

JEWISH HOME FOR THE AGING OF ORANGE COUNTY DBA HERITAGE POINTE

FINANCIAL STATEMENTS

June 30, 2024

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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, 2024, 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, 2024, 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.



Irvine, California
February 27, 2025

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

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024**

ASSETS

ASSETS

Cash and cash equivalents	\$ 1,549,820
Investments (Note 3)	5,710,372
Accounts receivable	116,324
Pledges receivable (Note 4)	76,785
Prepaid expenses	101,267
Property and equipment, net (Note 5)	<u>11,424,217</u>

TOTAL ASSETS \$ 18,978,785

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 393,982
Accrued expenses	316,123
Deferred revenue	30,813
Long-term debt (Note 7)	1,948,277
Finance lease obligations (Note 12)	<u>195,385</u>
Total liabilities	<u>2,884,580</u>

COMMITMENTS AND CONTINGENCIES (Note 12)

NET ASSETS

Without donor restrictions	13,921,390
Without donor restrictions - board designated	<u>378,346</u>
Total without donor restrictions	14,299,736
With donor restrictions	<u>1,794,469</u>
Total net assets	<u>16,094,205</u>

TOTAL LIABILITIES AND NET ASSETS \$ 18,978,785

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, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Resident service revenue	\$ 9,482,366	\$ -	\$ 9,482,366
Special event income, net	21,182	-	21,182
Contributions	2,297,052	204,944	2,501,996
Investment return (Note 3)	257,812	173,665	431,477
Employee Retention Credit (Note 6)	2,353,536	-	2,353,536
Other income	126,860	-	126,860
Net assets released from restrictions	<u>271,351</u>	<u>(271,351)</u>	<u>-</u>
 Total revenue and support	 <u>14,810,159</u>	 <u>107,258</u>	 <u>14,917,417</u>
Expenses:			
Program services	8,974,527	-	8,974,527
General and administrative	2,478,483	-	2,478,483
Fundraising	<u>198,290</u>	<u>-</u>	<u>198,290</u>
 Total expenses	 <u>11,651,300</u>	 <u>-</u>	 <u>11,651,300</u>
 Change in net assets	 3,158,859	 107,258	 3,266,117
Net assets, beginning of year, as restated (Note 13)	<u>11,140,877</u>	<u>1,687,211</u>	<u>12,828,088</u>
 Net assets, end of year	 <u>\$ 14,299,736</u>	 <u>\$ 1,794,469</u>	 <u>\$ 16,094,205</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, 2024**

	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 3,300,552	\$ 818,830	\$ 150,547	\$ 4,269,929
Payroll taxes and benefits	974,219	227,218	24,112	1,225,549
Contract services and professional fees	182,445	977,387	-	1,159,832
Insurance	-	285,167	-	285,167
Supplies	86,278	71,346	-	157,624
Food	2,489,582	-	-	2,489,582
Repairs and maintenance	318,883	-	-	318,883
Utilities	614,696	-	-	614,696
Marketing	63,887	2,688	23,631	90,206
Interest	66,534	-	-	66,534
Depreciation and amortization	873,675	-	-	873,675
Other	<u>3,776</u>	<u>95,847</u>	<u>-</u>	<u>99,623</u>
 Total expenses	 <u>\$ 8,974,527</u>	 <u>\$ 2,478,483</u>	 <u>\$ 198,290</u>	 <u>\$ 11,651,300</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 CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 3,266,117
Adjustments to reconcile change in net assets to net cash from operating activities:	
Unrealized and realized net gains on investments	(240,070)
Depreciation and amortization	873,675
Changes in operating assets and liabilities:	
Accounts receivable	(112,446)
Pledges receivable	61,915
Prepaid expenses	105,973
Accounts payable	28,660
Accrued expenses	(179,562)
Deferred revenue	(29,560)
Net Cash Provided By Operating Activities	<u>3,774,702</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net proceeds from the sale and maturity of investments	650,000
Net purchases of investments	(3,444,992)
Purchases of property and equipment	(529,098)
Net Cash Used In Investing Activities	<u>(3,324,090)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	(237,993)
Principal payments on finance lease obligations	(86,836)
Net Cash Used In Financing Activities	<u>(324,829)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	125,783
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,424,037</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,549,820</u>

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, 2024**

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 congregational 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 a segregated memory care and an enhanced assisted living 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 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 9).

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Functional Allocation of Expenses

The costs of program and supporting services have been reported on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefitted based on estimates made by management.

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 in the United States of America (U.S. GAAP). 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, 2024, all of the Organization's investments are level 1 investments.

The carrying value of cash and cash equivalents, receivables, and payables approximate fair values as of June 30, 2024, due to the relatively short maturities of these instruments.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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 FDIC 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 credit losses for uncollectable amounts. The Organization measures expected credit losses on receivables based on a range of relevant information, such as past events, current conditions, and reasonable and supportable forecasts. Management considers forward-looking factors including, but not limited to, historical loss experience, current economic conditions, and changes in borrower creditworthiness. Payments received in advance of services to be rendered are recorded as deferred revenue. As of June 30, 2024, there was no expected credit loss provision for these accounts.

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, 2024.

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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

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 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 returns are reported as an increase in net assets with donor restrictions.

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 lives of the assets, ranging from three to twenty-five years. Amortization of equipment under finance leases 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 net assets without donor restrictions in that period.

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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

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 year ended June 30, 2024, the Organization held a luncheon event and other smaller special events which generated revenue from sponsorships, ticket sales, and donations, as well as through a silent and live auction. Revenue and direct expenses for these events were as follows for the year ended June 30, 2024:

Revenue	\$ 31,947
Direct expenses	<u>(10,765)</u>
Net special events income	<u>\$ 21,182</u>

Advertising Costs

Advertising costs are charged to operations when incurred.

Use of Estimates

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

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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

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 year ended June 30, 2024, 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 Financial Accounting Standards Board Accounting Standards Codification 740, *Income Taxes*. 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 year ended June 30, 2024.

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 Adopted Accounting Pronouncement

Beginning January 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and its related amendments, which replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss methodology. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU also requires the Organization to use forward-looking information to better formulate its credit loss estimates.

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Recently Adopted Accounting Pronouncement (Continued)

The ASU permits the use of either a prospective transition method or a modified-retrospective transition method with the cumulative effect adjustment to the opening balance of net assets. The Organization has elected the use of the modified-retrospective transition method. The transition method selected resulted in no adjustment to the opening balance of net assets.

Subsequent Events

The Organization has evaluated subsequent events through February 27, 2025, 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	\$ 1,549,820
Investments	5,710,372
Accounts receivable	116,324
Pledges receivable	<u>76,785</u>
	<u>7,453,301</u>
Less donor-restricted funds not available for general expenditures	(1,794,469)
Less amounts designated by the board for specified purposes	<u>(378,346)</u>
	<u>(2,172,815)</u>
	<u>\$ 5,280,486</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 – Liquidity and Availability (Continued)

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

NOTE 3 – Investments

The 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:

Mutual Funds	
Domestic equity securities	\$ 971,894
International equity securities	832,850
Fixed income	<u>3,905,628</u>
	<u>\$ 5,710,372</u>

Investment return consists of the following for the year ended:

Investment dividends	\$ 219,696
Investment unrealized gain	224,292
Investment realized gain	15,778
Less investments fees	<u>(28,289)</u>
	<u>\$ 431,477</u>

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4 – Pledges Receivable

At June 30, 2024, pledges receivable is due in amounts as follows:

Amounts due in:		
Less than one year	\$	65,785
One to five years		<u>11,000</u>
	\$	<u>76,785</u>

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

NOTE 5 – Property and Equipment

Property and equipment consist of the following:

Land	\$	2,551,930
Buildings		8,302,113
Land and building improvements		21,110,619
Furniture and equipment		2,851,749
Computers and equipment		198,397
Automobiles		<u>191,097</u>
		35,205,905
Less accumulated depreciation		<u>(24,047,274)</u>
		11,158,631
Construction in progress		<u>265,586</u>
	\$	<u>11,424,217</u>

At June 30, 2024, construction in progress represents costs attributable to the Organization's security improvements project.

At June 30, 2024, included in the accompanying statement of financial position is \$448,853 of furniture and fixtures acquired under long-term finance lease agreements (See Note 12).

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 – Property and Equipment (Continued)

For the year ended June 30, 2024, included in the accompanying statement of functional expenses is \$86,875 of depreciation and amortization expense and at June 30, 2024, included in the accompanying statement of financial position is \$253,387 of accumulated depreciation associated with these assets.

NOTE 6 – Employee Retention Credit

The Employee Retention Credit (ERC) was enacted in March 2020 by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The ERC is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees between March 2020 through January 2021. During the year ended June 30, 2024, the Company received \$2,353,536 of refundable ERC claimed under provisions of the CARES Act which was recognized as other income in the accompanying statement of activities.

NOTE 7 – Long-Term Debt

In July 2021, the Organization entered into a \$4,000,000 nonrevolving line of credit agreement with Farmers and Merchants Bank for its Sage Living improvement project, collateralized by a construction deed of trust, on which the Organization drew down \$3,269,675 in total. Beginning on September 15, 2021, the Organization paid 18 consecutive monthly payments of all accrued but unpaid interest on the outstanding principal balances with interest calculated using an interest rate of 3.95%. On March 15, 2023, this line of credit converted to a 101-month term loan whereby the Organization 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, 2024, there was \$1,948,277 outstanding on this agreement. The agreement includes certain nonfinancial covenants, with which the Organization was compliant or has obtained a waiver.

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024:

Endowment net assets:

Cohn Fund (themed dinners)	\$	30,164
Fainbarg Fund (transportation)		11,464
Field Fund (dementia care)		12,308
Heritage Fund (scholarships)		27,208
Kiewe Fund (religious programming)		117,767
Leo Pinsky Fund (scholarships)		25,000
Staff Education & Training (training)		10,000
Schulman Fund (living care)		11,159
JCFOC Endowment Fund (campus security)		12,015
Victor Klein Scholarship Fund		<u>121,261</u>
	<u>\$</u>	<u>378,346</u>

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 – Net Assets with Donor Restrictions

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

Non-endowment net assets with donor restrictions:

Subject to expenditure for specified purpose:	
Grandparents' Day	\$ 35,493
Fainbarg Family Pavilion	10,545
Surie Jewish Music Fund	43,587
Rosenberg (education)	<u>62,839</u>
Total non-endowment net assets with donor restrictions	<u>152,464</u>

Endowment net assets with donor restrictions:

Endowment net assets subject to spending policy and appropriation	<u>64,752</u>
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Endowment net assets restricted in perpetuity:

Endowment Fund (general operations)	820,724
Modelevsky ZEST for Learning Fund (education)	120,020
Leo Pinsky Diamond Donor Endowment Fund (scholarships)	581,381
Weinstein Fund (social, cultural, and religious programming)	5,128
Myers Fund (Grandparents Day)	<u>50,000</u>
	<u>1,577,253</u>
Total endowment net assets with donor restrictions	<u>1,642,005</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 – Endowments

As required by U.S. GAAP, 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

**JEWISH HOME FOR THE AGING OF ORANGE COUNTY
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 – Endowments (Continued)

Endowment net assets consist of the following at June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Subject to Expiration</u>	<u>With Donor Restrictions in Perpetuity</u>	<u>Total</u>
Board-designated endowment funds	\$ 378,346	\$ -	\$ -	\$ 378,346
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	1,577,253	1,577,253
Accumulated investment gains	<u>-</u>	<u>64,752</u>	<u>-</u>	<u>64,752</u>
Total	<u>\$ 378,346</u>	<u>\$ 64,752</u>	<u>\$ 1,577,253</u>	<u>\$ 2,020,351</u>

Changes in endowment net assets for the year ended June 30, 2024 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, 2023, as restated (Note 13)	\$ 351,785	\$ 13,439	\$ 1,464,669	\$ 1,829,893
Investment gain, net	36,191	86,081	87,584	209,856
Contributions	15,126	-	25,000	40,126
Designation to board-designated endowment funds	-	-	-	-
Appropriation of endowment assets	<u>(24,756)</u>	<u>(34,768)</u>	<u>-</u>	<u>(59,524)</u>
Endowment net assets, June 30, 2024	<u>\$ 378,346</u>	<u>\$ 64,752</u>	<u>\$ 1,577,253</u>	<u>\$ 2,020,351</u>

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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 \$34,352 for the year ended June 30, 2024.

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 12 – Commitments and Contingencies

Lease Arrangements

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

As of June 30, 2024, future minimum lease payments of finance leases, with initial or remaining terms in excess of one year, were as follows:

<u>Year Ending June 30,</u>	<u>Finance Leases</u>
2025	\$ 86,837
2026	86,837
2027	<u>21,711</u>
	<u>\$ 195,385</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.

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 – Restatement

During the year ended June 30, 2024, a prior-period adjustment was recorded to correct the classification of restrictions on net assets for certain contributions. The adjustment resulted in restatement of certain balances as of June 30, 2023.

Totals of the prior period have been adjusted as follows based on the restatement:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated June 30, 2023</u>
Net assets			
<i>Endowment net assets with donor restrictions</i>			
Subject to expiration	\$ (135,370)	\$ 148,809	\$ 13,439
Restricted in perpetuity	<u>1,768,236</u>	<u>(303,567)</u>	<u>1,464,669</u>
Total endowment net assets with donor restrictions	1,632,866	(154,758)	1,478,108
<i>Non-endowment net assets with donor restrictions</i>	<u>109,933</u>	<u>99,170</u>	<u>209,103</u>
Total net assets with donor restrictions	<u>1,742,799</u>	<u>(55,588)</u>	<u>1,687,211</u>
Without donor restrictions	10,789,092	-	10,789,092
Without donor restrictions - board designated	<u>296,197</u>	<u>55,588</u>	<u>351,785</u>
Total net assets without donor restrictions	<u>11,085,289</u>	<u>55,588</u>	<u>11,140,877</u>
Total net assets	<u>\$ 12,828,088</u>	<u>\$ -</u>	<u>\$ 12,828,088</u>