

# JEWISH FEDERATION OF ORANGE COUNTY

## FINANCIAL STATEMENTS

---

December 31, 2022  
(With Comparative Totals for 2021)

## CONTENTS

Independent Auditors' Report.....	1-3
Statement of Financial Position.....	4
Statement of Activities .....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows.....	7
Notes to the Financial Statements .....	8-25

## **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 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 ("JFOC" or "the Organization") as of December 31, 2022, 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, has 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 2022, and a deficiency of net asset situation remains as of December 31, 2022. 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, 2021, and we expressed an unmodified opinion on those audited financial statements in our report dated December 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the 2021 audited financial statements from which it has been derived.

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

Long Beach, California  
July 26, 2023

**JEWISH FEDERATION OF ORANGE COUNTY**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2022**

**(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2021)**

**ASSETS**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,329,639	\$ 2,520,500
Investments	4,374,223	4,714,186
Contributions and pledges receivable, net	492,722	254,106
Property and equipment, net	38,039	63,978
Beneficial interests in assets held by others	4,834,251	6,004,194
Other assets	<u>32,991</u>	<u>27,364</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,101,865</u>	<u>\$ 13,584,328</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 629,913	\$ 486,037
Accrued liabilities	202,197	173,534
Paycheck Protection Program loan advance	<u>359,355</u>	<u>359,355</u>
Total liabilities	<u>1,191,465</u>	<u>1,018,926</u>

**NET ASSETS (DEFICIT)**

Without donor restrictions	(1,304,701)	(1,251,887)
With donor restrictions	<u>12,215,101</u>	<u>13,817,289</u>
Total net assets	<u>10,910,400</u>	<u>12,565,402</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,101,865</u>	<u>\$ 13,584,328</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, 2022  
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2021)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>	<u>Total 2021</u>
<b>SUPPORT AND REVENUE:</b>				
<b>SUPPORT:</b>				
Contributions	\$ 2,587,674	\$ 1,994,073	\$ 4,581,747	\$ 4,087,448
<b>TOTAL SUPPORT</b>	<u>2,587,674</u>	<u>1,994,073</u>	<u>4,581,747</u>	<u>4,087,448</u>
<b>REVENUE:</b>				
Special events (net of direct donor benefits of \$202,934 in 2022 and \$152,798 in 2021)	149,138	-	149,138	63,512
Investment return, net	5,625	(723,367)	(717,742)	284,829
Change in value of beneficial interests in assets held by others	-	(1,220,919)	(1,220,919)	401,529
Forgiveness of accounts payable	-	-	-	185,531
Forgiveness of Paycheck Protection Program loan advance	-	-	-	585,820
Other revenue	36,317	-	36,317	13,395
<b>TOTAL REVENUE</b>	<u>191,080</u>	<u>(1,944,286)</u>	<u>(1,753,206)</u>	<u>1,534,616</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>1,651,975</u>	<u>(1,651,975)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>4,430,729</u>	<u>(1,602,188)</u>	<u>2,828,541</u>	<u>5,622,064</u>
<b>EXPENSES:</b>				
Program services	3,215,931	-	3,215,931	4,208,105
Management and general	888,119	-	888,119	1,301,763
Fundraising	379,493	-	379,493	280,458
<b>TOTAL EXPENSES</b>	<u>4,483,543</u>	<u>-</u>	<u>4,483,543</u>	<u>5,790,326</u>
<b>CHANGES IN NET ASSETS</b>	<u>(52,814)</u>	<u>(1,602,188)</u>	<u>(1,655,002)</u>	<u>(168,262)</u>
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>(1,251,887)</u>	<u>13,817,289</u>	<u>12,565,402</u>	<u>12,733,664</u>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ (1,304,701)</u>	<u>\$ 12,215,101</u>	<u>\$ 10,910,400</u>	<u>\$ 12,565,402</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, 2022 (WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2021)

	Supporting Services				
	Program Services	Management and General	Fundraising	Total Expenses	
				2022	2021
OPERATING EXPENSES:					
Payroll Expenses:					
Salaries	\$ 978,975	\$ 316,284	\$ 210,856	\$ 1,506,115	\$ 1,269,329
Employee Benefits	100,200	32,372	21,581	154,153	115,299
Payroll Taxes	73,816	23,848	15,899	113,563	97,575
TOTAL PAYROLL EXPENSES	1,152,991	372,504	248,336	1,773,831	1,482,203
Grant of property and equipment to third party	-	-	-	-	1,430,079
Grants	1,307,447	-	-	1,307,447	1,377,931
Bad debt expense	104,664	-	-	104,664	-
Catering	70,932	122	29,990	101,044	52,016
Client service & direct assistance	32,227	-	-	32,227	44,082
Community development and outreach	66,478	73	232	66,783	65,467
Dues and subscriptions	3,314	16	32	3,362	-
Education and professional development	5,072	325	650	6,047	-
Equipment rent & maintenance	-	-	-	-	27,346
Events and speakers	48,778	-	20,750	69,528	112,701
Information technology	6,726	961	1,922	9,609	-
Insurance	25,663	8,292	5,528	39,483	53,807
Interest expense	-	-	-	-	6,950
Licenses, fees, and other expenses	47,781	8,371	17,398	73,550	83,654
Occupancy	89,462	26,749	28,623	144,834	128,203
Postage	6,392	1,069	1,400	8,861	-
Printing and graphics	10,471	2,197	3,192	15,860	-
Professional services	242,424	455,363	102,620	800,407	982,557
Supplies	50,248	1,826	10,811	62,885	40,640
Telephone	7,071	2,285	1,523	10,879	13,200
Travel and transportation	22,396	2,519	4,322	29,237	4,492
Depreciation and amortization	16,861	5,447	3,631	25,939	37,796
TOTAL OPERATING EXPENSES	\$ 3,317,398	\$ 888,119	\$ 480,960	\$ 4,686,477	\$ 5,943,124
Less expenses included in the revenue section of the statement of activities	(101,467)	-	(101,467)	(202,934)	(152,798)
Total 2022 expenses included in expense section of the statement of activities	\$ 3,215,931	\$ 888,119	\$ 379,493	\$ 4,483,543	
PERCENTAGE OF TOTAL EXPENSES	72%	20%	8%	100%	
Total 2021 expenses included in expense section of the statement of activities	\$ 4,208,105	\$ 1,301,763	\$ 280,458		\$ 5,790,326
PERCENTAGE OF TOTAL EXPENSES	73%	22%	5%		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, 2022 (WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,655,002)	\$ (168,262)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	25,939	37,796
Grant of property and equipment to third party	-	1,430,079
Change in value of beneficial interests in assets held by others	1,220,919	(401,529)
Forgiveness of Paycheck Protection Program loan advance	-	(585,820)
Forgiveness of accounts payable	-	(185,531)
Net unrealized loss on investments	876,954	84,485
Change in assets and liabilities		
Pledges receivable	(238,616)	158,041
Other assets	(5,627)	8,341
Accounts payable	143,876	(362,878)
Accrued liabilities	28,663	(176,535)
Net Cash Provided By (Used In) Operating Activities	<u>397,106</u>	<u>(161,813)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(960,238)	(1,762,658)
Proceeds from sales of investments	582,457	475,120
Purchase of beneficial interest in assets held by others	(50,976)	(63,530)
Reinvested interest and dividends (net) proceeds	<u>(159,210)</u>	<u>(369,314)</u>
Net Cash Used In Investing Activities	<u>(587,967)</u>	<u>(1,720,382)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan advance	-	359,355
Repayment of Paycheck Protection Program loan advance	<u>-</u>	<u>(38,380)</u>
Net Cash Provided By Financing Activities	<u>-</u>	<u>320,975</u>
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	(190,861)	(1,561,220)
<b>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,520,500</u>	<u>4,081,720</u>
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 2,329,639</u></u>	<u><u>\$ 2,520,500</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest	<u><u>\$ -</u></u>	<u><u>\$ 6,950</u></u>

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

## **JEWISH FEDERATION OF ORANGE COUNTY**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **NOTE 1 – Organization and Nature of Activities**

##### ***Organization***

Jewish Federation of Orange County ("JFOC" or "the Organization") is a non-profit corporation created under the laws of California on July 6, 1965 as *Jewish Community Council of Orange County*.

JFOC convenes, engages, and leads the Orange County Jewish 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.

Among significant program milestones in 2022 were the welcoming of a new President and CEO in March, the resumption of post-pandemic office operations in May, and the presentation, in August, of Driving Out Darkness, the first Orange County summit on antisemitism and hate. Throughout 2022, the Organization served 6,451 individuals who benefited from its programs and services.

##### ***Serving Community Members in Need***

*Holocaust Survivor Program:* In 2022, 171 survivors were served 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. This was accomplished through JFOC's partnership with Jewish Family Service of San Diego, supported by JFOC donors.

*Adults with Disabilities:* In 2022, 40 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 Assistance:* In 2022, 1,007 Orange County residents were served with solution-focused case management, financial assistance for qualified clients, and resource referral services to aid clients in navigating the often complex network of government and nonprofit social service resources available to them.

## **JEWISH FEDERATION OF ORANGE COUNTY**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **NOTE 1 – Organization and Nature of Activities (Continued)**

##### ***Serving Community Members in Need (Continued)***

COVID-19 Emergency Assistance: In 2022, this program (which originally launched in 2020 as a short-term project), served two continuing clients who suffered income reduction as a direct result of the pandemic; the clients received financial support for housing and food. Demand for the program declined significantly in 2021 and ceased in 2022 as more organizations returned to their workplaces.

##### ***Philanthropy***

In 2022, 1,700 JFOC donors benefited from programming, events, volunteer opportunities, and leadership development as well as ongoing JFOC communications on local and global Jewish issues and achievements. The majority of JFOC donors benefiting from these services were members of JFOC's Solomon Society and Women's Philanthropy groups.

##### ***Grantmaking***

Passport to Jewish Life: 216 Jewish students in grades 3-12 were assisted by JFOC Passport grants to support their participation in Jewish summer camps, Maccabi Games, Israel-Poland experiential education trips, and congregation-based programming.

##### ***Community Engagement***

Rose Project: Approximately 1,000 students and educators in Orange County public middle and high schools learned about Judaism and Jewish culture through peer presentations by 24 young Jewish ambassadors in the 2022 cohort of the Rose Project's Student to Student initiative. Driving Out Darkness, the first Orange County summit on antisemitism and hate, attracted 296 community leaders from civic, government, educational, nonprofit, and law enforcement sectors. Additional Rose Project programs and grants in 2022 served 135 individuals.

NextGen: In 2022, 68 Jewish adults in their 20s-40s were engaged in volunteer, social, and educational programs designed to strengthen their connection to each other and to the Jewish community.

PJ Library: In 2022, an average of 1,816 children received free books about Judaism (for ages 0 to 12), and enjoyed meaningful programming designed for children and parents, thanks to JFOC's partnership with the Harold Grinspoon Foundation.

## **JEWISH FEDERATION OF ORANGE COUNTY**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **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).

##### ***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 with 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, 2022**

**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, 2021, 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 and 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, 2022 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 \$31,641 at December 31, 2022. 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, 2022.

## **JEWISH FEDERATION OF ORANGE COUNTY**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **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, 2022**

#### **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 is 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 is 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, 2022**

**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, 2022.

***Contributed Assets, Materials, and 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, 2022**

**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 (IRC) 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, 2022, 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 of America, in Israel, and around the world.

**JEWISH FEDERATION OF ORANGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
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, 2022:

Global constrained investments	\$ 2,726,150
Pooled investments	<u>1,648,073</u>
Total	<u>\$ 4,374,223</u>

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

Interest and dividend income	\$ 206,615
Investment fees	(47,403)
Unrealized net loss	<u>(876,954)</u>
Total	<u>\$ (717,742)</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.

**JEWISH FEDERATION OF ORANGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 – Property and Equipment**

Property and equipment is summarized as follows at December 31, 2022:

Leasehold improvements	\$ 51,790
Furniture, fixtures, and equipment	88,837
Software implementation	<u>232,367</u>
	372,994
Less accumulated depreciation and amortization	<u>(334,955)</u>
Property and equipment (net)	<u>\$ 38,039</u>

Depreciation and amortization expense totaled \$25,939 for the year ended December 31, 2022.

**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.

**JEWISH FEDERATION OF ORANGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 – Beneficial Interests in Assets Held by Others (Continued)**

The value of the beneficial interests as of December 31, 2022 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, 2022:

	<u><b>Fund Value</b></u>	<u><b>Distributions</b></u>
Perpetual Annual Campaign Endowment Funds	\$ 1,858,156	\$ 104,023
Special Endowment Fund – LOJE	70,400	3,962
Special Endowment Fund – JFOC	517,305	28,366
Special Endowment Fund - Zechter Music Center	399,183	22,463
Special Endowment Fund – Other	168,320	9,240
Sid Friedman Perpetual Trust	1,791,459	104,415
PJ Library OC Endowment Fund	<u>29,428</u>	<u>1,177</u>
Total	<u><u>\$ 4,834,251</u></u>	<u><u>\$ 273,646</u></u>

The Organization also made contributions of \$17,462 and \$33,513 to the Special Endowment Fund – JFOC and PJ Library OC Endowment Fund, respectively, in 2022.

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, 2022, the Organization received distributions of \$133,823 which are recorded as contributions in the accompanying statement of activities.

**JEWISH FEDERATION OF ORANGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	<b>Fair Value Measurements at Reporting Details</b>			
	<b><u>Fair Value</u></b>	<b><u>(Level 1)</u></b>	<b><u>(Level 2)</u></b>	<b><u>(Level 3)</u></b>
Measured on a Recurring Basis				
Global Constrained Fund	\$ 2,726,150	\$ -	\$ -	\$ 2,726,150
Investment in JCFOC				
Pooled Fund	<u>1,648,073</u>	<u>                    </u>	<u>                    </u>	<u>1,648,073</u>
Total Investments	4,374,223	-	-	4,374,223
Beneficial Interest in Assets				
Held by Others	<u>4,834,251</u>	<u>-</u>	<u>-</u>	<u>4,834,251</u>
Total Recurring Fair Value				
Measurements	<u>\$ 9,208,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,208,474</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.

**NOTE 7 – Paycheck Protection Program 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.

**JEWISH FEDERATION OF ORANGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 – Paycheck Protection Program Loan Advance (Continued)**

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 a 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. In February 2023, the Organization received a notification from the Small Business Administration (SBA), that \$359,355 of the PPP loan advance was forgiven. (See Note 14.)

**NOTE 8 – Commitments and Contingencies**

***Legal Proceedings***

In the normal course of business, the Organization may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of the Organization as of December 31, 2022.

***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.

**JEWISH FEDERATION OF ORANGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022:

Undesignated	\$ (1,347,554)
Board-designated Lifelines and Emergency Custodial Fund	<u>42,853</u>
Total net deficit without donor restrictions	<u><u>\$ (1,304,701)</u></u>

The Board 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. Distributions from the Board designated funds totaled \$397 for the year ended December 31, 2022.

The Organization has a \$1,304,701 deficit in its net assets without donor restrictions. The Board 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, 2022

### 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, 2022:

	December 31, 2021	Additions	Investment Gain/(Loss)	Releases	December 31, 2022
Subject to the Passage of Time:	\$ 103,086	\$ 180,350	\$ -	\$ (103,086)	\$ 180,350
Subject to Expenditure for Specified Purpose:					
Israel Programs	5,476,061	110,000	(490,490)	(105,000)	4,990,571
Weissman Arts Fund	1,096,186	-	(220,131)	(25,000)	851,055
Rose Project	575,383	248,623	-	(258,929)	565,077
Holocaust Survivors	91,177	122,071	-	(206,177)	7,071
Caring Lifelines	178,118	357,648	-	(94,922)	440,844
Imagining Our Future	125,663	-	-	(7,977)	117,686
Other Programs	167,420	924,405	(12,746)	(850,884)	228,195
Total subject to expenditure for specified purpose	7,813,094	1,943,097	(723,367)	(1,651,975)	7,380,849
Subject to Spending Policy Beneficial Interests in Assets Held by Others	6,004,195	50,976	(1,220,919)	-	4,834,252
Total net assets with donor restrictions	<u>\$ 13,817,289</u>	<u>\$ 1,994,073</u>	<u>\$ (1,944,286)</u>	<u>\$ (1,651,975)</u>	<u>\$ 12,215,101</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 4% of employee contributions. Total plan expense for the year ended December 31, 2022 was \$30,389.

## **JEWISH FEDERATION OF ORANGE COUNTY**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **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, 2022, JFOC owed \$225,468 to JFNA, included in accounts payable on the statement of financial position.

#### **NOTE 13 – Liquidity and Availability of Financial Resources**

The total financial assets held by the Organization at December 31, 2022 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, 2022**

Cash and cash equivalents	\$ 2,329,639
Investments	4,374,223
Contributions and pledge receivables, net	492,722
Beneficial interest in assets held by others	<u>4,834,251</u>

Total financial assets at December 31, 2022	12,030,835
---	------------

Less amounts not available to be used within one year, due to donor-imposed restrictions:	(12,215,101)
---	--------------

Board-designated custodial fund	<u>(42,853)</u>
---------------------------------	-----------------

Shortfall in financial assets available for use in general operations within one year	<u>\$ (227,119)</u>
---	---------------------

## **JEWISH FEDERATION OF ORANGE COUNTY**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **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 incurred a reduction in unrestricted net assets of \$52,814 during the year ended December 31, 2022, increasing the deficit to \$1,304,701 at December 31, 2022.

The Organization has experienced improvements by reducing operating expenses and increasing contribution revenue without donor restrictions that resulted in an overall reduction of shortfall in financial assets by \$147,799 for the year ended December 31, 2022. 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 12 months based on the following factors:

- (a) The Organization continues to build a forward-looking management team, welcoming a new President and CEO and Controller in 2022, focused on strong fiscal responsibility and increasing revenue going forward.
- (b) The Organization secured a second PPP loan advance of approximately \$359,000 during 2021, which was forgiven in February 2023. The debt forgiveness will be reflected in fiscal year 2023.
- (c) The Organization has reduced its non-programmatic operating expenses in 2023 and cut costs in the areas of outsourced consultants and temporary staff. The Organization passed a balanced budget for the fiscal year 2023, and overall expenses are under budget thus far.
- (d) The Organization has negotiated deferred payment plans and forgiveness of certain accounts payable with its vendors to alleviate cash flow concerns.
- (e) The Organization is migrating to a new donor database system in 2023, which will improve fundraising efforts to attract new donors and retain current donors. It will also create efficiencies in the workflow, which will lead to reduced costs in the future.

**JEWISH FEDERATION OF ORANGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 14 – Subsequent Events**

The Organization evaluated all events and transactions through July 26, 2023, 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, 2022 that is required to be disclosed in the financial statements.

***Paycheck Protection Program Loan Forgiveness***

In February 2023, the Organization received a notification from the SBA that \$359,355 of the PPP loan advance was forgiven. (See Note 7.)