				2,769,796
Total investments				<u>\$ 12,793,305</u>
Assets	2023			
	Level 1	Level 2	Level 3	Total
Investments	\$10,082,427	\$ -	\$ -	\$ 10,082,427
Beneficial interest in split-interest agreements valued at net asset value	-	-	770,963	770,963
Total	<u>\$10,082,427</u>	<u>\$ -</u>	<u>\$ 770,963</u>	<u>\$ 10,853,390</u>
Brandes Investment Partners measured at NAV				3,895,035
Total investments				<u>\$ 14,748,425</u>

THE CARMEL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

Fair value for Level 1 investments is based upon quoted market price. Inputs are obtained from various sources including market participants, dealers, brokers and financial institutions.

Fair value for Level 2 investments are determined by reference to quoted market prices for similar investments, yield curves, and other relevant information, except for the investments held in pooled funds, which calculates a net asset value per share (or equivalent) as investors hold fund shares rather than individual securities.

Fair value for Level 3 utilizes the key input of a discount rate to convert the expected future cash flows from the trusts to a single present value amount. The Foundation utilizes an estimated discount rate at June 30, 2024 and 2023 and develops measurement criteria based on the best information possible. The Foundation remeasures the fair value of its beneficial interest in a charitable remainder trust annually and adjusts the measurement inputs based on the statements received from the trustee, market conditions, and other relevant data.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

***Brandes Investment Partners, L.P. Measured at NAV***

The Foundation purchased securities held in a privately placed commingled investment vehicle through Brandes Investment Partners (the Company).

The periodic valuation of the Company’s total portfolio serves as the basis for determining the Company’s net asset value, which the Company uses in determining the market value of the Foundation’s capital balance. This investment is not readily marketable, in part due to regulatory transfer restrictions placed by the Company.

The Organization uses net asset value to determine fair value of the investment in the Company as follows as of June 30, 2024:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Brandes Investment Partners	\$ 2,769,796	\$ -	Semi-annually	95 days advance notice required

**3. Bequests Receivable**

The Foundation has been named a beneficiary in certain wills. All bequests receivable are expected to be received within one year and have not been discounted.

**4. Beneficial Interest in Split-Interest Agreements**

The Foundation is a remainderman beneficiary under the terms of the Entis 2015 Charitable Remainder Unitrust. The assets of the trust are in no way subject to the control of the Foundation at this time during the years ended June 30, 2024 and 2023. The charitable remainder unitrust agreement stipulates that certain amounts are to be paid to the trust’s beneficiaries from the trust’s net fair value until such time that the trust is terminated. The market value of the trust assets was approximately \$5,084,083 and \$4,521,938 at June 30, 2024 and 2023, respectively.

The value of the assets to be received from this trust is recorded at the estimated net present value of the assets to be received. The amount was \$1,008,470 and \$770,963 at June 30, 2024 and 2023, respectively, and is calculated based on estimates of future earnings and payouts

THE CARMEL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

during the estimated remaining life expectancy of the beneficiaries and discounting back the calculated future amount to be received.

The primary assumptions used in these calculations are as follows:

- The rate of appreciation on the trust assets is based on current market conditions, annual returns of 5.73% and 4.36% for June 30, 2024 and 2023, respectively.
- The life expectancies of the beneficiaries are assumed to be those in IRS publication 590 dated April 2023.
- The discount factor used is the average of the U.S. Treasury Rate and the unsecured lending rate for the period of time at the date of valuation which was 12.36% and 11.30% at June 30, 2024 and 2023, respectively.

## 5. Investments

Investments are managed by outside managers under the direction and oversight of the Management and Finance Committee of the Board of Directors. The Finance Committee determines the asset allocation formula and places limitations on the types of investments the managers may purchase.

Investments restricted by the donor for endowment purposes are recorded as with donor restrictions based on the original amount of the gift. Dividends and interest on such endowment assets are reflected as an increase in without donor restrictions or with donor restrictions based on the intentions stipulated by the donor.

Investments consist of the following at June 30:

	2024	2023
Marketable equity securities	\$ 8,748,036	\$ 9,631,804
Marketable fixed income	191,356	248,119
Marketable alternative investments	75,647	202,504
Pooled funds	2,769,796	3,895,035
Total	<u>\$ 11,784,835</u>	<u>\$ 13,977,462</u>

## 6. Property and Equipment, net

Property and equipment consist of the following at June 30:

	2024	2023
Buildings	\$ 8,925,233	\$ 7,713,137
Furniture and equipment	539,968	539,968
Land	2,420,823	427,623
Vehicles	23,464	23,464
Total	11,909,488	8,704,192
Less accumulated depreciation	<u>(5,643,137)</u>	<u>(5,408,779)</u>
Property and equipment, net	<u>\$ 6,266,351</u>	<u>\$ 3,295,413</u>

Depreciation and amortization expenses were \$234,359 and \$206,743 for the years ended June 30, 2024 and 2023, respectively.

On November 6, 2023, the Foundation purchased commercial property in Carmel-by-the-Sea, California, for \$3,200,000.

THE CARMEL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

**7. Donated Land Lease, net**

The Foundation is the beneficiary of a land lease from the City of Carmel-by-the-Sea for a term of 50 years that will expire in 2038 for an annual payment of \$1, which was paid in advance. Under the terms of the land lease, the Foundation provides low-cost housing to eligible seniors. An unconditional promise to give has been recorded to reflect the value of the donated rent received from the city of Carmel-by-the-Sea. The annual amount of donated rent recorded was \$120,000 for the years ended June 30, 2024 and 2023 and was determined by spreading the estimated fair market value of the land (\$6,000,000) over the term of the agreement. The future estimated value of the rents over the remaining life of the agreement is recorded as an unconditional promise to give, which has been discounted to its present value. The amount of amortization recorded as support was \$80,908 and \$105,548 for the years ended June 30, 2024 and 2023.

Unconditional promise to give at June 30 was as follows:

	2024	2023
Receivable in less than one year	\$ 120,000	\$ 120,000
Receivable in one to five years	604,340	604,340
Receivable in more than five years	975,617	1,095,617
Total unconditional promise to give donated land lease	1,699,957	1,819,957
Less discount to net present value	(1,051,785)	(1,132,693)
Donated land lease, net	\$ 648,172	\$ 687,264

**8. Net Assets Without Donor Restrictions**

During the years ended June 30, 2024 and 2023, the Board of Directors of the Foundation designated unrestricted amounts to be held for special purposes. Board designated net assets were as follows at June 30:

	2024	2023
Investments	\$ 10,425,766	\$ 8,630,261
Capital campaign	1,563,635	1,563,635
Fundraising	994,915	994,915
Maintenance fund - Norton Ct	74,008	74,008
Needlecraft fund	51,593	51,593
Thompson fund	29,391	29,391
Direct mail appeals	1,350	1,350
Total	\$ 13,140,658	\$ 11,345,153



THE CARMEL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

**9. Net Assets With Donor Restrictions**

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

	2024	2023
Subject to expenditure for specific purpose or passage of time:		
Land lease*	\$ 648,172	\$ 687,264
Split-interest agreements*	1,008,470	770,963
Endowment investment return, net	7,251	(80,632)
Bequest receivable*	10,000	69,169
Subtotal	1,673,893	1,446,764
Endowments held in perpetuity - Donor-restricted endowment	1,255,470	1,255,470
Total	\$ 2,929,363	\$ 2,702,234

\*These balances in net assets with donor restrictions represent time restrictions that have not yet been met.

During the course of the year, net assets that were subject to donor-imposed restrictions were fulfilled by action of the Foundation pursuant to those restrictions. These net assets are shown in the statement of activities as “net assets released from restriction.”

The detail of the net assets released from restrictions for the years then ended June 30 are as follows:

	2024	2023
Land lease	\$ 120,000	\$ 120,000
Pledges receivable	69,169	50,000
	\$ 189,169	\$ 170,000

**10. Endowments**

The Foundation’s endowment consists of four individual funds established for general operations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

	2024	2023
Greene endowment	\$ 1,170,529	\$ 1,170,529
Herud endowment	50,000	50,000
Seideneck fund	33,941	33,941
Aurner fund	1,000	1,000
Total	\$ 1,255,470	\$ 1,255,470

***Interpretation of Relevant Law***

The Foundation’s Board of Directors 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 of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not held in perpetuity under

THE CARMEL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

net assets with donor restrictions is classified as net assets with donor restrictions that are restricted by purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation 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 of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

***Spending Policy***

The Foundation has a policy of appropriating for distribution all investment earnings from the endowments as designated by its donors.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2024, funds with original gift values of \$1,255,470, fair values of \$1,262,826, and a surplus of \$7,251 were reported in net assets with donor restrictions. During the year, the Foundation did not appropriate any expenditure from underwater endowments.

***Investment Policy***

In order to maximize the earnings of the endowment funds, all of the endowments have been invested in various equity and debt securities, and money market funds in line with the investment policy of the Foundation.

Endowment Net Asset Composition

Endowment net asset composition as of June 30:

As of June 30, 2024 and 2023, the Foundation had the following endowment net asset composition by type of fund:

	With Donor Restrictions	<u>Total</u>
<u>June 30, 2024</u>		
Donor-restricted endowment funds	<u>\$1,262,826</u>	<u>\$1,262,826</u>
	With Donor Restrictions	<u>Total</u>
<u>June 30, 2023</u>		
Donor-restricted endowment funds	<u>\$1,174,943</u>	<u>\$1,174,943</u>

THE CARMEL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

Changes in Endowment Net Assets

Changes in endowment net assets for the years ended June 30:

	2024	
	With	Total
	Donor Restrictions	
Balance at beginning of year	\$ 1,174,943	\$ 1,174,943
Investment return, net	87,883	87,883
Balance at end of year	\$ 1,262,826	\$ 1,262,826
	2023	
	With	Total
	Donor Restrictions	
Balance at beginning of year	\$ 1,087,060	\$ 1,087,060
Investment return, net	87,883	87,883
Balance at end of year	\$ 1,174,943	\$ 1,174,943

**11. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position are as follows at June 30:

	2024	2023
Cash and cash equivalents	\$ 188,098	\$ 199,669
Pledges receivable	30,172	56,082
Bequests receivable	-	69,169
Grants receivable	10,000	-
Investments	2,576,772	2,576,772
	\$ 2,805,042	\$ 2,901,692

The Foundation's governing board has designated for special purposes a portion of its unrestricted assets in the amount of \$13,140,658 and \$11,345,153 at June 30, 2024 and 2023, respectively. Most of the fund balance is invested for long-term appreciation and current income but remain available and may be spent for operations at the discretion of the board.

**12. Retirement Plans**

The Foundation maintains a 403(b) plan, which is available to full-time employees that have attained the age of twenty-one and have no less than one year of service with the Foundation. The Foundation matches the employees' contributions at 4% of compensation. Retirement plan contributions charged to expenses were \$29,934 and \$22,042 for the years ended June 30, 2024 and 2023, respectively.

THE CARMEL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

**13. Subsequent Events**

Management has evaluated subsequent events through December 11, 2024, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes. This review and evaluation revealed no new material event or transaction which would require additional adjustment to or disclosure in the accompanying financial statements.