



**Financial Statements**  
**June 30, 2019**  
**(with Comparative Totals for 2018)**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
California Scottish Rite Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of California Scottish Rite Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 California Scottish Rite Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 1, during the year ended June 30, 2019, California Scottish Rite Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of financial position and activities by fund on pages 25-28 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Report on Summarized Comparative Information**

We have previously audited the financial statements of California Scottish Rite Foundation, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the 2019 audited financial statements from which it has been derived.

*Winder, Inc.*

Irvine, California  
October 24, 2019

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**ASSETS**

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 227,957	\$ 263,473
Interest and dividends receivable	117,675	112,433
Contributions and bequests receivable	383,306	1,173,774
Prepaid expenses and other current assets	45,669	51,461
Investments	49,329,992	48,480,992
Property and equipment, net	253,905	265,678
Beneficial interest in third-party trusts	197,566	195,302
Deposits	9,124	10,391
<b>TOTAL ASSETS</b>	<b>\$ 50,565,194</b>	<b>\$ 50,553,504</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accrued liabilities	\$ 288,474	\$ 321,789
<b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>		
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	6,675,122	7,810,201
Board-designated	4,964,229	4,952,573
Total without donor restrictions	11,639,351	12,762,774
With donor restrictions	38,637,369	37,468,941
Total net assets	50,276,720	50,231,715
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 50,565,194</b>	<b>\$ 50,553,504</b>

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

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
			<b>2019</b>	<b>2018</b>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 24,232	\$ 845,872	\$ 870,104	\$ 1,109,126
Estates and bequests	7,962	882,784	890,746	3,121,577
Special events, net of direct costs of \$74,685	(9,913)	135,636	125,723	142,497
Investment income, net	436,889	1,587,653	2,024,542	3,135,262
Royalty, rental, and other revenue	18,562	6,543	25,105	22,711
Change in value of beneficial interest	-	2,264	2,264	64,400
Loss on disposal of assets	-	-	-	(360,899)
Net assets released from restrictions and reclassifications	2,292,324	(2,292,324)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,770,056</b>	<b>1,168,428</b>	<b>3,938,484</b>	<b>7,234,674</b>
<b>EXPENSES</b>				
Program services	3,006,121	-	3,006,121	2,853,811
Management and general	354,594	-	354,594	507,379
Fund-raising	532,764	-	532,764	352,954
<b>TOTAL EXPENSES</b>	<b>3,893,479</b>	<b>-</b>	<b>3,893,479</b>	<b>3,714,144</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,123,423)</b>	<b>1,168,428</b>	<b>45,005</b>	<b>3,520,530</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>12,762,774</b>	<b>37,468,941</b>	<b>50,231,715</b>	<b>46,711,185</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 11,639,351</b>	<b>\$ 38,637,369</b>	<b>\$ 50,276,720</b>	<b>\$ 50,231,715</b>

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

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

	Program Services			Supporting Services		Total	
	Childhood Language Centers	Scholarships and Grants	Program Total	Management and General	Fund-raising	2019	2018
Salaries and payroll taxes	\$ 445,232	\$ 6,570	\$ 451,802	\$ 197,253	\$ 282,695	\$ 931,750	\$ 639,792
Employee benefits	23,694	-	23,694	16,272	21,603	61,569	21,016
Total payroll expenses	468,926	6,570	475,496	213,525	304,298	993,319	660,808
Contracted language therapists	1,595,194	-	1,595,194	-	-	1,595,194	1,799,918
Dues and subscriptions	786	-	786	2,579	1,733	5,098	6,412
Fund-raising	-	-	-	-	53,742	53,742	88,027
Insurance	14,636	-	14,636	5,701	-	20,337	6,923
Office expense	8,600	-	8,600	4,438	933	13,971	25,161
Other	36,214	6,609	42,823	10,030	16,110	68,963	42,520
Outside services	42,984	-	42,984	168	66	43,218	17,872
Publication	11,464	230	11,694	3,750	43,930	59,374	27,061
Professional fees	26,653	200	26,853	61,950	26,671	115,474	198,200
Publicity and marketing	6,800	-	6,800	930	69,959	77,689	44,291
Rent	152,222	-	152,222	30,300	-	182,522	199,086
Repairs and maintenance	6,517	-	6,517	-	-	6,517	5,678
Scholarships and grants	-	535,387	535,387	-	-	535,387	483,482
Supplies	19,323	-	19,323	-	-	19,323	13,059
Travel and parking	7,091	-	7,091	15,280	13,500	35,871	31,465
Utilities and telephone	25,850	-	25,850	3,111	-	28,961	22,767
Depreciation and amortization	33,865	-	33,865	2,832	1,822	38,519	41,414
Total expenses	\$ 2,457,125	\$ 548,996	\$ 3,006,121	\$ 354,594	\$ 532,764	\$ 3,893,479	\$ 3,714,144

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

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

	<b>For the Year Ended June 30,</b>	
	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 45,005	\$ 3,520,530
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	38,519	41,414
Net (gain)/loss on sale of investments	33,620	(1,859,558)
Net unrealized loss on investments	209,967	303,077
Change in value of beneficial interest	(2,264)	(30,070)
Loss on disposition of assets	-	360,899
Changes in operating assets and liabilities:		
Interest and dividends receivable	(5,242)	(11,458)
Contributions and bequests receivable	790,468	(766,887)
Prepaid expenses and other current assets	5,792	(39,393)
Deposits	1,267	(2,050)
Accrued liabilities	(33,315)	62,878
Net Cash Provided By Operating Activities	<u>1,083,817</u>	<u>1,579,382</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(26,746)	(28,708)
Proceeds from sale of investments	3,604,006	10,507,199
Purchase of investments	<u>(4,703,692)</u>	<u>(11,909,098)</u>
Net Cash Used In Investing Activities	<u>(1,126,432)</u>	<u>(1,430,607)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest and dividends restricted for permanent reinvestment	<u>7,099</u>	<u>4,165</u>
Net Cash Provided By Financing Activities	<u>7,099</u>	<u>4,165</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(35,516)	152,940
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>263,473</u>	<u>110,533</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 227,957</u></u>	<u><u>\$ 263,473</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTMENT AND FINANCING ACTIVITIES</b>		
Income taxes	\$ -	\$ -
Interest	\$ -	\$ -

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



**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Summary of Significant Accounting Policies**

***Foundation and Nature of Activities***

The California Scottish Rite Foundation (the Foundation), a non-profit public benefit corporation, was formed in 1958 to support and assist the children in California to develop their full potential by providing childhood language services, scholarships and other charitable programs. The Foundation's administrative office is located in Santa Ana, California and consists of the Foundation's corporate headquarters and supporting staff. The Foundation operates fourteen RiteCare childhood language centers throughout California.

The Foundation is supported primarily by contributions from the general public and investment income.

***Basis of Accounting***

The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

***Recently Adopted Accounting Standard***

During the year ended June 30, 2019, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities* and applied changes retrospectively. The main provisions include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction to net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. With the adoption of the standard, the Foundation updated net asset presentation in the financial statements and included additional disclosures as required. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

***Financial Statement Presentation***

The Foundation reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Without donor restrictions –
  - Undesignated – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objective of the Foundation.
  - Board-designated – Net assets that are not subject to donor-imposed stipulations but have been designated by the Foundation’s board for use for a specific RiteCare language center and for scholarships.
- With donor restrictions - Net assets subject to donor-imposed stipulations. Some stipulations can be fulfilled by actions of the Foundation or by the passage of time. As the restrictions are satisfied, the related net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions and reclassifications.

Other donor restrictions may be perpetual in nature, where the donor stipulates that the corpus be maintained in perpetuity. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The significant items in these statements that are affected by management estimates are contributions and bequests receivable, beneficial interest in third-party trusts, depreciation, and allocations of functional expenses.

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

***Prior-Period Information***

The financial statements include certain prior-period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

***Reclassifications***

Certain prior-period reported amounts have been reclassified to conform to the current year presentation.

***Contributions***

Generally accepted accounting principles require that the Foundation reports information about its financial position and activities in two classes of net assets: those without donor restrictions and those with donor restrictions. Contributions are recognized when the donor makes a promise to give to the Foundation that is unconditional. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions and reclassifications.

***Cash and Cash Equivalents***

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources with an original maturity of three months or less when purchased.

From time to time, cash balances may exceed federally insured limits. The Foundation has not experienced any previous losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

*Contributions and Bequests Receivable and Promises to Give*

The Foundation has been named beneficiary of various estates. Bequests received under such estates are not recorded until the Foundation has a legal right to such assets, the distribution of assets to the Foundation is probable, and the amount of the distribution can be reasonably estimated. The Foundation's estimate is subject to uncertainty because it involves significant assumptions. The nature of the uncertainty results from a lack of information from third-party trustees regarding remainder amounts of trust assets and future distributions. It is at least reasonably possible that a change in the estimate will occur in the near term and the effect of the change would be material to the financial statements.

Unconditional promises to give are recorded at net present value of estimated cash flows. No allowance for uncollectible receivables has been recorded as all unconditional promises to give are deemed collectible by management. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

*Investments*

Investments in equity securities with readily determinable fair values are recorded at fair value, based on quoted market prices. Investments in fixed income mutual funds are recorded at fair value, based on quoted market prices from sources such as financial publications or exchanges. Realized and unrealized gains and losses have been netted on the statement of activities.

Investments in alternative investments are valued based on valuations provided by independent third-party pricing agents using their proprietary valuation methodologies. In situations where market inputs are not available or do not provide a sufficient basis under current market conditions for pricing the instrument, the valuation may reflect the dealer's view of the assumptions that market participants would use in pricing the instrument.

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 fair value measurement at the reporting date.

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

***Property and Equipment***

Property and equipment is stated at cost, if purchased, or at fair value at the date of the gift, if donated and significant. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as increases to net assets without donor restrictions.

Depreciation has been recorded using the straight-line method over the estimated useful lives of the assets ranging from five to forty years. The cost of property and equipment purchased in excess of \$500 is capitalized. Repairs, maintenance and minor acquisitions are expensed as incurred, and the Foundation uses the direct expensing method to account for planned major maintenance activities.

***Impairment of Long-Lived Assets***

The Foundation reviews long-lived assets such as property and equipment to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and not be recoverable. No circumstances have occurred during the year causing the Foundation to believe there has been any impairment of the carrying value of its long-lived assets. There can be no assurance, however, that market or other conditions will not change in the future, resulting in impairment of long-lived assets.

***Income Taxes***

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and Section 23701(d) of the California Tax Code. Consequently, the accompanying financial statements do not reflect any provision for income taxes. Contributions to the Foundation are deductible for tax purposes under Section 170(c)(2) of the IRC. The Foundation is not a private foundation.

The Foundation evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will, more likely than not, be sustained upon examination. As of June 30, 2019, management does not believe the Foundation has any uncertain tax positions requiring accrual or disclosure. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

*Fair Value Measurements and Disclosures*

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement. As a basis for considering market-participant assumptions in fair market value measurements, GAAP establishes a fair value hierarchy that distinguishes between market-participant assumptions. This is based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market-participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

Per ASU 2015-07, investments measured at net assets value, as reported by external managers, as a practical expedient for the fair value, are excluded from the fair value hierarchy.

**Level 1**            Inputs utilize quoted prices in active markets for identical assets or liabilities that are able to be accessed.

**Level 2**            Inputs utilize data other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly, and may include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs and data that are derived from, or corroborated by, observable market data at commonly quoted intervals or by other means.

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

*Fair Value Measurements and Disclosures (Continued)*

**Level 3** Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Fair value measurements within the fair value hierarchy are based on the lowest level of any input that is significant to the measurement of a particular asset or liability. Valuations will maximize the use of observable inputs and minimize the use of unobservable inputs.

*Contributed Materials and Services*

The Foundation receives periodic donations of materials from local vendors, and from the community, which are recorded at estimated fair market value at the date of donation, if significant.

A substantial number of volunteers have donated significant amounts of their time to the Foundation and its programs. The donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services benefited.

*Functional Expense Allocation*

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated on a consistent basis among the program services and supporting services benefited. Significant expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll expenses	Time and effort
Rent	Usage

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

*Advertising Costs*

The Foundation uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2019 and 2018 was \$77,689 and \$44,291, respectively.

*Recently Issued Accounting Pronouncements*

In May 2014, the FASB issued ASU 2014-09, “*Revenue from Contracts with Customers (Topic 606) (ASU 2014-09)*,” requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative-effect-transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the impact that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842) (ASU 2016-02)*.” The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

In June 2018, the FASB issued ASU 2018-08, “*Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08)*,” which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.



**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 2 – 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 date, comprise the following:

Cash and cash equivalents	\$ 183,458
Interest and dividends receivable	13,305
Investments	<u>6,346,191</u>
	<u>\$ 6,542,954</u>

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 3 – Investments**

The following schedule summarizes investments, which are carried at fair value:

	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
US Equity Mutual Funds	\$ 13,475,557	\$ 12,665,672	\$ 13,074,174	\$ 11,700,284
International Equity				
Mutual Funds	11,591,106	11,174,401	11,214,628	10,234,325
Fixed Income Mutual Funds	14,708,907	15,378,127	15,178,965	16,224,624
Alternative Investments	<u>9,554,422</u>	<u>7,010,000</u>	<u>9,013,225</u>	<u>7,010,000</u>
	<u>\$ 49,329,992</u>	<u>\$ 46,228,200</u>	<u>\$ 48,480,992</u>	<u>\$ 45,169,233</u>

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 3 – Investments (Continued)**

The components of total investment return from investments are as follows:

	<u>Without Donor Restrictions</u>		<u>With Donor</u>	<u>2019</u>	<u>2018</u>
	<u>Undesignated</u>	<u>Designated</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
Interest and dividends income	\$ 348,104	\$ 258,637	\$ 1,956,700	\$ 2,563,441	\$ 1,881,695
Advisory fees	(39,510)	(29,320)	(226,482)	(295,312)	(302,914)
Realized net gain (loss)					
on investments	(3,816)	(3,033)	(26,771)	(33,620)	1,859,558
Unrealized net loss					
on investments	<u>(51,148)</u>	<u>(43,025)</u>	<u>(115,794)</u>	<u>(209,967)</u>	<u>(303,077)</u>
Net return on investments	<u>\$ 253,630</u>	<u>\$ 183,259</u>	<u>\$ 1,587,653</u>	<u>\$ 2,024,542</u>	<u>\$ 3,135,262</u>

During the year ended June 30, 2019, \$7,099 of interest and dividends income was added to the corpus of the Ruppert Memorial Scholarship Fund, in accordance with the original donor's instructions. (See Note 11.)

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investments are managed by investment managers who have responsibility for investing the funds in various investment classes.

Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

**NOTE 4 – Contributions and Bequests Receivable**

Contributions and bequests receivable, which represent unconditional promises to give, consist of the following at June 30, 2019:

Due in less than one year	<u>\$ 383,306</u>
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**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 5 – Property and Equipment**

Property and equipment is summarized as follows:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Buildings	\$ 478,797	\$ 478,797
Leasehold improvements	26,352	29,792
Equipment, furniture, and software	<u>359,158</u>	<u>371,463</u>
	864,307	880,052
Less accumulated depreciation and amortization	<u>(610,402)</u>	<u>(614,374)</u>
Total property and equipment, net	<u>\$ 253,905</u>	<u>\$ 265,678</u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$38,519 and \$41,414, respectively.

**NOTE 6 – Beneficial Interest in Third-Party Trusts**

The beneficial interest in charitable remainder trusts represent the fair value of assets held in trust by a third-party trustee. Under terms of the split-interest agreements, donors receive annual distributions until their death, at which time the trust is terminated and the remaining trust assets are distributed to the Foundation. Based on the donors' life expectancies, payout rates of 7% and 5.7%, estimated invest returns and discount rate of 2.5% and 4.5%, the estimated present value of the Foundation's interest in the two remainder trusts at June 30, 2019 and 2018 was \$197,566 and \$195,302, respectively.

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 7 – Accrued Liabilities**

Accrued liabilities consists of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Accounts payable and accrued liabilities	\$ 188,566	\$ 284,153
Accrued wages	42,763	-
Accrued compensated absences	<u>57,145</u>	<u>37,636</u>
Total accrued liabilities	<u>\$ 288,474</u>	<u>\$ 321,789</u>

**NOTE 8 – Commitments and Contingencies**

The Foundation rents space for RiteCare childhood language centers from various related entities. (See Note 13.) The Foundation also rents office space from unrelated third parties. Rent expense was \$182,522 and \$199,086 for the years ended June 30, 2019 and 2018, respectively.

The minimum lease payments required under those operating leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2020	\$ 72,914
2021	64,122
2022	59,913
2023	<u>26,322</u>
Total	<u>\$ 223,271</u>

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 9 – Net Assets Designated by the Board**

The Foundation’s governing board has designated net assets for the following purposes as of June 30, 2019:

For use by and the benefit of:	
Stockton RiteCare Childhood Language Center	\$ 4,441,543
Stovall Scholarship Fund	381,075
Miller Scholarship Fund	<u>141,611</u>
	<u>\$ 4,964,229</u>

**NOTE 10 – Net Assets With Donor Restrictions**

Net assets with donor restrictions that expire upon expenditure for specified purpose or upon the passage of time are as follows:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Subject to the passage of time		
General Fund	\$ 65,660	\$ 46,638
Subject to expenditure for specified purpose or location		
RiteCare Childhood Language Centers	29,110,595	28,245,668
Scholarship Funds	2,683,798	2,753,167
Endowment net assets subject to spending policy and appropriation		
RiteCare Childhood Language Centers	1,582,897	1,300,799
Scholarship Funds	338,730	274,079
Endowment net assets restricted in perpetuity	<u>4,855,689</u>	<u>4,848,590</u>
	<u>\$ 38,637,369</u>	<u>\$ 37,468,941</u>

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 11 – Endowment Funds**

The Foundation's endowment consists of eleven funds established for a variety of purposes. 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.

The Board of Trustees of the Foundation has interpreted the 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 classifies as net assets with donor restrictions (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of the subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Investment and Spending Policies - The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment assets, while seeking to maintain the purchasing power of these endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in consistent rate of return that has sufficient liquidity to make an annual distribution of up to 4.5%, while growing funds if possible. Actual returns in any given year may vary from this amount.

The Foundation has a target for appropriations for distribution each year of up to 4.5% of a moving three-year average of the fair value of the endowment funds. In establishing this practice, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effect of inflation.

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 11 – Endowment Funds (Continued)**

Endowment net assets consist of the following at June 30, 2019 and 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<i>June 30, 2019</i>			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 4,855,689	\$ 4,855,689
Accumulated investment gains	<u>-</u>	<u>1,921,627</u>	<u>1,921,627</u>
Total	<u>\$ -</u>	<u>\$ 6,777,316</u>	<u>\$ 6,777,316</u>
<i>June 30, 2018</i>			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 4,848,590	\$ 4,848,590
Accumulated investment gains	<u>-</u>	<u>1,574,878</u>	<u>1,574,878</u>
Total	<u>\$ -</u>	<u>\$ 6,423,468</u>	<u>\$ 6,423,468</u>

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 11 – Endowment Funds (Continued)**

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<b>With Donor Restrictions</b>		
	<b>Specified Purpose</b>	<b>In Perpetuity</b>	<b>Total</b>
Endowment net assets, June 30, 2017	\$ 1,243,879	\$ 4,844,425	\$ 6,088,304
Investment return, net	361,999	4,165	366,164
Contributions	-	-	-
Appropriation of endowment assets	(31,000)	-	(31,000)
Endowment net assets, June 30, 2018	1,574,878	4,848,590	6,423,468
Investment return, net	419,839	7,099	426,938
Contributions	-	-	-
Appropriation of endowment assets	(73,090)	-	(73,090)
Endowment net assets, June 30, 2019	<u>\$ 1,921,627</u>	<u>\$ 4,855,689</u>	<u>\$ 6,777,316</u>

Endowment funds for RiteCare Childhood Language Centers are pooled together with other funds in one investment portfolio. The earnings and change in the values for those funds are calculated using percentage of respective fund balance to total portfolio value.



**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 12 – Fair Value Measurements**

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2019 and 2018:

	Fair Value Measurements			Total	
	Level 1	Level 2	Level 3	2019	2018
Mutual funds:					
US equities	\$ 13,475,557	\$ -	\$ -	\$ 13,475,557	\$ 13,074,174
International equities	11,591,106	-	-	11,591,106	11,214,628
Fixed income mutual funds	<u>14,708,907</u>	<u>-</u>	<u>-</u>	<u>14,708,907</u>	<u>15,178,965</u>
Investments subject to fair value leveling	39,775,570	-	-	39,775,570	39,467,767
Alternative investments at net asset value (a)	<u>-</u>	<u>-</u>	<u>9,554,422</u>	<u>9,554,422</u>	<u>9,013,225</u>
Total investments	<u>39,775,570</u>	<u>-</u>	<u>9,554,422</u>	<u>49,329,992</u>	<u>48,480,992</u>
Beneficial interest in third-party trust	<u>-</u>	<u>-</u>	<u>197,566</u>	<u>197,566</u>	<u>195,302</u>
Total	<u>\$ 39,775,570</u>	<u>\$ -</u>	<u>\$ 9,751,988</u>	<u>\$ 49,527,558</u>	<u>\$ 48,676,294</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

The table below presents information about changes in assets measured at fair value on a recurring basis using level 3 inputs to determine fair value:

	Beneficial Interest In Third-Party Trusts
Balance at July 1, 2018	\$ 195,302
Change in value of beneficial interest in third-party trusts	<u>2,264</u>
Balance at June 30, 2019	<u>\$ 197,566</u>

**CALIFORNIA SCOTTISH RITE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 13 – Related-Party Transactions**

The Foundation’s 14 RiteCare childhood language centers are affiliated with their respective Scottish Rite Masonic Centers. Certain centers pay occupancy cost, salaries and other expense reimbursements to their related affiliates. The expenses paid are as follows:

<u>Location</u>	<u>2019</u>	<u>2018</u>
Burlingame	\$ -	\$ 5,500
Fresno	38,047	37,918
Long Beach	24,778	28,834
Los Angeles	11,839	29,536
Oakland	-	120
Orange County	7,495	8,400
Pasadena	33,968	29,652
Sacramento	46,520	44,835
San Bernardino	25,048	24,000
San Diego	45,897	48,147
San Francisco	21,562	32,307
San Jose	-	333
Santa Barbara	21,682	27,270
Santa Rosa	7,508	13,546
Stockton	-	21,590
	<u>                  </u>	<u>                  </u>
Total	<u>\$ 284,344</u>	<u>\$ 351,988</u>

The Palm Springs and Santa Rosa language centers rent their space in commercial buildings from a third party. The Fresno, Long Beach, San Bernardino, Orange County, and San Diego language centers rent their facilities from their affiliated Scottish Rite Bodies. The remaining language centers are provided facilities by their affiliated Scottish Rite Bodies at no cost.

**NOTE 14 – Subsequent Events**

On August 15, 2019, the affiliated Scottish Rite Body of the Santa Rosa RiteCare childhood language center completed the sale of a building. The Foundation and the affiliated entity had an agreement that entitled the Foundation to 18% of the proceeds from the sale. The Foundation’s share of the proceeds from the sale was \$509,075. The Foundation recorded a gain of \$326,840 as the result of the transaction.

Management has evaluated subsequent events through October 24, 2019, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**CALIFORNIA SCOTTISH RITE FOUNDATION**  
**SCHEDULE I - STATEMENT OF FINANCIAL POSITION BY FUND**  
**JUNE 30, 2019**

	RiteCare Childhood Language Centers														
	Total	General Fund	RiteCare CLCs	Scholarship Funds	Eliminations	Fresno	Long Beach	Los Angeles	Oakland	Orange County	Northern California	Palm Springs	Pasadena	Sacramento	San Bernardino
<b>ASSETS</b>															
Cash and cash equivalents	\$ 227,957	\$ 183,458	\$ 44,499	\$ -	\$ -	\$ 3,100	\$ 3,100	\$ 3,100	\$ 3,100	\$ 3,100	\$ -	\$ 3,100	\$ 3,074	\$ 3,100	\$ 3,100
Interest and dividends receivable	117,675	13,305	91,747	12,623	-	1,929	13,156	1,716	4,503	1,054	171	18	1,555	30,695	3,945
Contributions and bequests receivable	383,306	267,891	113,915	1,500	-	-	-	11,735	25	-	-	-	5,000	47,464	4,961
Intercompany receivable	-	-	-	52,641	(52,641)	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	45,669	18,116	27,553	-	-	227	-	-	7,000	12,435	-	200	1,907	-	9
Investments	49,329,992	6,345,191	38,398,807	4,585,994	-	919,999	6,274,945	818,509	2,147,770	502,587	81,704	8,402	741,676	9,278,412	1,881,576
Property and equipment, net															
Buildings	478,797	-	478,797	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold improvements	26,352	-	26,352	-	-	5,863	-	-	6,620	-	-	804	-	-	9,487
Equipment, furniture, and software	359,158	97,988	261,170	-	-	354	6,577	8,295	26,650	4,260	-	9,594	39,459	52,771	-
Accumulated depreciation and amortization	(610,402)	(64,746)	(545,656)	-	-	(1,944)	(4,703)	(6,310)	(32,833)	(4,260)	-	(9,881)	(37,950)	(44,837)	(3,670)
Property and equipment, net	253,905	33,242	220,663	-	-	4,273	1,874	1,985	437	-	-	517	1,509	7,934	5,817
Beneficial interest in third-party trusts	197,566	65,660	131,906	-	-	-	-	-	-	-	-	131,906	-	-	-
Deposits	9,124	2,027	7,097	-	-	-	-	3,614	-	2,583	-	900	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 50,565,194</b>	<b>\$ 6,928,890</b>	<b>\$ 39,036,187</b>	<b>\$ 4,652,758</b>	<b>\$ (52,641)</b>	<b>\$ 929,528</b>	<b>\$ 6,293,075</b>	<b>\$ 840,659</b>	<b>\$ 2,162,835</b>	<b>\$ 521,759</b>	<b>\$ 81,875</b>	<b>\$ 145,043</b>	<b>\$ 754,721</b>	<b>\$ 9,367,605</b>	<b>\$ 1,899,408</b>
<b>LIABILITIES AND NET ASSETS</b>															
Accounts payable and accrued liabilities	\$ 288,474	\$ 135,467	\$ 133,494	\$ 19,513	\$ -	\$ 22,833	\$ 12,824	\$ 1,247	\$ 5,806	\$ 765	\$ 124	\$ 1,085	\$ 3,745	\$ 22,280	\$ 4,866
Intercompany payable	-	52,641	-	-	(52,641)	-	-	-	-	-	-	-	-	-	-
Total Liabilities	288,474	188,108	133,494	19,513	(52,641)	22,833	12,824	1,247	5,806	765	124	1,085	3,745	22,280	4,866
Net Assets															
Without donor restrictions - Undesignated	6,675,122	6,675,122	-	-	-	-	-	-	-	-	-	-	-	-	-
Without donor restrictions - Board designated	4,964,229	-	4,441,543	522,686	-	-	-	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	11,639,351	6,675,122	4,441,543	522,686	-	-	-	-	-	-	-	-	-	-	-
With donor restrictions for time or specific purpose	33,781,680	65,660	30,693,492	3,022,528	-	770,695	6,280,251	805,957	2,057,029	520,994	81,751	143,958	750,976	6,044,581	1,894,542
With donor restrictions in perpetuity	4,855,689	-	3,767,658	1,088,031	-	136,000	-	33,455	100,000	-	-	-	-	3,300,744	-
Total net assets with donor restrictions	38,637,369	65,660	34,461,150	4,110,559	-	906,695	6,280,251	839,412	2,157,029	520,994	81,751	143,958	750,976	9,345,325	1,894,542
Total Net Assets	50,276,720	6,740,782	38,902,693	4,633,245	-	906,695	6,280,251	839,412	2,157,029	520,994	81,751	143,958	750,976	9,345,325	1,894,542
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 50,565,194</b>	<b>\$ 6,928,890</b>	<b>\$ 39,036,187</b>	<b>\$ 4,652,758</b>	<b>\$ (52,641)</b>	<b>\$ 929,528</b>	<b>\$ 6,293,075</b>	<b>\$ 840,659</b>	<b>\$ 2,162,835</b>	<b>\$ 521,759</b>	<b>\$ 81,875</b>	<b>\$ 145,043</b>	<b>\$ 754,721</b>	<b>\$ 9,367,605</b>	<b>\$ 1,899,408</b>

See Independent Auditors' Report.

**CALIFORNIA SCOTTISH RITE FOUNDATION**  
**SCHEDULE I - STATEMENT OF FINANCIAL POSITION BY FUND**  
**JUNE 30, 2019**  
**(Continued)**

	RiteCare Childhood Language Centers					Scholarship Funds									
	Santa Barbara	San Diego	San Francisco	Santa Rosa	Stockton	Ruppert Fund	Baldwin Fund	San Francisco Scholarship	Santa Barbara Restricted	Santa Barbara Unrestricted	Lister Fund	Bakersfield Fund	Stovall Fund	Miller Fund	Americanism Fund
<b>ASSETS</b>															
Cash and cash equivalents	\$ 3,200	\$ 3,645	\$ 3,100	\$ 3,580	\$ 3,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and dividends receivable	8,719	5,482	5,423	4,083	9,298	5,324	1,029	3,885	165	739	274	108	799	297	3
Contributions and bequests receivable	6,000	1,000	15,000	22,730	-	-	-	-	-	-	-	-	-	-	1,500
Intercompany receivable	-	-	-	-	-	52,641	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	1,055	1,064	2,216	1,440	-	-	-	-	-	-	-	-	-	-	-
Investments	4,158,519	2,614,817	2,586,675	1,947,317	4,435,899	1,104,836	491,031	1,852,943	78,871	352,372	130,597	51,408	380,856	141,530	1,550
Property and equipment, net															
Buildings	-	-	-	478,797	-	-	-	-	-	-	-	-	-	-	-
Leasehold improvements	3,578	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment, furniture, and software	9,324	27,315	67,013	9,558	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation and amortization	(9,637)	(23,532)	(60,796)	(305,303)	-	-	-	-	-	-	-	-	-	-	-
Property and equipment, net	3,265	3,783	6,217	183,052	-	-	-	-	-	-	-	-	-	-	-
Beneficial interest in third-party trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 4,180,758</b>	<b>\$ 2,629,791</b>	<b>\$ 2,618,631</b>	<b>\$ 2,162,202</b>	<b>\$ 4,448,297</b>	<b>\$ 1,162,801</b>	<b>\$ 492,060</b>	<b>\$ 1,856,828</b>	<b>\$ 79,036</b>	<b>\$ 353,111</b>	<b>\$ 130,871</b>	<b>\$ 51,516</b>	<b>\$ 381,655</b>	<b>\$ 141,827</b>	<b>\$ 3,053</b>
<b>LIABILITIES AND NET ASSETS</b>															
Accounts payable and accrued liabilities	\$ 14,783	\$ 19,248	\$ 11,547	\$ 5,587	\$ 6,754	\$ 1,711	\$ 748	\$ 2,822	\$ 120	\$ 11,537	\$ 199	\$ 78	\$ 580	\$ 216	\$ 1,502
Intercompany payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	14,783	19,248	11,547	5,587	6,754	1,711	748	2,822	120	11,537	199	78	580	216	1,502
Net Assets															
Without donor restrictions - Undesignated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Without donor restrictions - Board designated	-	-	-	-	4,441,543	-	-	-	-	-	-	-	381,075	141,611	-
Total net assets without donor restrictions	-	-	-	-	4,441,543	-	-	-	-	-	-	-	381,075	141,611	-
With donor restrictions for time or specific purpose	4,165,975	2,603,345	2,607,084	1,966,354	-	178,059	491,312	1,799,006	28,916	341,574	130,672	51,438	-	-	1,551
With donor restrictions in perpetuity	-	7,198	-	190,261	-	983,031	-	55,000	50,000	-	-	-	-	-	-
Total net assets with donor restrictions	4,165,975	2,610,543	2,607,084	2,156,615	-	1,161,090	491,312	1,854,006	78,916	341,574	130,672	51,438	-	-	1,551
Total Net Assets	4,165,975	2,610,543	2,607,084	2,156,615	4,441,543	1,161,090	491,312	1,854,006	78,916	341,574	130,672	51,438	381,075	141,611	1,551
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,180,758</b>	<b>\$ 2,629,791</b>	<b>\$ 2,618,631</b>	<b>\$ 2,162,202</b>	<b>\$ 4,448,297</b>	<b>\$ 1,162,801</b>	<b>\$ 492,060</b>	<b>\$ 1,856,828</b>	<b>\$ 79,036</b>	<b>\$ 353,111</b>	<b>\$ 130,871</b>	<b>\$ 51,516</b>	<b>\$ 381,655</b>	<b>\$ 141,827</b>	<b>\$ 3,053</b>

See Independent Auditors' Report.

**CALIFORNIA SCOTTISH RITE FOUNDATION**  
**SCHEDULE II - STATEMENT OF ACTIVITIES BY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	RiteCare Childhood Language Centers														
	Total	General Fund	RiteCare CLCs	Scholarship Funds	Eliminations	Fresno	Long Beach	Los Angeles	Oakland	Orange County	Northern California	Palm Springs	Pasadena	Sacramento	San Bernardino
<b>SUPPORT AND REVENUE</b>															
Contributions	\$ 870,104	\$ 39,601	\$ 822,304	\$ 8,199	\$ -	\$ 39,018	\$ 19,175	\$ 3,761	\$ 22,501	\$ 62,070	\$ 100	\$ 29,663	\$ 74,283	\$ 184,750	\$ 36,297
Estates and bequests	890,746	7,962	882,784	-	-	-	19,995	10,000	16,389	-	-	-	12,962	353,261	-
Special events, net	125,723	(9,913)	135,636	-	-	35,814	-	39,570	-	33,210	-	-	1,341	64	-
Investment return, net	2,024,542	253,628	1,563,865	207,049	-	34,356	237,017	31,999	74,307	19,961	3,120	(17)	27,937	462,535	72,403
Royalty, rental, and other revenue	25,105	18,562	6,543	-	-	-	-	-	-	-	-	-	-	383	-
Change in value of beneficial interest	2,264	1,353	911	-	-	-	-	-	-	-	-	911	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>3,938,484</b>	<b>311,193</b>	<b>3,412,043</b>	<b>215,248</b>	<b>-</b>	<b>109,188</b>	<b>276,187</b>	<b>85,330</b>	<b>113,197</b>	<b>115,241</b>	<b>3,220</b>	<b>30,557</b>	<b>116,523</b>	<b>1,000,993</b>	<b>108,700</b>
<b>EXPENSES</b>															
Salaries and payroll taxes	830,923	657,445	173,478	-	-	-	17,587	-	11,572	-	-	6,787	15,334	-	11,326
Employee benefits	61,569	47,438	14,131	-	-	-	746	-	462	-	-	288	1,931	-	726
Reimbursed labor from related Valleys	100,827	-	100,827	-	-	-	1,915	2,919	-	-	-	-	31,108	19,558	-
Total payroll expenses	993,319	704,883	288,436	-	-	-	20,248	2,919	12,034	-	-	7,075	48,373	19,558	12,052
Contracted language therapists	1,595,194	-	1,595,194	-	-	95,640	140,111	15,000	58,674	54,038	-	17,173	44,515	333,008	71,650
Dues and subscriptions	5,098	4,638	460	-	-	-	-	-	-	-	-	-	-	-	-
Fund-raising	53,742	2,657	51,085	-	-	-	-	-	-	-	-	-	1,017	-	-
Insurance	20,337	17,645	2,692	-	-	-	-	-	-	-	-	-	-	-	-
Office expense	13,971	5,537	7,886	548	-	-	749	-	510	543	-	513	1,824	896	-
Other	68,963	36,930	24,893	7,140	-	814	1	172	114	(2)	-	3,267	369	4,650	729
Outside services	43,218	34,766	8,452	-	-	-	71	515	210	535	-	309	730	585	-
Publication	59,374	50,202	9,172	-	-	232	165	-	55	-	-	-	503	4,191	-
Professional fees	115,474	108,179	7,295	-	-	-	-	-	735	-	-	-	14	2,836	-
Publicity and marketing	77,689	72,614	5,075	-	-	-	-	-	-	-	-	-	265	-	-
Rent	182,522	30,300	152,222	-	-	30,000	22,097	-	-	7,200	-	7,245	-	31,680	24,000
Repairs and maintenance	6,517	-	6,517	-	-	-	-	-	79	1,029	-	-	400	-	-
Scholarships and grants	535,387	312,879	3,953	218,555	-	-	-	-	-	-	-	-	-	-	-
Supplies	19,323	-	19,323	-	-	-	199	664	8,657	287	-	446	623	552	1,049
Travel and parking	35,871	34,552	1,319	-	-	-	-	-	-	-	-	-	175	292	-
Utilities and telephone	28,961	3,111	25,850	-	-	-	4,713	-	-	-	-	796	2,096	7,094	-
Depreciation and amortization	38,519	8,357	30,162	-	-	199	840	662	181	66	-	632	1,557	7,278	240
	2,900,160	722,367	1,951,550	226,243	-	126,885	168,946	17,013	69,215	63,696	-	30,381	54,088	393,062	97,668
<b>TOTAL EXPENSES</b>	<b>3,893,479</b>	<b>1,427,250</b>	<b>2,239,986</b>	<b>226,243</b>	<b>-</b>	<b>126,885</b>	<b>189,194</b>	<b>19,932</b>	<b>81,249</b>	<b>63,696</b>	<b>-</b>	<b>37,456</b>	<b>102,461</b>	<b>412,620</b>	<b>109,720</b>
<b>CHANGE IN NET ASSETS</b>	<b>45,005</b>	<b>(1,116,057)</b>	<b>1,172,057</b>	<b>(10,995)</b>	<b>-</b>	<b>(17,697)</b>	<b>86,993</b>	<b>65,398</b>	<b>31,948</b>	<b>51,545</b>	<b>3,220</b>	<b>(6,899)</b>	<b>14,062</b>	<b>588,373</b>	<b>(1,020)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>50,231,715</b>	<b>7,856,839</b>	<b>37,730,636</b>	<b>4,644,240</b>	<b>-</b>	<b>924,392</b>	<b>6,193,258</b>	<b>774,014</b>	<b>2,125,081</b>	<b>469,449</b>	<b>78,531</b>	<b>150,857</b>	<b>736,914</b>	<b>8,756,952</b>	<b>1,895,562</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$50,276,720</b>	<b>\$ 6,740,782</b>	<b>\$38,902,693</b>	<b>\$ 4,633,245</b>	<b>\$ -</b>	<b>\$ 906,695</b>	<b>\$6,280,251</b>	<b>\$ 839,412</b>	<b>\$2,157,029</b>	<b>\$ 520,994</b>	<b>\$ 81,751</b>	<b>\$ 143,958</b>	<b>\$ 750,976</b>	<b>\$ 9,345,325</b>	<b>\$1,894,542</b>

See Independent Auditors' Report.

**CALIFORNIA SCOTTISH RITE FOUNDATION**  
**SCHEDULE II - STATEMENT OF ACTIVITIES BY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(Continued)**

	RiteCare Childhood Language Centers					Scholarship Funds									
	Santa Barbara	San Diego	San Francisco	Santa Rosa	Stockton	Ruppert Fund	Baldwin Fund	San Francisco Scholarship	Santa Barbara Restricted	Santa Barbara Unrestricted	Lister Fund	Bakersfield Fund	Stovall Fund	Miller Fund	Americanism Fund
<b>SUPPORT AND REVENUE</b>															
Contributions	\$ 82,800	\$ 158,247	\$ 76,084	\$ 17,094	\$ 16,461	\$ -	\$ -	\$ -	\$ -	\$ 1,858	\$ -	\$ 480	\$ -	\$ 2,300	\$ 3,561
Estates and bequests	442,290	5,157	-	22,730	-	-	-	-	-	-	-	-	-	-	-
Special events, net	11,856	13,580	-	74	127	-	-	-	-	-	-	-	-	-	-
Investment return, net	153,225	103,512	99,520	74,744	169,246	70,993	18,988	70,794	3,053	13,681	5,020	4,055	14,791	5,533	141
Royalty, rental, and other revenue	-	-	-	6,160	-	-	-	-	-	-	-	-	-	-	-
Change in value of beneficial interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>690,171</b>	<b>280,496</b>	<b>175,604</b>	<b>120,802</b>	<b>185,834</b>	<b>70,993</b>	<b>18,988</b>	<b>70,794</b>	<b>3,053</b>	<b>15,539</b>	<b>5,020</b>	<b>4,535</b>	<b>14,791</b>	<b>7,833</b>	<b>3,702</b>
<b>EXPENSES</b>															
Salaries and payroll taxes	47,812	20,490	34,394	8,176	-	-	-	-	-	-	-	-	-	-	-
Employee benefits	4,518	1,711	3,419	330	-	-	-	-	-	-	-	-	-	-	-
Reimbursed labor from related Valleys	8,355	14,029	22,943	-	-	-	-	-	-	-	-	-	-	-	-
Total payroll expenses	<u>60,685</u>	<u>36,230</u>	<u>60,756</u>	<u>8,506</u>	-	-	-	-	-	-	-	-	-	-	-
Contracted language therapists	150,031	197,740	123,855	132,959	160,800	-	-	-	-	-	-	-	-	-	-
Dues and subscriptions	460	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund-raising	209	49,077	110	672	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	2,692	-	-	-	-	-	-	-	-	-	-	-
Office expense	935	769	653	494	-	-	-	-	-	-	-	-	-	-	548
Other	4,164	5,833	858	3,922	2	6,409	-	731	-	-	-	-	-	-	-
Outside services	667	648	126	4,056	-	-	-	-	-	-	-	-	-	-	-
Publication	1,344	2,157	235	290	-	-	-	-	-	-	-	-	-	-	-
Professional fees	248	1,440	1,255	767	-	-	-	-	-	-	-	-	-	-	-
Publicity and marketing	495	4,315	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	-	-	319	4,690	-	-	-	-	-	-	-	-	-	-	-
Scholarships and grants	375	-	-	3,578	-	(11,050)	24,000	75,000	2,000	21,000	13,000	30,000	24,000	12,000	28,605
Supplies	4,760	1,217	869	-	-	-	-	-	-	-	-	-	-	-	-
Travel and parking	-	-	852	-	-	-	-	-	-	-	-	-	-	-	-
Utilities and telephone	1,248	300	2,106	7,497	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	84	636	5,081	12,706	-	-	-	-	-	-	-	-	-	-	-
	<u>165,020</u>	<u>294,132</u>	<u>136,319</u>	<u>174,323</u>	<u>160,802</u>	<u>(4,641)</u>	<u>24,000</u>	<u>75,731</u>	<u>2,000</u>	<u>21,000</u>	<u>13,000</u>	<u>30,000</u>	<u>24,000</u>	<u>12,000</u>	<u>29,153</u>
<b>TOTAL EXPENSES</b>	<b>225,705</b>	<b>330,362</b>	<b>197,075</b>	<b>182,829</b>	<b>160,802</b>	<b>(4,641)</b>	<b>24,000</b>	<b>75,731</b>	<b>2,000</b>	<b>21,000</b>	<b>13,000</b>	<b>30,000</b>	<b>24,000</b>	<b>12,000</b>	<b>29,153</b>
<b>CHANGE IN NET ASSETS</b>	<b>464,466</b>	<b>(49,866)</b>	<b>(21,471)</b>	<b>(62,027)</b>	<b>25,032</b>	<b>75,634</b>	<b>(5,012)</b>	<b>(4,937)</b>	<b>1,053</b>	<b>(5,461)</b>	<b>(7,980)</b>	<b>(25,465)</b>	<b>(9,209)</b>	<b>(4,167)</b>	<b>(25,451)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,701,509</u>	<u>2,660,409</u>	<u>2,628,555</u>	<u>2,218,642</u>	<u>4,416,511</u>	<u>1,085,456</u>	<u>496,324</u>	<u>1,858,943</u>	<u>77,863</u>	<u>347,035</u>	<u>138,652</u>	<u>76,903</u>	<u>390,284</u>	<u>145,778</u>	<u>27,002</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$4,165,975</u>	<u>\$2,610,543</u>	<u>\$2,607,084</u>	<u>\$2,156,615</u>	<u>\$4,441,543</u>	<u>\$1,161,090</u>	<u>\$ 491,312</u>	<u>\$1,854,006</u>	<u>\$ 78,916</u>	<u>\$ 341,574</u>	<u>\$ 130,672</u>	<u>\$ 51,438</u>	<u>\$ 381,075</u>	<u>\$ 141,611</u>	<u>\$ 1,551</u>

See Independent Auditors' Report.