

JEWISH FEDERATION OF ORANGE COUNTY

FINANCIAL STATEMENTS

December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jewish Federation of Orange County

Report on the Financial Statements

We have audited the accompanying financial statements of Jewish Federation of Orange County (JFOC) (a non-profit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, 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 JFOC as of December 31, 2020, 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 disclosed in Notes 11 and 15 to the financial statements, JFOC experienced a decline in contribution revenue without donor restrictions resulting in losses in net assets without donor restrictions, along with borrowings under the line of credit and borrowing funds from unspent net assets with donor restrictions to continue to fund its operations beginning in 2018. While the net assets have improved in 2020, a deficiency of net asset situation remains as of December 31, 2020. Management's evaluation of the events and conditions and management's plans to mitigate these matters are disclosed in Note 15. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of JFOC as of December 31, 2019, were audited by other auditors whose report dated May 21, 2021, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the 2019 audited financial statements from which it has been derived.



Long Beach, California
March 21, 2022

JEWISH FEDERATION OF ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2019)

ASSETS

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,081,720	\$ 3,237,445
Investments	3,141,819	2,816,861
Contributions and pledges receivable, net	412,147	537,183
Property and equipment, net	1,531,853	1,601,106
Beneficial interests in assets held by others	5,539,135	5,045,089
Other assets	35,705	53,776
TOTAL ASSETS	\$ 14,742,379	\$ 13,291,460

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 1,034,446	\$ 1,257,636
Accrued liabilities	350,069	314,730
Line of credit	-	600,000
PPP loan advance	624,200	-
Total liabilities	2,008,715	2,172,366
NET ASSETS (DEFICIT)		
Without donor restrictions	(828,252)	(1,191,388)
With donor restrictions	13,561,916	12,310,482
Total net assets	12,733,664	11,119,094
TOTAL LIABILITIES AND NET ASSETS	\$ 14,742,379	\$ 13,291,460

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, 2020
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2019)**

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
SUPPORT AND REVENUE:				
SUPPORT:				
Contributions	\$ 2,125,972	\$ 3,374,978	\$ 5,500,950	\$ 5,489,525
Government grants	10,000	-	10,000	173,030
TOTAL SUPPORT	2,135,972	3,374,978	5,510,950	5,662,555
 REVENUE:				
Special events (net of direct donor benefits of \$63,017)	41,267	-	41,267	153,777
Investment return (net)	322,287	-	322,287	478,431
Change in value of beneficial interests in assets held by others	-	474,110	474,110	523,028
Other revenue	168,156	-	168,156	70,876
TOTAL REVENUE	531,710	474,110	1,005,820	1,226,112
 NET ASSETS RELEASED FROM RESTRICTIONS	 2,597,654	 (2,597,654)	 -	 -
 TOTAL SUPPORT AND REVENUE	 5,265,336	 1,251,434	 6,516,770	 6,888,667
 EXPENSES:				
Program Services:				
Community programs	2,760,358	-	2,760,358	3,371,323
Grants and allocations	149,162	-	149,162	662,695
TOTAL PROGRAM SUPPORT	2,909,520	-	2,909,520	4,034,018
Management and general	1,657,878	-	1,657,878	1,907,807
Fundraising	334,802	-	334,802	893,552
TOTAL SUPPORTING SERVICES	1,992,680	-	1,992,680	2,801,359
TOTAL EXPENSES	4,902,200	-	4,902,200	6,835,377
 CHANGES IN NET ASSETS	 363,136	 1,251,434	 1,614,570	 53,290
 NET ASSETS (DEFICIT), BEGINNING OF YEAR	 (1,191,388)	 12,310,482	 11,119,094	 11,065,804
 NET ASSETS (DEFICIT), END OF YEAR	 \$ (828,252)	 \$ 13,561,916	 \$ 12,733,664	 \$ 11,119,094

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, 2020
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2019)**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>	
	<u>Community Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Services</u>	<u>2020</u>	<u>2019</u>
OPERATING EXPENSES:						
Payroll Expenses:						
Salaries	\$ 920,513	\$ 582,162	\$ 275,698	\$ 857,860	\$ 1,778,373	\$ 2,557,953
Employee Benefits	89,448	52,940	26,348	79,288	168,736	307,693
Payroll Taxes	<u>87,925</u>	<u>48,015</u>	<u>25,732</u>	<u>73,747</u>	<u>161,672</u>	<u>193,573</u>
TOTAL PAYROLL EXPENSES	1,097,886	683,117	327,778	1,010,895	2,108,781	3,059,219
Catering	6,220	412	240	652	6,872	133,854
Client service & direct assistance	1,343,825	-	-	-	1,343,825	1,094,471
Community development and outreach	68,167	2,600	-	2,600	70,767	95,499
Depreciation and amortization	28,520	16,362	7,851	24,213	52,733	97,301
Equipment rent & maintenance	40,307	-	-	-	40,307	8,219
Events and speakers	22,608	-	4,100	4,100	26,708	87,666
Insurance	33,978	21,144	10,144	31,288	65,266	62,674
Interest expense	-	63,420	-	63,420	63,420	36,743
Licenses and fees	21,530	107,773	13,770	121,543	143,073	125,343
Occupancy	49,487	31,298	14,889	46,187	95,674	317,502
Other expenses	11,221	5,463	10,761	16,224	27,445	100,020
Professional services	10,900	703,903	3,250	707,153	718,053	737,827
Supplies	15,833	11,093	5,028	16,121	31,954	73,413
Telephone	5,620	10,933	-	10,933	16,553	36,169
Travel and transportation	<u>4,256</u>	<u>360</u>	<u>8</u>	<u>368</u>	<u>4,624</u>	<u>224,536</u>
TOTAL OPERATING EXPENSES	2,760,358	1,657,878	397,819	2,055,697	4,816,055	6,290,456
Grants and allocations	<u>149,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,162</u>	<u>662,695</u>
TOTAL 2020 EXPENSES	<u>\$ 2,909,520</u>	<u>\$ 1,657,878</u>	<u>\$ 397,819</u>	<u>\$ 2,055,697</u>	<u>\$ 4,965,217</u>	<u>\$ 6,953,151</u>
Less expenses included in the revenue section of the statement of activities	<u>-</u>	<u>-</u>	<u>(63,017)</u>	<u>(63,017)</u>	<u>(63,017)</u>	<u>(117,774)</u>
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>\$ 1,992,680</u>	<u>\$ 4,902,200</u>	
PERCENTAGE OF TOTAL EXPENSES	59%	34%	7%	41%	100%	
Total 2019 expenses included in expense section of the statement of activities	<u>\$ 4,034,018</u>	<u>\$ 1,907,807</u>	<u>\$ 893,552</u>	<u>\$ 2,801,359</u>		<u>\$ 6,835,377</u>
PERCENTAGE OF TOTAL EXPENSES	59%	28%	13%	41%		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, 2020
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2019)**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,614,570	\$ 53,290
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	52,733	97,301
Gain on disposition of property and equipment	(6,480)	-
Change in value of beneficial interests in assets held by others	(474,110)	(523,028)
Net realized and unrealized (gain) loss on investments	(324,958)	(365,200)
Loss on uncollectible pledges receivable	-	5,382
Contributions restricted for investment in perpetuity	-	(341)
Change in assets and liabilities		
Pledges receivable	125,036	544,862
Other assets	18,071	41,929
Accounts payable	(223,190)	463,540
Accrued liabilities	35,339	(422,370)
Net Cash Provided By (Used In) Operating Activities	817,011	(104,635)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of beneficial interest in assets held by others	(19,936)	-
Purchases of investments	-	(113,145)
Proceeds from sale of investments	-	3,018,730
Proceeds from receivable - Chasin Micro Enterprise Loan Program	-	92,500
Sale of property and equipment	23,000	10,028
Net Cash Provided By Investing Activities	3,064	3,008,113
CASH FLOWS FROM FINANCING ACTIVITIES		
Net activity from line of credit	(600,000)	(100,000)
Proceeds from PPP loan advance	624,200	-
Repayment of note payable	-	(250,000)
Net Cash Provided By (Used In) Financing Activities	24,200	(350,000)
NET CHANGE IN CASH AND EQUIVALENTS	844,275	2,553,478
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	3,237,445	683,967
CASH AND EQUIVALENTS AT END OF YEAR	\$ 4,081,720	\$ 3,237,445
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 63,420	\$ 36,743

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

JEWISH FEDERATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020

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 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 2020, the Organization focused on stabilizing its operations. The onset of the COVID-19 pandemic allowed JFOC to focus on its core competencies in convening (virtually) and leading the community through crisis, while supporting community members in need. The Organization continued to serve over 200 Holocaust survivors, primarily through virtual means; maintained fundraising and engagement with donors through virtual events; and offered abundant virtual programs that brought together partners from across our Jewish community to celebrate holidays, to learn, and to share essential information, from webinars on the Payroll Protection Program for small businesses and nonprofits to mental health professional panels offering guidance on coping through COVID. Some 1,000 individuals were served by the Organization in 2020 despite the necessary pause of many programs due to the pandemic.

Serving Community Members in Need

JFOC Holocaust Survivor Program provides individual case management; compensation for home care and housekeeping services; assistance with restitution applications; emergency financial aid; and Café Europa, a monthly series of social events held virtually in 2020.

JFOC Jewish Residential Homes for Adults with Special Needs are supportive, community-based group living homes that provide residents with enrichment, wellness, and Jewish cultural activities. Mandel House, opened in 2014; Horwitz Family House opened in 2017.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – Organization and Nature of Activities (Continued)

Serving Community Members in Need (Continued)

JFOC Lifelines Emergency Assistance serves OC residents in crisis from all traditions, providing short-term, solution-focused emergency case management, financial assistance for qualified clients, and information/referral services that aid our clients in navigating the often complex network of government and nonprofit social service resources.

JFOC COVID-19 Emergency Assistance serves OC Jewish residents who have suffered reduction in income as a direct result of the COVID-19 crisis. The program offers short-term financial support for rent, mortgage, utility, food, and health needs.

Philanthropy and Community Engagement

JFOC Laguna Woods Region connects active older (55+) Jewish adults with the broader Orange County Jewish community and is a local rallying point for Jewish community activities, raising funds for the JFOC annual campaign and promoting legacy philanthropy.

JFOC Legacy Circle inspires community members, from young adults to seniors, to invest in the future of the OC Jewish community through planned giving.

JFOC NextGen encourages young Jewish adults, ages 21 to 45, to become committed lifelong participants in the Jewish community through volunteer, social, educational, leadership and philanthropic opportunities.

JFOC Orange County Jewish Historical Society is dedicated to the discovery, preservation and promotion of public awareness of the history and contributions of the Jewish community in Orange County.

JFOC PJ Library provides gift of monthly Jewish-themed books and music CDs to registered families raising a Jewish child, ages 6 months to 8 years.

JFOC Rose Project creates self-sufficient Jewish student leaders on our OC college and university campuses by informing, educating and engaging Jewish students on Jewish life and Israel issues; and facilitates informed and respectful dialogue.

JFOC Solomon Society is a fellowship of men who inspire each other through their values and commitment to community. Members of the society build community through networking, leadership, philanthropy and leveraging of collective power.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – Organization and Nature of Activities (Continued)

Philanthropy and Community Engagement (Continued)

JFOC Women's Philanthropy creates opportunities for all women to develop and enhance leadership skills while responding to needs of the local and global Jewish community. The group sponsors innovative community service projects, creates networking opportunities, and engages women in Jewish life through cultural, educational and social programming.

JFOC Zechter Music Collaboration supports Jewish youth in pursuing music, dance and theater studies and arts appreciation through a partnership with Orange County Music and Dance, Inc.

NOTE 2 – Summary of Significant Accounting Policies

Recently Adopted Accounting Standard

In 2020, the Organization adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and has applied it prospectively. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP and requires 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. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

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, 2020**

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 11.)
- *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 12.)

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, 2020**

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, 2019, from which the summarized information was derived.

Reclassifications

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

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, 2020 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 Organization’s management based on past collection experience. Allowance for uncollectible pledges receivable totaled \$54,000 at December 31, 2020. 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, 2020.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020**

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, 2020**

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, 2020.

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, 2020**

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 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, 2020, 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.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020:

Global constrained investments	\$ 3,022,574
Pooled investments	<u>119,245</u>
Total	<u>\$ 3,141,819</u>

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 – Property and Equipment

Property and equipment is summarized as follows at December 31, 2020:

Land	\$ 749,621
Buildings and improvements	819,630
Leasehold improvements	44,250
Furniture, fixtures and equipment	88,837
Software implementation	232,367
	<u>1,934,705</u>
Less accumulated depreciation	<u>(402,852)</u>
Property and equipment (net)	<u>\$ 1,531,853</u>

Depreciation and amortization expense totaled \$52,733 for the year ended December 31, 2020.

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 variance power over the funds at the time of the transfers, but since the Organization is a nonprofit organization, who specified themselves as the beneficiary, the Organization may recognize the beneficial interest in the assets held by others.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 – Beneficial Interests In Assets Held By Others (Continued)

The value of the beneficial interests as of December 31, 2020 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, 2020:

	<u>Fund Value</u>	<u>Distributions</u>
Perpetual Annual Campaign Endowment Funds	\$ 2,096,473	\$ 75,562
Special Endowment Fund – LOJE	80,590	2,907
Special Endowment Fund – JFOC	562,733	19,793
Special Endowment Fund - Zechter Music Center	456,880	16,285
Special Endowment Fund – Other	186,280	6,756
Sid Friedman Perpetual Trust	<u>2,156,179</u>	<u>95,911</u>
Total	<u>\$ 5,539,135</u>	<u>\$ 217,214</u>

The Organization also made contributions of \$19,936 to the Perpetual Annual Campaign Endowment Funds in 2020.

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, 2020, the Organization received distributions of \$97,108 which are recorded as contributions in the accompanying statement of activities.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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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, 2020 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	\$ 3,022,574	\$ -	\$ -	\$ 3,022,574
Investment in JCFOC				
Pooled Fund	<u>119,245</u>	<u> </u>	<u> </u>	<u>119,245</u>
Total Investments	3,141,819	-	-	3,141,819
Beneficial Interest in Assets Held by Others	<u>5,539,135</u>	<u>-</u>	<u>-</u>	<u>5,539,135</u>
Total Recurring Fair Value Measurements	<u>\$ 8,680,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,680,954</u>

NOTE 7 – Line of Credit

The Organization previously had a working line of credit of \$700,000 with a bank, to be drawn upon as needed. Interest accrued at the date of advance at the greater of a floating rate equal to the bank’s Index Rate of interest or the Floor Rate of 3.50%. The agreement, which was established on June 27, 2016, was secured by a certificate of deposit of the Organization and matured on June 25, 2020. The line of credit was repaid in full in 2020 and was not renewed.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – 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 \$579,478 of the PPP loan advance was forgiven. The Organization paid off the remaining \$44,722 in 2021.

NOTE 9 – 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 \$41 to \$6,750 expiring at various dates through March 2024.

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

<u>Year Ending December 31,</u>	<u>Operating Lease Commitments</u>
2021	\$ 23,973
2022	3,123
2023	3,000
2024	<u>750</u>
	<u>\$ 30,846</u>

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9 – 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, 2020 was \$81,474.

Legal Proceedings

Lawsuits and claims have been filed against the Organization in the ordinary course of business, including claims from former employees. 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 \$49,443 in 2020. Estimated accrued unemployment liability at December 31, 2020 is included in accrued liabilities in the statement of financial position.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 – Commitments and Contingencies (Continued)

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.

NOTE 10 – Net Deficit Without Donor Restrictions

Net deficit without donor restrictions consist of undesignated and Board-designated amounts for the following purposes at December 31, 2020:

Undesignated	\$ (873,387)
Board-designated Lifelines and Emergency Custodial Fund	<u>45,135</u>
Total net deficit without donor restrictions	<u>\$ (828,252)</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 \$340 for the year ended December 31, 2020.

The Organization has a \$828,252 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 15.)

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11 – 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, 2020:

	Net Assets with Donor Restrictions at December 31, 2020	Net Assets Released from Donor Restrictions
Subject to the Passage of Time:	\$ 71,850	\$ 202,167
Subject to Expenditure for Specified Purpose:		
Israel Programs	5,583,605	-
Weissman Arts Fund	1,199,180	114
Rose Project	484,704	75,950
Holocaust Survivors	359,649	1,477,527
Caring Lifelines	141,572	69,209
Imagining Our Future	126,303	10,260
Other Programs	55,918	545,213
Total subject to expenditure for specified purpose	8,022,781	2,380,440
Subject to Spending Policy		
Beneficial Interests in Assets Held by Others	5,539,135	217,214
Total net assets with donor restrictions	\$ 13,561,916	\$ 2,597,654

NOTE 12 – Retirement Plan

The Organization has a defined contribution retirement plan under Internal Revenue Code 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, 2020 was \$23,503.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 – 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, 2020, JFOC had approximately \$376,000 owed to JFNA, included in accounts payable.

NOTE 14 – Liquidity and Availability of Financial Resources

The total financial assets held by the Organization at December 31, 2020 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at December 31, 2020	
Cash and cash equivalents	\$ 4,081,720
Investments	3,141,819
Accounts and other receivables	202,948
Pledge receivables (net)	209,199
Beneficial interest in assets held by others	<u>5,539,135</u>
Total financial assets at December 31, 2020	13,174,821
Less amounts not available to be used within one year, due to:	
Donor-imposed restrictions:	
Funds held by others for perpetual endowments	(5,539,135)
Funds held with purpose or time restrictions	<u>(8,022,781)</u>
Total due to donor-imposed or time restrictions	<u>(13,561,916)</u>
Board-designated custodial fund	<u>(45,135)</u>
Shortfall in financial assets available to meet general expenditures within one year	<u>\$ (432,230)</u>

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 14 – Liquidity and Availability of Financial Resources (Continued)

The Organization currently has a shortfall in financial assets available to meet general expenditures within one year. The Organization has experienced improvements by reducing expenses and increasing overall contribution revenue that resulted in a net increase of \$363,136 in net assets without donor restrictions and overall net increase in net assets of \$1,614,570 for the year ended December 31, 2020. As a result of its improved financial position, the Organization has paid off an outstanding \$600,000 Line of Credit during the year ended December 31, 2020. In addition, during 2020, the Organization received a PPP Loan Advance of approximately \$624,000, of which approximately \$579,000 was forgiven subsequent to year-end. During 2019, the Board of Directors formally authorized borrowings of up to \$2 million from net assets with donor restrictions at an annual fixed 2.89% interest rate and due on October 15, 2026. The Organization's continued operations are dependent upon it obtaining and expanding individual and corporate giving without donor restrictions and, if required, additional financing. 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 has had a significant change in the executive leadership and finance team and management has been focused on the strong fiscal responsibility and transparency in 2020 and going forward.
- (b) The Organization has paid in full its operating line of credit upon maturity in 2020.
- (c) The Organization secured a Paycheck Protection Program (PPP) loan advance of approximately \$624,000 during 2020, of which approximately \$579,000 was forgiven in 2021.
- (d) The Organization secured a second PPP loan advance of approximately \$359,000 during 2021, which management expects to be forgiven in full.
- (e) The Organization has negotiated deferred payment plans and forgiveness of certain accounts payable with its vendors to alleviate cash flow concerns.
- (f) The Organization has significantly reduced its operating expenses in 2020, which will continue to have an impact going forward. In addition, the Organization's revenue for the year ended December 31, 2020 were in line with the budget.

These and other fiscal management improvements support the Organization's assessment of the ability to continue as a going concern.

JEWISH FEDERATION OF ORANGE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 15 – Subsequent Events

The Organization evaluated all events and transactions through March 21, 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, 2020 that is required to be disclosed in the financial statements.

In February 2021, JFOC received approval from a lending institution for funding and has subsequently received a second draw of \$359,355 under the PPP provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the terms of the PPP, the loan is unsecured, has a 2 year term, accrues interest at 1% per annum, and a portion of the loan may be forgiven if proceeds are used for specific business costs, as outlined in the PPP provisions and Small Business Administration guidance.

In November 2020, JFOC announced a new partnership with Jewish Family Service of San Diego (JFSSD) to sustain and strengthen the Holocaust Survivor Program (HSP) in Orange County. Through this partnership, effective as of January 1, 2021, administration of HSP in Orange County passed to JFSSD. Orange County HSP staff remained with the program to ensure continuity of care and services to survivors.

Throughout 2020, JFOC continued strategic discussions with parents, stakeholders, and potential service providers, with a shared goal to elevate and strengthen services, activities, and care for residents of JFOC-owned Jewish residential homes for adults with developmental disabilities. The Organization completed this process in 2021, resulting in the transfer of its Mandel and Horwitz homes to another party who will manage the operation of those homes. JFOC will continue providing program services to residents of the homes. Services to the residents will continue without interruption.