

JEWISH FEDERATION OF ORANGE COUNTY

FINANCIAL STATEMENTS

December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jewish Federation of Orange County:

Opinion

We have audited the accompanying financial statements of Jewish Federation of Orange County (JFOC) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Federation of Orange County (the Organization) as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As disclosed in Notes 9, 10, and 13 to the financial statements, JFOC has a shortfall in financial assets available to meet general expenditures within one year, experienced a decline in net assets without donor restrictions, and has borrowed funds from unspent net assets with donor restrictions to continue to fund its operations since 2018. Net assets have decreased in 2021, and a deficiency of net asset situation remains as of December 31, 2021. Management's evaluation of the events and conditions and management's plans to mitigate these matters are disclosed in Note 13. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited JFOC as of December 31, 2020, and we expressed an unmodified opinion on those audited financial statements in our report dated March 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the 2020 audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
December 13, 2022

JEWISH FEDERATION OF ORANGE COUNTY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2020)

ASSETS

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 2,520,500	\$ 4,081,720
Investments	4,714,186	3,141,819
Contributions and pledges receivable, net	254,106	412,147
Property and equipment, net	63,978	1,531,853
Beneficial interests in assets held by others	6,004,194	5,539,135
Other assets	<u>27,364</u>	<u>35,705</u>
TOTAL ASSETS	<u><u>\$ 13,584,328</u></u>	<u><u>\$ 14,742,379</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 486,037	\$ 1,034,446
Accrued liabilities	173,534	350,069
PPP loan advance	<u>359,355</u>	<u>624,200</u>
Total liabilities	<u>1,018,926</u>	<u>2,008,715</u>
NET ASSETS (DEFICIT)		
Without donor restrictions	(1,251,887)	(828,252)
With donor restrictions	<u>13,817,289</u>	<u>13,561,916</u>
Total net assets	<u>12,565,402</u>	<u>12,733,664</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 13,584,328</u></u>	<u><u>\$ 14,742,379</u></u>

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

JEWISH FEDERATION OF ORANGE COUNTY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2020)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>	<u>Total 2020</u>
SUPPORT AND REVENUE:				
SUPPORT:				
Contributions	\$ 2,539,562	\$ 1,547,886	\$ 4,087,448	\$ 5,500,950
Government grants	-	-	-	10,000
TOTAL SUPPORT	<u>2,539,562</u>	<u>1,547,886</u>	<u>4,087,448</u>	<u>5,510,950</u>
REVENUE:				
Special events (net of direct donor benefits of \$152,798 in 2021 and \$63,017 in 2020)	63,512	-	63,512	41,267
Investment return (net)	284,829	-	284,829	322,287
Change in value of beneficial interests in assets held by others	-	401,529	401,529	474,110
Forgiveness of accounts payable	185,531	-	185,531	-
Forgiveness of PPP loan advance	585,820	-	585,820	-
Other revenue	13,395	-	13,395	168,156
TOTAL REVENUE	<u>1,133,087</u>	<u>401,529</u>	<u>1,534,616</u>	<u>1,005,820</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,694,042</u>	<u>(1,694,042)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>5,366,691</u>	<u>255,373</u>	<u>5,622,064</u>	<u>6,516,770</u>
EXPENSES:				
Program services	4,208,105	-	4,208,105	2,909,520
Management and general	1,301,763	-	1,301,763	1,657,878
Fundraising	280,458	-	280,458	334,802
TOTAL EXPENSES	<u>5,790,326</u>	<u>-</u>	<u>5,790,326</u>	<u>4,902,200</u>
CHANGES IN NET ASSETS	(423,635)	255,373	(168,262)	1,614,570
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(828,252)</u>	<u>13,561,916</u>	<u>12,733,664</u>	<u>11,119,094</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (1,251,887)</u>	<u>\$ 13,817,289</u>	<u>\$ 12,565,402</u>	<u>\$ 12,733,664</u>

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

JEWISH FEDERATION OF ORANGE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021 (WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2020)

		Supporting Services		Total Expenses	
	Program Services	Management and General	Fundraising	2021	2020
OPERATING EXPENSES:					
Payroll Expenses:					
Salaries	\$ 672,744	\$ 431,572	\$ 165,013	\$ 1,269,329	\$ 1,778,373
Employee Benefits	61,108	39,202	14,989	115,299	168,736
Payroll Taxes	51,715	33,175	12,685	97,575	161,672
TOTAL PAYROLL EXPENSES	785,567	503,949	192,687	1,482,203	2,108,781
Grant of property and equipment to third party	1,430,079	-	-	1,430,079	-
Grants	1,377,931	-	-	1,377,931	149,162
Catering	33,358	-	18,658	52,016	6,872
Client service & direct assistance	41,056	247	2,779	44,082	1,343,825
Community development and outreach	65,373	32	62	65,467	70,767
Equipment rent & maintenance	27,346	-	-	27,346	40,307
Events and speakers	86,201	-	26,500	112,701	26,708
Insurance	28,517	18,295	6,995	53,807	65,266
Interest expense	-	6,950	-	6,950	63,420
Licenses, fees, and other expenses	50,910	21,771	10,973	83,654	170,518
Occupancy	64,628	33,808	29,767	128,203	95,674
Professional services	227,699	697,321	57,537	982,557	718,053
Supplies	29,888	5,375	5,377	40,640	31,954
Telephone	6,996	4,488	1,716	13,200	16,553
Travel and transportation	3,991	52	449	4,492	4,624
Depreciation and amortization	24,964	9,475	3,357	37,796	52,733
TOTAL OPERATING EXPENSES	\$ 4,284,504	\$ 1,301,763	\$ 356,857	\$ 5,943,124	\$ 4,965,217
Less expenses included in the revenue section of the statement of activities	(76,399)	-	(76,399)	(152,798)	(63,017)
Total 2021 expenses included in expense section of the statement of activities	<u>\$ 4,208,105</u>	<u>\$ 1,301,763</u>	<u>\$ 280,458</u>	<u>\$ 5,790,326</u>	
PERCENTAGE OF TOTAL EXPENSES	73 %	22 %	5 %	100 %	
Total 2020 expenses included in expense section of the statement of activities	<u>\$ 2,909,520</u>	<u>\$ 1,657,878</u>	<u>\$ 334,802</u>		<u>\$ 4,902,200</u>
PERCENTAGE OF TOTAL EXPENSES	59 %	34 %	7 %		100 %

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

JEWISH FEDERATION OF ORANGE COUNTY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (168,262)	\$ 1,614,570
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	37,796	52,733
Grant of property and equipment to third party	1,430,079	-
Gain on disposition of property and equipment	-	(6,480)
Change in value of beneficial interests in assets held by others	(401,529)	(474,110)
Forgiveness of PPP loan advance	(585,820)	-
Forgiveness of accounts payable	(185,531)	-
Net realized and unrealized gain on investments	84,485	(324,958)
Change in assets and liabilities		
Pledges receivable	158,041	125,036
Other assets	8,341	18,071
Accounts payable	(362,878)	(223,190)
Accrued liabilities	(176,535)	35,339
Net Cash Provided By (Used In) Operating Activities	<u>(161,813)</u>	<u>817,011</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,762,658)	-
Proceeds from sales of investments	475,120	-
Purchase of beneficial interest in assets held by others	(63,530)	(19,936)
Sale of property and equipment	-	23,000
Net Cash Provided By (Used In) Investing Activities	<u>(1,351,068)</u>	<u>3,064</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net activity from line of credit	-	(600,000)
Proceeds from PPP loan advance	359,355	624,200
Reinvested interest and dividends (net) proceeds	(369,314)	-
Repayment of PPP loan advance	(38,380)	-
Net Cash Provided By (Used In) Financing Activities	<u>(48,339)</u>	<u>24,200</u>
NET CHANGE IN CASH AND EQUIVALENTS	(1,561,220)	844,275
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>4,081,720</u>	<u>3,237,445</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,520,500</u></u>	<u><u>\$ 4,081,720</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 6,950</u>	<u>\$ 63,420</u>

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

JEWISH FEDERATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE 1 – Organization and Nature of Activities

Organization

Jewish Federation of Orange County ("JFOC" or "the Organization") (formerly named Jewish Federation and Family Services of Orange County until its name was amended in May 2021) is a non-profit corporation created under the laws of California on July 6, 1965 as *Jewish Community Council of Orange County*.

JFOC cares for people in need and strengthens the Jewish community in Orange County, Israel, and around the world. The Organization convenes, engages, and leads the Jewish OC community and its partners, leverages its resources to enhance and sustain Jewish life, assists people in need, mobilizes on issues of concern to the local Jewish community, and strengthens the bond with Israel and Jewish people globally. The Organization's support consists primarily of contributions from Jewish residents of Southern California, and grants.

In 2021, during the ongoing pandemic, the Organization continued its philanthropic and community engagement work primarily through virtual means, with a gradual shift to in-person events in the latter half of the year. 2021 was also a year of transition and new community partnerships. Program oversight for the Holocaust Survivor Program transitioned to Jewish Family Service of San Diego in January, with philanthropic support continuing from JFOC; ownership and operation of Mandel House and Horwitz Family House transitioned to a new partnership of the Irvine Community Land Trust and Momentum Innovative Disability Services in May, with continued Federation support of Jewish programming for the homes; the Orange County Jewish Historical Society became a program of the Merage Jewish Community Center in June; and in August the Laguna Woods Friends of Jewish Federation began its transition to an independent nonprofit focused on broadening engagement of Jewish older adults and increasing campaign support for Federation. Throughout 2021, the Organization served over 4,500 individuals who benefited from our programs and services.

Serving Community Members in Need

Holocaust Survivor Program: 170 survivors were served in 2021 with individual case management; compensation for home care and housekeeping services; assistance with restitution applications; emergency financial aid; and Café Europa, a series of social events; all through our partnership with Jewish Family Service of San Diego, supported by JFOC donors.

JEWISH FEDERATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE 1 – Organization and Nature of Activities (Continued)

Serving Community Members in Need (Continued)

Adults with Disabilities: In 2021, 43 adults were served through the Jeremiah Society, a monthly social and educational program, and through Jewish programming coordinated for the residents of Mandel House and Horwitz Family House, group homes established by Jewish Federation in 2014 and 2017.

Lifelines Emergency Assistance: Some 500 Orange County residents were served in 2021 with short-term, solution-focused emergency case management, financial assistance for qualified clients, and information/referral services to aid clients in navigating the often complex network of government and nonprofit social service resources available to them.

COVID-19 Emergency Assistance: In 2021, this program (launched as a special short-term project in 2020), served over 30 new and continuing clients who had suffered reduction in income as a direct result of the COVID-19 crisis. Federation provided short-term financial support for rent, mortgage, utility, food, and health needs.

Philanthropy and Community Engagement

Laguna Woods Region: In 2021, as this group set in motion its transition to an independent nonprofit club as Laguna Woods Friends of JFOC, its Jewish leaders continued to actively engage members in support of the Federation annual campaign and to promote legacy philanthropy.

NextGen: Some 120 Jewish adults, ages 21 to 45, were engaged in volunteer, social, educational, leadership and philanthropic opportunities in 2021. NextGen was well represented on the national Young Leadership Cabinet of Jewish Federations of North America, engaging in advocacy to respond to the growing threat posed by antisemitism.

PJ Library: In 2021, over 1,900 parents raising Jewish children benefited from Jewish resources, programs, and engagement opportunities for their children ages 0 to 12. In addition, nearly 1,700 Jewish-themed books were delivered to these families, and several hundred activity kits were distributed to enhance children's celebrations of Jewish holidays.

JEWISH FEDERATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE 1 – Organization and Nature of Activities (Continued)

Philanthropy and Community Engagement (Continued)

Rose Project: This project seeks to ensure that Jewish identity, the Jewish people and Israel remain a strong source of meaning, connection and purpose for OC Jews; and engages local stakeholders on issues of concern to the Jewish community. In 2021, activities of its Youth Leadership Initiative, Student to Student program, grantmaking to Jewish campus organizations, and special educational events, served over 400 individuals.

Solomon Society: A giving society for men committed to the advancement of our Jewish community, this group engages in volunteer and leadership service, as well as special networking and fundraising events to support Federation's programs and services. Its signature philanthropy program, Late Night with Solomon Society, resumed in 2021 after a one-year pandemic hiatus.

Women's Philanthropy: This giving society creates opportunities for women to develop and enhance leadership skills, to serve our community as volunteers, and to respond through philanthropy to the needs of our local and global Jewish community. In 2021, a new Leadership Advisory Council was formed to strengthen and advise the next generation of women leaders.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

JEWISH FEDERATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

- *Net assets without donor restrictions* – Net assets without donor restrictions are net assets that are available for use at the discretion of the Board of Directors and/or management for general operating purposes. The Board of Directors (the Board) has designated, from net assets without donor restrictions, net assets for a Board-designated custodial fund. (See Note 9.)
- *Net assets with donor restrictions* – Net assets with donor restrictions are net assets resulting from contributions or other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to the restrictions. When a donor-specified restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. (See Note 10.)

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 revenue 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 include the valuation of beneficial interest in assets held by others and investments, depreciation, net realizable value and associated allowances of accounts receivable and pledges, and allocations of functional expenses.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Prior-Period Comparative 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 Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

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 Organization 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.

Contributions and Pledges Receivable

Contributions, pledges, as well as unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not included as revenue until such time as the conditions on which they depend have been substantially met.

The Organization holds an annual fund drive to support its various programs and services. Unconditional pledges are recorded at their net realizable value. Pledges receivable at December 31, 2021 are expected to be collected within the next fiscal year and, as a result, no discount on pledges receivable has been recorded. An allowance for uncollectible pledges has been established by the Organization's management based on past collection experience. Allowance for uncollectible pledges receivable totaled \$14,165 at December 31, 2021. Conditional promises to give are not included as support until such time as the conditions are substantially met. There were no conditional promises at December 31, 2021.

JEWISH FEDERATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Investments

The Organization maintains the majority of its investments at the Jewish Community Foundation of Orange County (JCFOC), a portion of which are invested in an investment pool. The investments held at JCFOC are reported at fair value based on the fair value of the underlying assets as reported by the fund managers.

Investment purchases and sales are accounted for on a trade-date basis. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fair Value Measurements

The Organization has implemented the accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards. The inputs are categorized in the following levels:

- *Level 1:* Fair values are based on quoted prices in active markets for identical assets and liabilities.
- *Level 2:* Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset.

JEWISH FEDERATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

- *Level 3:* Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Certain financial instruments are carried at cost on the statement of financial position and thus are not categorized. These instruments include cash and cash equivalents, accounts and other receivables, accounts payable, and accrued liabilities.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated and material. 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 unrestricted support.

The cost of the property and equipment with a useful life of more than one year is capitalized. Property and equipment are capitalized when total acquisition cost is \$5,000 or more. Repairs, maintenance and minor acquisitions are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	30 years
Improvements	15 years
Furniture and Equipment	5-7 years
Vehicles	5 years
Software	3 years

Leasehold improvements are depreciated over the lesser of the estimated useful life or lease term.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment periodically or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered impaired, the impairment recognized is the difference between the assets carrying amount and fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Organization has determined that there has not been any impairment of its long-lived assets as of December 31, 2021.

Contributed Assets, Materials, & Services

The Organization 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. Donated equipment or improvements are recorded at the estimated fair value at the date of donation. Donated securities are held until they can be sold. A substantial number of volunteers have donated significant amounts of their time to the Organization 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.

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
Professional services	Time and effort
Occupancy expenses	Time and effort
Depreciation expense	Time and effort

JEWISH FEDERATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (the Code) and the corresponding provision of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

In accordance with the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification (ASC) Topic No. 740, Uncertainty in Income Taxes, JFOC recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended December 31, 2021, JFOC performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status. The Organization is subject to routine audits by the taxing jurisdictions. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Grants to Other Organizations

The budget for grants made to other organizations during the year is approved by the Organization's Board of Directors at the end of the previous calendar year. The organizations receiving the grants provide a broad range of services to the people of Orange County, across the United States, in Israel, and around the world.

Occasionally, a donor will contribute to the Organization and specify a recipient organization to which the donor would like to give their donation. The Organization's policy is to recognize the donation received and an offsetting liability until the donation is distributed to the ultimate beneficiary, at which time the liability is removed from the Organization's books.

The Organization donated property and equipment with a net book value of approximately \$1,400,000 to a third party during 2021, which is included in grant of property and equipment to the third party in the associated statement of functional expenses. (See Note 4.)

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In February 2016, FASB issued ASU No. 2017-02, Leases, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For the Organization, the ASU will be effective for the year ending December 31, 2022.

In September 2020, FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For the Organization, the ASU will be effective for the year ending December 31, 2022.

NOTE 3 – Investments

Investments consist primarily of custodial funds held and invested by JCFOC. Investments are intended to be set aside as an operating reserve and provide income to be used in JFOC's programs. Several custodial funds are merged into JCFOC's pooled funds as permitted by the participation agreement.

Investments consisted of the following at December 31, 2021:

Global constrained investments	\$ 2,869,155
Pooled investments	<u>1,845,031</u>
Total	<u>\$ 4,714,186</u>

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 – Investments (Continued)

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

Interest and dividend income	\$ 411,748
Investment fees	(42,434)
Realized and unrealized net loss	<u>(84,485)</u>
 Total	 <u><u>\$ 284,829</u></u>

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 – Property and Equipment

Property and equipment is summarized as follows at December 31, 2021:

Leasehold improvements	\$ 51,790
Furniture, fixtures and equipment	88,837
Software implementation	<u>232,367</u>
	372,994
Less accumulated depreciation	<u>(309,016)</u>
 Property and equipment (net)	 <u><u>\$ 63,978</u></u>

Depreciation and amortization expense totaled \$37,796 for the year ended December 31, 2021.

The Organization donated property and equipment with a net book value of approximately \$1,400,000 to a third party during 2021, which is included in grant of property and equipment to third party in the associated statement of functional expenses. (See Note 13.)

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 – Beneficial Interests In Assets Held By Others

The Organization has transferred funds to the JCFOC to set up Perpetual Annual Campaign Endowment Funds (PACE), and several other special endowment funds. These funds are maintained by JCFOC and distributions are made annually to the Organization in an amount that approximates 4-5% of the funds' average balance for the three preceding years.

The Sid Friedman Perpetual Trust (the Trust) is maintained by Bank of America. Distributions of 5% are made annually to the Organization, and are calculated based on the fair market value of the Trust on the first business day of the year.

The Organization granted JCFOC and Bank of America the funds, and specified themselves as the beneficiary in perpetuity, allowing the Organization to recognize the beneficial interest in the assets held by others.

The value of the beneficial interests as of December 31, 2021 and distributions received, which are included in the investment return (net) without donor restrictions on the accompanying statement of activities, are as follows as of and for the year ended December 31, 2021:

	<u>Fund Value</u>	<u>Distributions</u>
Perpetual Annual Campaign Endowment Funds	\$ 2,286,779	\$ 74,896
Special Endowment Fund – LOJE	86,719	50,163
Special Endowment Fund – JFOC	621,911	19,794
Special Endowment Fund - Zechter Music Center	491,706	16,254
Special Endowment Fund – Other	199,800	102,018
Sid Friedman Perpetual Trust	<u>2,317,279</u>	<u>107,809</u>
Total	<u>\$ 6,004,194</u>	<u>\$ 370,934</u>

The Organization also made contributions of \$53,529 to the Perpetual Annual Campaign Endowment Funds in 2021.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 – Beneficial Interests In Assets Held By Others (Continued)

In addition to the beneficial interests discussed above, the JCFOC maintains other funds that have been contributed by various donors to the JCFOC for the benefit of the Organization. These funds are not included as assets of the Organization because it does not have unconditional rights to distributions from these funds and has no remainder interest in these funds. The earnings from these funds typically are paid to the Organization each year in accordance with the JCFOC's spending policy, although the JCFOC has the right to withhold distributions or pay them to another organization. For the year ended December 31, 2021, the Organization received distributions of \$144,744 which are recorded as contributions in the accompanying statement of activities.

NOTE 6 – Fair Value Measurements

The following table presents information about JFOC's assets that are measured at fair value on a recurring basis at December 31, 2021 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	<u>Fair Value Measurements at Reporting Details</u>			
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Measured on a Recurring Basis				
Global Constrained Fund	\$ 2,869,155	\$ -	\$ -	\$ 2,869,155
Investment in JCFOC				
Pooled Fund	<u>1,845,031</u>	<u> </u>	<u> </u>	<u>1,845,031</u>
Total Investments	4,714,186	-	-	4,714,186
Beneficial Interest in Assets				
Held by Others	<u>6,004,194</u>	<u>-</u>	<u>-</u>	<u>6,004,194</u>
Total Recurring Fair Value				
Measurements	<u>\$ 10,718,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,718,380</u>

The level 3 investments in the Global Constrained Fund, JCFOC Pooled Fund, and beneficial interests in assets held by others are valued based on the fair value of the underlying assets as reported by the fund managers.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – PPP Loan Advance

In March 2020, Congress passed the Paycheck Protection Program (PPP), authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities, and interest on mortgages. Loans obtained through the PPP are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met.

In May 2020, the Organization received a loan in the amount of \$624,200 through the PPP. To the extent it is not forgiven, the loan bears interest at a rate of 1% over a period of two years. Monthly payments commence ten months after the date of the loan, with a final installment due in May 2022. In June 2021, the Organization received notification from the Small Business Administration (SBA), that \$585,820 of the PPP loan advance was forgiven. The Organization paid off the remaining \$38,380 in 2021.

In February 2021, the Organization received a loan in the amount of \$359,355 through the PPP. To the extent it is not forgiven, the loan bears interest at a rate of 1% over a period of two years. Monthly payments commence ten months after the date of the loan, with a final installment due in February 2026.

NOTE 8 – Commitments and Contingencies

Operating Leases

The Organization is committed under several operating leases for office space and equipment. The monthly rents on the aforementioned leases range from \$45 to \$7,155 expiring at various dates through July 2027.

The future minimum lease payments required under lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Operating Lease Commitments</u>
2022	\$ 26,291
2023	5,088
2024	2,838
2025	2,088
2026	2,088
Thereafter	<u>696</u>
	<u>\$ 39,089</u>

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 – Commitments and Contingencies (Continued)

Operating Leases (Continued)

The Organization leases office space from another nonprofit organization under an agreement that provides for an indefinite term, with termination requiring three months advance notice. Rental charges approximate the Organization's prorated share of the building's annual operating expenses allocated on a monthly basis and estimated to increase 3-4% per year.

Total occupancy expense for the year ended December 31, 2021 was \$128,203.

Legal Proceedings

Lawsuits and claims have been filed against the Organization in the ordinary course of business. Management believes it has adequate defenses and insurance coverage for these actions and, thus, has made no additional provision in the financial statements for any costs relating to the settlement of such claims.

Other Contingencies

The Organization has received funds for specific purposes that are subject to review and audits by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursements will not be material.

The Organization has elected not to pay state unemployment insurance taxes and, instead, reimburse the State of California for its share of unemployment benefits actually paid by the state to former employees. The charge to expense was \$26,741 in 2021. Estimated accrued unemployment liability at December 31, 2021 is included in accrued liabilities in the statement of financial position.

Business Risks Associated with the Impact of COVID-19

The Organization's operations were affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The Organization continues to actively monitor the current impacts of and responses to COVID-19 and its related risks, and continues to prepare accordingly. The continued spread of COVID-19 has affected the Organization's fundraising efforts and ancillary revenue, which continues to have an impact on the Organization's financial position and operating results. There is significant uncertainty as to the severity and longevity of the outbreak and management is in the process of evaluating the impact on the business and its financial statements.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 9 – Net Deficit Without Donor Restrictions

Net deficit without donor restrictions consist of undesignated and Board-designated amounts for the following purposes at December 31, 2021:

Undesignated	\$ (1,302,502)
Board-designated Lifelines and Emergency Custodial Fund	<u>50,615</u>
Total net deficit without donor restrictions	<u>\$ (1,251,887)</u>

The Board of Directors set aside certain funds without donor restrictions to serve as a custodial fund for the Organization. The custodial fund is held by JCFOC and the spending of the fund is subject to approval by the Board of Directors. Distributions from the Board designated funds totaled \$606 for the year ended December 31, 2021.

The Organization has a \$1,251,887 deficit in its net assets without donor restrictions. The Board of Directors and management are aware of the deficit and are closely monitoring the Organization's financial performance. (See Note 13.)

JEWISH FEDERATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE 10 – Net Assets With Donor Restrictions

Net assets with donor restrictions and related releases from net assets with donor restrictions consisted of the following as of and for the year ended December 31, 2021:

	December 31, 2020	Additions	Releases	December 31, 2021
Subject to the Passage of Time:	\$ 71,850	\$ 103,086	\$ (71,850)	\$ 103,086
Subject to Expenditure for Specified Purpose:				
Israel Programs	5,583,605	-	(107,544)	5,476,061
Weissman Arts Fund	1,199,180	-	(102,994)	1,096,186
Rose Project	484,704	229,601	(138,922)	575,383
Holocaust Survivors	359,649	109,456	(377,928)	91,177
Caring Lifelines	141,572	149,945	(113,399)	178,118
Imagining Our Future	126,303	-	(640)	125,663
Other Programs	55,918	892,267	(780,765)	167,420
Total subject to expenditure for specified purpose	8,022,781	1,484,355	(1,694,042)	7,813,094
Subject to Spending Policy Beneficial Interests in Assets Held by Others	5,539,135	465,060	-	6,004,195
Total net assets with donor restrictions	<u>\$ 13,561,916</u>	<u>\$ 1,949,415</u>	<u>\$ (1,694,042)</u>	<u>\$ 13,817,289</u>

NOTE 11 – Retirement Plan

The Organization has a defined contribution retirement plan under IRC Section 403(b) in which all eligible employees may participate. The benefits are based on years of service and the employee compensation during the year. The Organization matches up to 5% of employee contributions. Total plan expense for the year ended December 31, 2021 was \$29,677.

JEWISH FEDERATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE 12 – Payments to Affiliates

JFOC is affiliated with Jewish Federations of North America (JFNA), the national umbrella organization of the Federation system. All Federations, including JFOC, are required to pay an annual Fair Share grant into the system; this grant is calculated by the JFNA Board as a percentage according to Federation size, which percentage is applied to an average of campaign revenue during the preceding three years. In addition, JFOC is required to make an annual Israel & Overseas grant into the system, which funds the collective Federation support, through JFNA, of the Jewish Agency for Israel, the Joint Distribution Committee, ORT, and the Ethiopian National Project.

In 2020, JFOC held all payments to JFNA as the two parties were negotiating a hardship relief program. In 2021, JFOC and JFNA came to an agreement whereby the unpaid amounts owed to JFNA would be reduced by 50%, and JFOC would make payments over seven years at the rate of approximately \$22,000 per year, beginning in 2021. As of December 31, 2021, JFOC owed \$132,562 to JFNA, included in accounts payable on the statement of financial position and had \$185,531 forgiven, included as forgiveness of accounts payable in the statement of activities.

NOTE 13 – Liquidity and Availability of Financial Resources

The total financial assets held by the Organization at December 31, 2021 and the amounts of those financial assets that could be made available for use in general operations within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at December 31, 2021

Cash and cash equivalents	\$ 2,520,500
Investments	4,714,186
Contributions and pledge receivables, net	254,106
Beneficial interest in assets held by others	<u>6,004,194</u>

Total financial assets at December 31, 2021	13,492,986
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Less amounts not available to be used within one year, due to Donor-imposed restrictions:	(13,817,289)
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Board-designated custodial fund	<u>(50,615)</u>
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Shortfall in financial assets available for use in general operations within one year	<u><u>\$ (374,918)</u></u>
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JEWISH FEDERATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE 13 – Liquidity and Availability of Financial Resources (Continued)

The Organization currently has a shortfall in financial assets available for use in general operations within one year. In addition, the Organization experienced negative cash flows from operations of \$161,813, and a reduction in unrestricted net assets of \$423,635, increasing the deficit to \$1,251,887.

A significant cause of the reduction in unrestricted net assets was from the transfer of Mandel House and Horwitz Family House, its Jewish residential homes for adults with development disabilities, to the Irvine Community Land Trust during 2021. The transfer of the homes was a strategic decision made by JFOC, in consultation with interested parties, in order to elevate and strengthen the services, activities and care for the residents of the homes. JFOC will continue providing program services to residents of the homes and services continued without interruption. Additionally, the Organization believes that the transfer of these houses will reduce its overhead, which will assist in the return to profitability. Without the transfer of the houses of approximately \$1,430,000 in assets to its community partner, the Organization would have experienced a net increase in net assets without donor restrictions of \$1,006,000 and would have had a positive net assets balance of approximately \$178,000 at December 31, 2022.

The Organization has experienced improvements by reducing operating expenses and increasing contribution revenue without donor restrictions that resulted in a net decrease of \$989,789 in liabilities and overall reduction of shortfall in financial assets by \$57,312 for the year ended December 31, 2021. As a result of its improved financial position, the Organization has been able to put more funds into the community by increasing its program spending and decreasing its spending on supporting services.

As of the date of this report, management believes that the Organization will continue to operate for the next twelve months based on the following factors:

- (a) The Organization continues to build a forward-looking management team, welcoming a new President & CEO and Controller in 2022, focused on strong fiscal responsibility and increasing revenue going forward.
- (b) The Organization secured a second Paycheck Protection Program (PPP) loan advance of approximately \$359,000 during 2021, which management expects to be substantially forgiven by the end of 2022.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 13 – Liquidity and Availability of Financial Resources (Continued)

- (c) The Organization has reduced its non-programmatic operating expenses in 2022 and continues to seek cost-cutting opportunities, especially in the areas of outsourced consultants and temporary staff.
- (d) The Organization has negotiated deferred payment plans and forgiveness of certain accounts payable with its vendors to alleviate cash flow concerns.

NOTE 14 – Subsequent Events

The Organization evaluated all events and transactions through December 13, 2022, the date the financial statements were available to be issued. With the exception of the following, management believes that no event occurred subsequent to December 31, 2021 that is required to be disclosed in the financial statements.