

JEWISH HOME FOR THE AGING OF ORANGE COUNTY DBA HERITAGE POINTE

FINANCIAL STATEMENTS

For the year ended June 30, 2020
(with comparative totals for 2019)

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Home for the Aging of Orange County dba Heritage Pointe as of June 30, 2020, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, beginning July 1, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Jewish Home for the Aging of Orange County dba Heritage Pointe's 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the 2019 audited financial statements from which it has been derived.

Winder, Inc.

Irvine, California
November 30, 2020

JEWISH HOME FOR THE AGING OF ORANGE COUNTY
dba HERITAGE POINTE

STATEMENT OF FINANCIAL POSITION

ASSETS

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,231,873	\$ 503,245
Investments (Note 3)	3,661,941	4,782,259
Accounts receivable, net of allowance for doubtful accounts of \$25,485 and \$106,464, respectively	5,388	129,124
Pledges receivable (Note 4)	138,307	31,283
Prepaid expenses	61,741	83,137
Property and equipment, net (Note 5)	9,094,979	9,269,890
TOTAL ASSETS	\$ 14,194,229	\$ 14,798,938

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 124,700	\$ 502,846
Accrued expenses	441,051	558,437
Deferred revenue	259,687	39,719
PPP loan advance (Note 6)	1,124,630	-
Total liabilities	1,950,068	1,101,002

COMMITMENTS AND CONTINGENCIES (Note 11)

NET ASSETS

Without donor restrictions	10,421,718	12,116,159
Without donor restrictions - board designated	252,473	253,086
Total without donor restrictions	10,674,191	12,369,245
With donor restrictions	1,569,970	1,328,691
Total net assets	12,244,161	13,697,936

TOTAL LIABILITIES AND NET ASSETS	\$ 14,194,229	\$ 14,798,938
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The accompanying notes are an integral part of these financial statements.

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STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenue and support:				
Resident service revenue	\$ 9,076,514	\$ -	\$ 9,076,514	\$ 9,112,577
Special event revenue, net	59,676	-	59,676	177,695
Contributions	800,934	388,960	1,189,894	589,387
Investment return	21,434	22,204	43,638	223,602
Other income	110,506	-	110,506	81,737
Net assets released from restrictions	169,885	(169,885)	-	-
Total revenue and support	10,238,949	241,279	10,480,228	10,184,998
Expenses:				
Program services	9,232,685	-	9,232,685	8,642,275
General and administrative	2,239,805	-	2,239,805	2,078,281
Fundraising	461,513	-	461,513	352,213
Total expenses	11,934,003	-	11,934,003	11,072,769
Change in net assets	(1,695,054)	241,279	(1,453,775)	(887,771)
Net assets, beginning of year	12,369,245	1,328,691	13,697,936	14,585,707
Net assets, end of year	\$ 10,674,191	\$ 1,569,970	\$ 12,244,161	\$ 13,697,936

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

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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>2020</u> <u>Total</u>	<u>2019</u> <u>Total</u>
Salaries and benefits	\$ 5,482,244	\$ 1,228,377	\$ 253,385	\$ 6,964,006	\$ 6,325,715
Operations	163,286	36,325	59,535	259,146	432,213
Utilities	405,336	7,765	3,883	416,984	418,910
Supplies	469,566	12,376	3,615	485,557	476,313
Food	1,059,232	7,997	232	1,067,461	1,071,395
Repairs and maintenance	314,737	55,748	2,744	373,229	339,946
Auto	13,603	502	836	14,941	15,267
Professional fees	-	167,205	-	167,205	162,650
Printing and postage	-	56,902	3,998	60,900	62,707
Outside services	100,771	62,071	1,737	164,579	118,038
Bank and payroll charges	-	80,897	7,071	87,968	74,509
Insurance	-	215,200	-	215,200	221,095
Dues and subscriptions	6,344	17,385	7,153	30,882	27,505
Telephone, television, and internet	76,075	153,912	1,093	231,080	231,236
Equipment	12,636	1,576	26	14,238	17,477
Entertainment	37,289	-	-	37,289	65,766
Advertising	51,345	28,543	66,253	146,141	129,908
Fundraising	-	-	39,228	39,228	40,100
Depreciation	1,040,221	21,447	10,724	1,072,392	810,135
Other	-	85,577	-	85,577	31,884
	<u>-</u>	<u>85,577</u>	<u>-</u>	<u>85,577</u>	<u>31,884</u>
Total expenses	\$ 9,232,685	\$ 2,239,805	\$ 461,513	\$ 11,934,003	\$ 11,072,769

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

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STATEMENT OF CASH FLOWS

	For the Year Ended	
	June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,453,775)	\$ (887,771)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized and realized net loss (gains) on investments	150,737	(212,933)
Loss on sale of property and equipment	3,287	-
Depreciation	1,072,392	810,135
Changes in operating assets and liabilities:		
Accounts receivable	204,715	(65,055)
Allowance for doubtful accounts	(80,979)	66,174
Pledges receivable	(107,024)	(10,265)
Prepaid expenses	21,396	(12,068)
Accounts payable	(378,146)	(11,839)
Accrued expenses	(117,386)	159,351
Deferred revenue	219,968	(51,589)
Net Cash Used In Operating Activities	(464,815)	(215,860)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sales of investments	969,581	2,135,598
Proceeds from the sale of property and equipment	6,000	-
Purchases of property and equipment	(906,768)	(2,698,029)
Net Cash Provided By (Used In) Investing Activities	68,813	(562,431)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan advance	1,124,630	-
Net Cash Provided By Financing Activities	1,124,630	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	728,628	(778,291)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	503,245	1,281,536
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,231,873	\$ 503,245

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

JEWISH HOME FOR THE AGING OF ORANGE COUNTY
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Jewish Home for the Aging of Orange County dba Heritage Pointe (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.

Recently Adopted Accounting Standard

Beginning July 1, 2019, the Organization adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and has applied them prospectively. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2018-08 provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. No significant reclassifications to prior year amounts were necessary in order to adopt the new standard.

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 7.)

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

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

Financial Statement Presentation (Continued)

- 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 and reclassifications.

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 7.)

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

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

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

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, 2020 and 2019, 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, 2020 and 2019, due to the relative short maturities of these instruments.

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.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

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

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, 2020.

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.

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.

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 statements 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.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

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 years ended June 30, 2020 and 2019, 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 are presented net of related expenses of approximately \$164,000 and \$176,000 for the years ended June 30, 2020 and 2019, respectively.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising costs for the years ended June 30, 2020 and 2019, were approximately \$146,000 and \$130,000, respectively.

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, 2020 and 2019, 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, 2020 and 2019.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

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

Income Taxes (Continued)

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 Pronouncement

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.

Subsequent Events

The Organization has evaluated subsequent events through November 30, 2020, which is the date the financial statements were available to be issued and determined there were no reportable subsequent events other than as disclosed in Note 6.

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	\$ 1,231,873
Investments	3,661,941
Accounts receivable	5,388
Pledges receivable	<u>138,307</u>
	5,037,509
Less donor-restricted funds not available for general expenditures	(1,569,970)
Less amounts designated by the board for specified purposes	<u>(252,473)</u>
	<u>(1,822,443)</u>
	<u>\$ 3,215,066</u>

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

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 9) 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:

	June 30,	
	2020	2019
Mutual Funds		
Domestic equity securities	\$ 996,938	\$ 1,301,491
International equity securities	971,667	1,279,043
Fixed income	1,693,336	2,201,725
	\$ 3,661,941	\$ 4,782,259

Investment return consists of the following for the year ended:

	June 30,	
	2020	2019
Investment dividends	\$ 224,618	\$ 371,218
Investment unrealized gain (loss)	6,844	(130,784)
Investment realized gain (loss)	(157,581)	24,428
Less investments fees	(30,243)	(41,260)
	\$ 43,638	\$ 223,602

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 4 – Pledges Receivable

At June 30, 2020, net pledges receivable is due in amounts as follows:

Amounts due in:		
Less than one year	\$	38,307
One to five years		<u>100,000</u>
	<u>\$</u>	<u>138,307</u>

NOTE 5 – Property and Equipment

Property and equipment consists of the following:

	June 30,	
	2020	2019
Land	\$ 2,551,930	\$ 2,551,930
Buildings	8,302,113	8,302,113
Building and land improvements	15,368,935	11,206,127
Furniture and equipment	2,376,085	2,376,085
Automobiles	<u>267,270</u>	<u>272,210</u>
	28,866,333	24,708,465
Less accumulated depreciation	<u>(19,826,295)</u>	<u>(18,759,676)</u>
	9,040,038	5,948,789
Construction in progress	<u>54,941</u>	<u>3,321,101</u>
	<u>\$ 9,094,979</u>	<u>\$ 9,269,890</u>

During the year ended June 30, 2020, construction in progress related to various improvements at the facility, including the great room, the courtyard, the lobby and the Rabbi's office, in the total amount of \$3,732,271 were completed and placed into service.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 6 – PPP Loan Advance

In March 2020, Congress passed the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, 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 program are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met. On April 11, 2020, the Organization received a loan in the amount of \$1,124,630 through the PPP. Management expects that the entire loan will be used for qualifying purposes; therefore, management anticipated that the loan will be substantially forgiven. Subsequent to year end, in November 2020, management was notified that final approval of loan forgiveness of the entire \$1,124,630 amount was granted and approved by the Small Business Administration and recognized in subsequent financial statements.

NOTE 7 – Net Assets Designated by the Board

The Organization’s governing board has designated net assets for the following purposes as of June 30, 2020:

Endowment net assets:	
Cohn Fund (themed dinners)	\$ 28,596
Fainbarg Fund (transportation)	10,259
Field Fund (dementia care)	15,317
Heritage Fund (scholarships)	10,982
Kiewe Fund (religious programming)	134,996
Myers Fund (grandparents’ day)	<u>52,323</u>
	<u>\$ 252,473</u>

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 8 – 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:

	June 30,	
	2020	2019
<i>Non-endowment net assets with donor restrictions:</i>		
Subject to expenditure for specified purpose:		
Grandparents' Day	\$ 35,493	\$ 35,493
Enhanced Assisted Living	125,000	-
Chef Net Program	36,620	-
Total non-endowment net assets with donor restrictions	197,113	35,493
<i>Endowment net assets with donor restrictions:</i>		
Endowment net assets subject to spending policy and appropriation:	15,265	24,895
Endowment net assets restricted in perpetuity		
Endowment Fund (general operations)	730,606	717,712
Modelevsky ZEST for Learning Fund (education)	113,498	109,931
Leo Pinsky Diamond Donor Endowment Fund (scholarships)	464,499	421,118
Rosenberg Fund (holocaust education)	28,979	16,692
Weinstein Fund (social, cultural and religious programing)	4,410	2,850
Surie Jewish Music Fund (Jewish music programing and education)	15,600	-
	1,357,592	1,268,303
Total endowment net assets with donor restrictions	1,372,857	1,293,198
Total net assets with donor restrictions	\$ 1,569,970	\$ 1,328,691

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 9 – 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 making a determination 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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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 9 – Endowments (Continued)

Endowment net assets consist of the following at June 30, 2020 and 2019:

	<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, 2020</i>				
Board-designated endowment funds	\$ 252,473	\$ -	\$ -	\$ 252,473
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	1,357,592	1,357,592
Accumulated investment gains	<u>-</u>	<u>15,265</u>	<u>-</u>	<u>15,265</u>
Total	<u>\$ 252,473</u>	<u>\$ 15,265</u>	<u>\$ 1,357,592</u>	<u>\$ 1,625,330</u>
<i>June 30, 2019</i>				
Board-designated endowment funds	\$ 253,086	\$ -	\$ -	\$ 253,086
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	1,268,303	1,268,303
Accumulated investment gains	<u>-</u>	<u>24,895</u>	<u>-</u>	<u>24,895</u>
Total	<u>\$ 253,086</u>	<u>\$ 24,895</u>	<u>\$ 1,268,303</u>	<u>\$ 1,546,284</u>

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 9 – Endowments (Continued)

Changes in endowment net assets for the years ended June 30, 2020 and 2019 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, 2018	\$ 246,545	\$ 12,454	\$ 1,102,446	\$ 1,361,445
Investment return, net	10,296	24,497	28,663	63,456
Contributions	-	-	137,194	137,194
Designation to board-designated endowment	5,838	-	-	5,838
Appropriation of endowment assets	<u>(9,593)</u>	<u>(12,056)</u>	<u>-</u>	<u>(21,649)</u>
Endowment net assets, June 30, 2019	253,086	24,895	1,268,303	1,546,284
Investment return, net	3,911	9,689	12,515	26,115
Contributions	-	-	76,774	76,774
Designation to board-designated endowment	6,860	-	-	6,860
Appropriation of endowment assets	<u>(11,384)</u>	<u>(19,319)</u>	<u>-</u>	<u>(30,703)</u>
Endowment net assets, June 30, 2020	<u>\$ 252,473</u>	<u>\$ 15,265</u>	<u>\$ 1,357,592</u>	<u>\$ 1,625,330</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 without donor restrictions.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 9 – 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 10 – Retirement Plan

The Organization has a defined contribution retirement plan (Plan) for full-time and part-time employees who meet certain eligibility requirements. The Plan allows for a discretionary contribution. Contribution expense was approximately \$39,000 and \$38,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11 – Commitments and Contingencies

Leases

The Organization leases office equipment under a noncancelable operating lease maturity August 2025. The lease requires monthly payments of \$1,809. Total lease expense related to this lease for the years ended June 30, 2020 and 2019 was approximately \$20,000 and \$19,000, respectively.

The Organization leases an automobile under a noncancelable lease maturity February 2021. The lease requires monthly payments of \$313. Total lease expense related to this lease for the years ended June 30, 2020 and 2019 was approximately \$4,000.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 11 – Commitments and Contingencies (Continued)

Leases (Continued)

As of June 30, 2020, future minimum lease payments were as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2021	\$ 23,899
2022	21,708
2023	21,708
2024	21,708
2025	21,708
Thereafter	<u>3,618</u>
Total	<u>\$ 114,349</u>

Legal Matters

From time to time, the Organization is subject to various 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.

Business Risks Associated with the Impact of COVID-19

The Organization’s operations may be affected by the recent and 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.