

# JEWISH HOME FOR THE AGING OF ORANGE COUNTY DBA HERITAGE POINTE

## FINANCIAL STATEMENTS

June 30, 2022 (with comparative totals for 2021)

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Jewish Home for the Aging of Orange County dba Heritage Pointe

### **Opinion**

We have audited the accompanying financial statements of Jewish Home for the Aging of Orange County dba Heritage Pointe (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 Home for the Aging of Orange County dba Heritage Pointe (the Organization) as of June 30, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Jewish Home for the Aging of Orange County dba Heritage Pointe's 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the 2021 audited financial statements from which it has been derived.



Irvine, California  
January 11, 2023

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY**  
**dba HERITAGE POINTE**

**STATEMENT OF FINANCIAL POSITION**

**ASSETS**

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,921,891	\$ 468,042
Investments (Note 3)	3,321,085	4,512,087
Accounts receivable, net of allowance for doubtful accounts of \$20,846 and \$3,623, respectively	6,188	146
Pledges receivable (Note 4)	348,691	396,100
Prepaid expenses	34,620	97,641
Property and equipment, net (Note 5)	11,038,570	9,142,653
<b>TOTAL ASSETS</b>	<b>\$ 16,671,045</b>	<b>\$ 14,616,669</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 391,815	\$ 307,573
Accrued expenses	1,111,628	1,132,670
Deferred revenue	251,180	321,803
Line of credit (Note 6)	1,685,994	-
Capital lease obligations (Note 12)	369,058	-
Total liabilities	3,809,675	1,762,046
<b>COMMITMENTS AND CONTINGENCIES (Note 12)</b>		
<b>NET ASSETS</b>		
Without donor restrictions	10,467,391	10,044,156
Without donor restrictions - board designated	683,488	319,996
Total without donor restrictions	11,150,879	10,364,152
With donor restrictions	1,710,491	2,490,471
Total net assets	12,861,370	12,854,623
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,671,045</b>	<b>\$ 14,616,669</b>

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

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY**  
**dba HERITAGE POINTE**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2022 Total</b>	<b>2021 Total</b>
Revenue and support:				
Resident service revenue	\$ 9,518,311	\$ -	\$ 9,518,311	\$ 9,188,310
Special event revenue, net	41,775	-	41,775	112,687
Contributions	1,286,184	984,617	2,270,801	1,375,604
Investment return (loss) (Note 3)	(250,756)	(260,779)	(511,535)	795,900
PPP loan forgiveness income	-	-	-	1,124,630
Other income	130,204	-	130,204	258,372
Net assets released from restrictions	<u>1,503,818</u>	<u>(1,503,818)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>12,229,536</u>	 <u>(779,980)</u>	 <u>11,449,556</u>	 <u>12,855,503</u>
 Expenses:				
Program services	9,382,199	-	9,382,199	9,037,015
General and administrative	1,732,021	-	1,732,021	2,785,068
Fundraising	<u>328,589</u>	<u>-</u>	<u>328,589</u>	<u>422,958</u>
 Total expenses	 <u>11,442,809</u>	 <u>-</u>	 <u>11,442,809</u>	 <u>12,245,041</u>
 Change in net assets	 786,727	 (779,980)	 6,747	 610,462
 Net assets, beginning of year	 <u>10,364,152</u>	 <u>2,490,471</u>	 <u>12,854,623</u>	 <u>12,244,161</u>
 Net assets, end of year	 <u>\$ 11,150,879</u>	 <u>\$ 1,710,491</u>	 <u>\$ 12,861,370</u>	 <u>\$ 12,854,623</u>

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

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY**  
**dba HERITAGE POINTE**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>2022</u> <u>Total</u>	<u>2021</u> <u>Total</u>
Salaries and benefits	\$ 4,973,149	\$ 951,667	\$ 197,260	\$ 6,122,076	\$ 6,646,398
Operations	915,365	61,254	50,558	1,027,177	260,888
Utilities	483,624	11,807	4,395	499,826	470,495
Supplies	418,371	14,463	4,392	437,226	430,698
Food	1,035,602	1,289	37	1,036,928	1,048,075
Repairs and maintenance	201,774	60,763	1,962	264,499	315,668
Auto	13,535	668	648	14,851	10,056
Legal settlement expense	-	-	-	-	736,000
Professional fees	-	60,797	-	60,797	138,518
Printing and postage	-	36,833	3,496	40,329	44,424
Outside services	75,815	82,650	2,267	160,732	270,412
Bank and payroll charges	-	62,061	4,011	66,072	65,818
Insurance	-	230,483	-	230,483	205,132
Dues and subscriptions	3,104	4,206	567	7,877	39,618
Telephone, television, and internet	79,554	84,469	947	164,970	229,052
Equipment	3,741	1,737	8	5,486	8,745
Entertainment	28,247	-	-	28,247	3,815
Advertising	-	-	35,457	35,457	169,649
Fundraising	-	4,149	10,959	15,108	11,161
Depreciation	1,150,318	40,371	11,625	1,202,314	1,125,720
Other	-	22,354	-	22,354	14,699
Total expenses	<u>\$ 9,382,199</u>	<u>\$ 1,732,021</u>	<u>\$ 328,589</u>	<u>\$ 11,442,809</u>	<u>\$ 12,245,041</u>

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

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY**  
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**STATEMENT OF CASH FLOWS**

	<b>For the Year Ended</b>	
	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 6,747	\$ 610,462
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized and realized net loss (gains) on investments	915,256	(625,177)
Depreciation	1,202,314	1,125,720
Forgiveness of PPP loan advance	-	(1,124,630)
Changes in operating assets and liabilities:		
Accounts receivable	(23,265)	27,104
Allowance for doubtful accounts	17,223	(21,862)
Pledges receivable	47,409	(257,793)
Prepaid expenses	63,021	(35,900)
Accounts payable	84,242	182,873
Accrued expenses	(21,042)	691,619
Deferred revenue	(70,623)	62,116
Net Cash Provided By Operating Activities	2,221,282	634,532
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (sales) proceeds from sales of investments	275,746	(224,969)
Purchases of property and equipment	(2,663,851)	(1,173,394)
Net Cash Used In Investing Activities	(2,388,105)	(1,398,363)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal borrowngs on line of credit	1,685,994	-
Pricipal payments on capital lease obligations	(65,322)	-
Net Cash Provided By Financing Activities	1,620,672	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,453,849	(763,831)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	468,042	1,231,873
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,921,891	\$ 468,042

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

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY**  
**dba HERITAGE POINTE**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

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

*Nature of Activities*

Jewish Home for the Aging of Orange County dba Heritage Pointe (the Organization) is a California nonprofit public benefit corporation formed in July 1986 to provide congregate care and assisted living services for elderly persons. The Organization has eight chapters and approximately 1,200 members throughout Orange County and Long Beach. The Organization owns and operates one facility in Mission Viejo, California consisting of 188 dwelling units, including 16 units of a segregated memory care facility.

*Financial Statement Presentation*

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

- Without donor restrictions –
  - Undesignated – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objective of the Organization.
  - Board-designated – Net assets that are not subject to donor-imposed stipulations but have been designated by the Organization’s board for use for specific programs. (See Note 8.)
- With donor restrictions - Net assets subject to donor-imposed stipulations. Some stipulations can be fulfilled by actions of the Organization or by the passage of time. As the restrictions are satisfied, the related net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Other donor restrictions may be perpetual in nature, where the donor stipulates that the corpus be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all, or part of the income earned on the assets. (See Note 10.)

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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

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

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs 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
Telephone, television, and internet	Usage
Utilities	Usage
Depreciation	Usage by square footage

*Fair Value Measurements*

The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. As of June 30, 2022 and 2021, all of the Organization's investments are level 1 investments.

The carrying value of cash, receivables, and payables approximate fair values as of June 30, 2022 and 2021, due to the relatively short maturities of these instruments.

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

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

*Cash and Cash Equivalents*

Cash and cash equivalents include cash in bank deposit accounts and highly liquid investments with an original maturity of three months or less.

*Concentration of Credit Risk*

The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. From time to time, cash balances may exceed federally insured limits. The Organization has not experienced any previous losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

*Accounts Receivable*

Accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year-end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectable amounts. Payments received in advance of services to be rendered are recorded as deferred revenue.

*Pledges Receivable*

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges expected to be received beyond one year are recorded at the present value of expected future cash flows using a risk-adjusted discount rate. All pledges are estimated by management to be collectable as of June 30, 2022.

*Investments*

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Investment gains and losses are included in the change in net assets in the statement of activities.

Investment return on restricted assets is reported as an increase in net assets without donor restrictions if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment return is reported as an increase in net assets with donor restrictions.

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

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

***Property and Equipment***

Acquisitions of property and equipment of \$5,000 or more are capitalized and recorded at cost. Donated property and equipment are recorded at fair value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to twenty-five years. Amortization of equipment under capital lease is computed based on the shorter of the lease terms or the life of the asset and is included in depreciation expense.

***Revenue and Support***

Residential service revenue is recognized in the period in which services are provided. Contributions, including pledges, are recognized as income in the period received or pledged. Contributions received are recorded as those without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as support without donor restrictions in that period.

The Organization is party to a conditional grant with grant terms through December 2023 and funding of approximately \$200,000 that has not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred.

***Contributions***

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with various programs. The services do not meet the criteria for recognition as a contribution and are not reflected in the financial statements. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed. Contributions of noncash assets are recorded at their fair values in the period received.

***Special Events***

During the years ended June 30, 2022 and 2021, the Organization held a gala event and one other smaller special event which generated revenue from sponsorships, ticket sales and donations, as well as through a silent and live auction. Revenue from these events is presented net of related expenses of approximately \$265,000 and \$32,000 for the years ended June 30, 2022 and 2021, respectively.

***Advertising Costs***

Advertising costs are charged to operations when incurred.

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY**  
**dba HERITAGE POINTE**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

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

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Income Taxes*

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Organization may be subject to tax on income which is not related to its exempt purpose. For the years ended June 30, 2022 and 2021, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the years ended June 30, 2022 and 2021.

The Organization files informational and income tax returns in the United States and various state and local jurisdictions. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

*Recently Issued Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842) (ASU 2016-02)*. The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

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

*Subsequent Events*

The Organization has evaluated subsequent events through January 11, 2023, which is the date the financial statements were available to be issued and determined there were no reportable subsequent events.

**NOTE 2 – Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 1,921,891
Investments	3,321,085
Accounts receivable	6,188
Pledges receivable	<u>348,691</u>
	5,597,855
Less donor-restricted funds not available for general expenditures	(1,710,491)
Less amounts designated by the board for specified purposes	<u>(683,488)</u>
	<u>(2,393,979)</u>
	<u>\$ 3,203,876</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At June 30, 2022, the Organization had an additional liquidity resource of up to \$2,314,006 through the remaining available borrowing capacity on its bank line of credit to utilize for the Sage Living improvement project.

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY  
dba HERITAGE POINTE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)**

**NOTE 3 – Investments**

The Organization’s investments are composed of investments for the endowment funds (Note 10) and investments held in reserve. The Organization’s investment policy states that the investments held in reserve represent investments which are not required for day-to-day operations but are available to cover emergencies and other requirements of the Organization as approved by the Board of Directors.

The following table presents investments, all of which are categorized as level 1 by the fair value hierarchy as follows:

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Mutual Funds		
Domestic equity securities	\$ 893,630	\$ 1,237,544
International equity securities	778,361	1,185,888
Fixed income	1,649,094	2,088,655
	<b>\$ 3,321,085</b>	<b>\$ 4,512,087</b>

Investment return consists of the following for the year ended:

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Investment dividends	\$ 430,946	\$ 198,221
Investment unrealized gain (loss)	(854,176)	683,364
Investment realized (loss)	(61,080)	(58,187)
Less investments fees	(27,225)	(27,498)
	<b>\$ (511,535)</b>	<b>\$ 795,900</b>

**NOTE 4 – Pledges Receivable**

At June 30, 2022, net pledges receivable is due in amounts as follows:

Amounts due in:	
Less than one year	\$ 271,541
One to five years	77,150
	<b>\$ 348,691</b>

Management considered the effect of timing of receipts and determined the present value discount to be immaterial for financial statement presentation.

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)**

**NOTE 5 – Property and Equipment**

Property and equipment consist of the following:

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Land	\$ 2,551,930	\$ 2,551,930
Buildings	8,302,113	8,302,113
Building and land improvements	16,976,981	16,248,286
Furniture and equipment	2,854,257	2,376,085
Automobiles	267,270	267,270
	30,952,551	29,745,684
Less accumulated depreciation	(22,154,435)	(20,952,016)
	8,798,116	8,793,668
Construction in progress	2,240,454	348,985
	<b>\$ 11,038,570</b>	<b>\$ 9,142,653</b>

During the year ended June 30, 2022, construction in progress related to various improvements at the facility in the total amount of \$801,036 were completed and placed into service. At June 30, 2022, construction in progress represents costs attributable to the Organization’s Sage Living improvement project. Completion of this project is expected to occur during the year ending June 30, 2023 with an estimated completion cost of \$3.5M to \$4.0M.

At June 30, 2022, included in the accompanying statement of financial position is \$448,853 of furniture and fixtures acquired under long-term capital lease agreements (Note 12). For the year ended June 30, 2022, included in the accompanying statement of functional expenses is \$79,635 of depreciation expense and at June 30, 2022, included in the accompanying statement of financial position is \$79,635 of accumulated depreciation associated with these assets.

**NOTE 6 – Line of Credit**

During the year ended June 30, 2022, the Organization entered into a \$4,000,000 revolving line of credit with Farmers and Merchants Bank to utilize for the Sage Living improvement project, collateralized by a construction deed of trust. Beginning on September 15, 2021, Borrower shall pay eighteen consecutive monthly payments of all accrued but unpaid interest on the outstanding principal balances with interest calculated using an interest rate of 3.95%. Beginning on March 15, 2023 this line of credit converts to a one hundred-and one-month term loan whereby Borrower shall pay consecutive monthly principal and interest payments with interest calculated on the unpaid principal balances using an interest rate of 3.15% equal to repay the outstanding balance. At June 30, 2022, there was \$1,685,994 outstanding on the line of credit. The agreement includes certain financial and nonfinancial restrictive covenants, with which the Organization was compliant at year-end.

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

**NOTE 7 – Paycheck Protection Program Loan**

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. In April 2020, the Organization received a loan in the amount of \$1,124,630 through the PPP. In November 2020, the Organization received notification from the Small Business Administration that the loan was forgiven in full. During the year ended June 30, 2021, the Organization has recognized PPP loan forgiveness income in the statement of activities.

**NOTE 8 – Net Assets Designated by the Board**

The Organization’s governing board has designated net assets for the following purposes as of June 30, 2022:

Endowment net assets:	
Cohn Fund (themed dinners)	\$ 27,759
Fainbarg Fund (transportation)	10,038
Field Fund (dementia care)	15,901
Heritage Fund (scholarships)	8,714
Kiewe Fund (religious programming)	130,850
Myers Fund (grandparents’ day)	51,332
Leo Pinsky Fund (scholarships)	25,000
Staff Education & Training (training and licensing)	<u>10,000</u>
Board Designated Endowment	<u>279,594</u>
 Non-endowment net assets:	
Sage Living	<u>403,894</u>
	 <u>\$ 683,488</u>

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**NOTE 9 – Net Assets with Donor Restrictions**

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

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
<i>Non-endowment net assets with donor restrictions:</i>		
Subject to expenditure for specified purpose:		
Grandparents' Day	\$ 35,493	\$ 35,493
Sage Living	-	508,797
Chef Net Program	-	2,589
Total non-endowment net assets with donor restrictions	35,493	546,879
<i>Endowment net assets with donor restrictions:</i>		
Endowment net assets subject to spending policy and appropriation:	-	161,450
Endowment net assets related to underwater investments:	(26,794)	-
Endowment net assets restricted in perpetuity		
Endowment Fund (general operations)	712,668	853,554
Modelevsky ZEST for Learning Fund (education)	119,950	114,935
Leo Pinsky Diamond Donor Endowment Fund (scholarships)	510,653	478,535
Rosenberg Fund (holocaust education)	56,646	49,671
Weinstein Fund (social, cultural, and religious programing)	5,028	4,428
Surie Jewish Music Fund (Jewish music programing and education)	46,716	30,890
Barbara and Victor Klein Scholarship Fund (scholarships)	250,131	250,129
	1,701,792	1,782,142
Total endowment net assets with donor restrictions	1,674,998	1,943,592
Total net assets with donor restrictions	\$ 1,710,491	\$ 2,490,471

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**NOTE 10 – Endowments**

The Organization’s endowment consists of one individual fund established for a single purpose. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner that is consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

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**NOTE 10 – Endowments (Continued)**

Endowment net assets consist of the following at June 30, 2022 and 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Subject to Expiration</u>	<u>With Donor Restrictions In Perpetuity</u>	<u>Total</u>
<i>June 30, 2022</i>				
Board-designated endowment funds	\$ 279,594	\$ -	\$ -	\$ 279,594
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	1,701,792	1,701,792
Accumulated investment losses	<u>-</u>	<u>(26,794)</u>	<u>-</u>	<u>(26,794)</u>
Total	<u>\$ 279,594</u>	<u>\$ (26,794)</u>	<u>\$ 1,701,792</u>	<u>\$ 1,954,592</u>
<i>June 30, 2021</i>				
Board-designated endowment funds	\$ 319,996	\$ -	\$ -	\$ 319,996
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	1,782,142	1,782,142
Accumulated investment gains	<u>-</u>	<u>161,450</u>	<u>-</u>	<u>161,450</u>
Total	<u>\$ 319,996</u>	<u>\$ 161,450</u>	<u>\$ 1,782,142</u>	<u>\$ 2,263,588</u>

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**NOTE 10 – Endowments (Continued)**

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Subject to Expiration</u>	<u>With Donor Restrictions in Perpetuity</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 252,473	\$ 15,265	\$ 1,357,592	\$ 1,625,330
Investment return, net	51,604	197,305	121,771	370,680
Contributions	-	-	302,779	302,779
Designation to board-designated endowment	25,535	-	-	25,535
Appropriation of endowment assets	<u>(9,616)</u>	<u>(51,120)</u>	<u>-</u>	<u>(60,736)</u>
Endowment net assets, June 30, 2021	319,996	161,450	1,782,142	2,263,588
Investment loss, net	(38,018)	(119,180)	(141,599)	(298,797)
Contributions	-	-	61,249	61,249
Designation to board-designated endowment	11,635	-	-	11,635
Appropriation of endowment assets	<u>(14,019)</u>	<u>(69,064)</u>	<u>-</u>	<u>(83,083)</u>
Endowment net assets, June 30, 2022	<u>\$ 279,594</u>	<u>\$ (26,794)</u>	<u>\$ 1,701,792</u>	<u>\$ 1,954,592</u>

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. At June 30, 2022, \$26,794 of endowment net assets relate to funds with a carrying value less than the original corpus.

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**NOTE 10 – Endowments (Continued)**

*Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide funding for the operating expenses of programs supported by its endowments.

*Investment Strategy*

The investment strategy of the Organization is to develop a diversified portfolio of investments. The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

*Spending Policy*

The Organization has a policy of appropriating for distribution an amount equal to the lesser of: (1) 5% of the fair value as of the end of the prior year of the assets associated with the endowment or (2) endowment investment earnings for the fiscal year, when necessary. For one endowment fund, any undistributed eligible amounts will become part of the endowment corpus, which is in line with the donor instructions. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

**NOTE 11 – Retirement Plan**

The Organization has a defined contribution retirement plan (the Plan) for full-time and part-time employees who meet certain eligibility requirements. The Plan allows for a discretionary contribution. Contribution expense was approximately \$42,000 and \$37,000 for the years ended June 30, 2022 and 2021, respectively.

**NOTE 12 – Commitments and Contingencies**

*Operating Leases*

The Organization leases various office equipment under the terms of noncancelable operating leases maturity between September 2022 and August 2025. The leases require monthly payments of \$1,298 and \$1,809. Total lease expense related to these leases for the years ended June 30, 2022 and 2021 was approximately \$37,000.

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**NOTE 12 – Commitments and Contingencies (Continued)**

*Operating Leases (Continued)*

The Organization leases an automobile under a noncancelable lease maturing February 2024. The lease requires monthly payments of \$279. Total lease expense related to this lease for the years ended June 30, 2022 and 2021 was approximately \$3,000 and \$4,000, respectively.

*Capital Leases*

The Organization leases equipment under a noncancelable capital lease obligation. The capital lease obligation is collateralized by the equipment acquired under the agreement. The capital lease obligation requires monthly installments of \$7,236, does not bear an imputed interest rate, and matures through September 2026.

As of June 30, 2022, future minimum lease payments of operating and capital leases, with initial or remaining terms in excess of one year, were as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2023	\$ 86,837	\$ 27,652	\$ 114,489
2024	86,837	23,661	110,498
2025	86,837	21,708	108,545
2026	86,837	3,618	90,455
Thereafter	<u>21,710</u>	<u>-</u>	<u>21,711</u>
	<u>\$ 369,058</u>	<u>\$ 76,639</u>	<u>\$ 445,698</u>

*Legal Matters*

From time to time, the Organization is subject to litigation as a result of its ongoing business activities. Management believes that the outcome of any such ongoing litigation will not have a material adverse effect on the Organization’s financial position, results of operations, or liquidity.

On August 11, 2020, the Organization was named as a defendant in a class action PAGA lawsuit. The class action PAGA lawsuit was settled in 2021 and required the Organization to pay a settlement amount of \$736,000 which is included in legal settlement expense on the accompanying schedule of functional expenses during the year ended June 30, 2021 and in accrued expenses on the accompanying statement of financial position during the years ended June 30, 2022 and 2021.

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**NOTE 12 – Commitments and Contingencies (Continued)**

***Business Risks Associated with the Impact of COVID-19***

The Organization's operations may be affected by the ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, possible effects may include, but are not limited to, disruption of the Organization's fundraising efforts, which could 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.