

**JEWISH COMMUNITY CENTER
OF ORANGE COUNTY**

**Financial Statements
For the Year Ended
December 31, 2019
and
Independent Auditor's Report**

Jewish Community Center of Orange County
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Independent Auditor's Report

To the Board of Directors of
Jewish Community Center of Orange County
Irvine, California

We have audited the accompanying financial statements of Jewish Community Center of Orange County (a non-profit corporation) (the Center), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities and changes in net assets, 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.

Auditor's 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 of 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 auditor's 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 auditor considers 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 the Center as of December 31, 2019, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules I and II are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Center's 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated June 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

H&A Certified Public Accountants, Inc.

May 28, 2020

Jewish Community Center of Orange County
Statement of Financial Position
December 31, 2019
(with comparative totals for December 31, 2018)

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 388,264	\$ 805,696
Accounts receivable	-	11,436
Short-term investments	3,411,457	3,117,585
Prepaid expenses	99,915	90,759
	<u>3,899,636</u>	<u>4,025,476</u>
Property, Equipment, and Improvements, net	<u>35,060,738</u>	<u>35,223,303</u>
Other Assets		
Deposits	18,143	38,669
Cash and cash equivalents held for long-term investment	439,240	1,209
Long-term investments	8,451,986	8,298,798
	<u>8,909,369</u>	<u>8,338,676</u>
Total assets	<u>\$ 47,869,743</u>	<u>\$ 47,587,455</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 320,228	\$ 381,325
Accrued expenses	823,795	823,712
Deferred revenues	1,245,328	1,267,140
Security deposits	125,600	118,400
	<u>2,514,951</u>	<u>2,590,577</u>
Net Assets		
Net assets without donor restrictions	39,591,236	39,027,531
Net assets with donor restrictions	5,763,556	5,969,347
	<u>45,354,792</u>	<u>44,996,878</u>
Total liabilities and net assets	<u>\$ 47,869,743</u>	<u>\$ 47,587,455</u>

See accompanying notes to the financial statements and independent auditor's report.

Jewish Community Center of Orange County
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019
(with comparative totals for the year ended December 31, 2018)

	2019			2018
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
	Support and Revenue			
Program fees, net of scholarships expense of \$244,777	\$ 8,569,032	\$ -	\$ 8,569,032	\$ 9,061,033
Membership fees	4,102,352	-	4,102,352	3,968,262
Donations	507,715	286,723	794,438	988,383
Special events, net of direct donor benefit costs of \$244,789	238,340	-	238,340	182,968
Grants	143,501	130,782	274,283	312,810
Rentals	257,417	-	257,417	239,408
Investment gains	722,559	292,403	1,014,962	51,810
Other revenue	15,188	-	15,188	14,707
Net assets released from restrictions	915,699	(915,699)	-	-
Total support and revenue	15,471,803	(205,791)	15,266,012	14,819,381
Expenses				
Program expenses	12,880,766	-	12,880,766	13,896,093
General and administrative expenses	2,027,332	-	2,027,332	1,850,605
Total expenses	14,908,098	-	14,908,098	15,746,698
Increase (decrease) in net assets	563,705	(205,791)	357,914	(927,317)
Net assets, beginning of year	39,027,531	5,969,347	44,996,878	45,924,195
Net assets, end of year	\$ 39,591,236	\$ 5,763,556	\$ 45,354,792	\$ 44,996,878

See accompanying notes to the financial statements and independent auditor's report.

Jewish Community Center of Orange County
Statement of Functional Expenses
For the Year Ended December 31, 2019
(with comparative totals for the year ended December 31, 2018)

	2019			2018
	Program Expenses	General and Administrative Expenses	Total	Total
Salaries	\$ 2,388,065	\$ 598,064	\$ 2,986,129	\$ 2,976,748
Wages	3,775,444	306,843	4,082,287	3,856,332
Payroll taxes and benefits	1,370,008	158,873	1,528,881	1,594,361
Program services	298,406	-	298,406	563,317
Program supplies	457,207	-	457,207	630,711
Advertising	139,306	-	139,306	118,899
Printing	95,311	-	95,311	113,421
Contract labor	859,118	269,439	1,128,557	965,518
Travel and transportation	214,378	5,879	220,257	290,644
Rent expense	7,458	-	7,458	98,301
Admission	88,971	-	88,971	86,663
Food	308,632	-	308,632	653,235
Utilities	389,004	64,269	453,273	446,503
Insurance	103,656	22,754	126,410	144,762
Lawn care	96,634	21,212	117,846	126,159
Security and alarm	247,846	54,405	302,251	403,799
Repairs and maintenance	174,059	26,037	200,096	347,995
Audit and legal	-	54,343	54,343	19,252
Credit card and bank charges	354,829	-	354,829	360,459
Computer	194,189	97,820	292,009	249,166
Conferences and meetings	190,304	61,998	252,302	248,881
Dues and subscriptions	72,166	35,187	107,353	100,706
Employee recruitment	16,599	381	16,980	27,850
Fees, licenses and taxes	72,981	14,388	87,369	88,328
Office supplies and equipment	97,191	38,897	136,088	147,375
Postage and mail	26,193	4,592	30,785	24,377
Telephone and communications	36,858	15,035	51,893	65,325
Depreciation expense	805,953	176,916	982,869	997,611
Total expenses	\$ 12,880,766	\$ 2,027,332	\$ 14,908,098	\$ 15,746,698

See accompanying notes to the financial statements and independent auditor's report.

Jewish Community Center of Orange County
Statement of Cash Flows
For the Year Ended December 31, 2019
(with comparative totals for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets without donor restrictions	\$ 563,705	\$ (624,528)
Decrease in net assets with donor restrictions	<u>(205,791)</u>	<u>(302,789)</u>
Total increase (decrease) in net assets	<u>357,914</u>	<u>(927,317)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Reinvested dividends and investment gains	(906,862)	(12,432)
Depreciation	<u>982,869</u>	<u>997,611</u>
Total adjustments	<u>76,007</u>	<u>985,179</u>
Changes in working capital:		
(Increase) decrease in assets:		
Accounts receivable	11,436	(11,436)
Prepaid expenses	(9,156)	(7,029)
Deposits	20,526	(59)
Increase (decrease) in liabilities:		
Accounts payable	(61,097)	(8,078)
Accrued expenses	83	36,093
Deferred revenues	(21,812)	166,826
Security deposits	<u>7,200</u>	<u>(4,400)</u>
Total changes in working capital	<u>(52,820)</u>	<u>171,917</u>
Net cash provided by operating activities	<u>381,101</u>	<u>229,779</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	3,720,598	1,298,730
Purchases of investments	(3,260,796)	(1,987,986)
Proceeds from sales of property and equipment	-	19,930
Purchases of property and equipment	<u>(820,304)</u>	<u>(227,362)</u>
Net cash used by investing activities	<u>(360,502)</u>	<u>(896,688)</u>

See accompanying notes to the financial statements and independent auditor's report.

Jewish Community Center of Orange County
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2019
(with comparative totals for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Net increase (decrease) in cash and cash equivalents	\$ 20,599	\$ (666,909)
Cash and cash equivalents, beginning of year	<u>806,905</u>	<u>1,473,814</u>
Cash and cash equivalents, end of year	<u><u>\$ 827,504</u></u>	<u><u>\$ 806,905</u></u>

The following table provides a reconciliation of cash and cash equivalents reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows as of December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 388,264	\$ 805,696
Cash and cash equivalents held for long-term investment	<u>439,240</u>	<u>1,209</u>
Total cash and cash equivalents, end of year	<u><u>\$ 827,504</u></u>	<u><u>\$ 806,905</u></u>

See accompanying notes to the financial statements and independent auditor's report.

Jewish Community Center of Orange County
Notes to the Financial Statements
December 31, 2019

1. Organization

Jewish Community Center of Orange County (the Center) is a non-profit organization located in Irvine, California, which provides community-wide social, cultural, recreational, and educational events and services in Orange County, California. At December 31, 2019, the Center had approximately 2,900 active members. The purpose and objectives of the Center are to provide facilities and programs for people of all age groups without limitations as to race, color, sex, creed, or national origin. Also, the Center helps to develop a coordinated Jewish community by providing a common meeting ground, and to cooperate with all groups concerned with enriching Jewish community life.

2. Summary of Significant Accounting Policies

Capitalization Policy and Depreciation

The Center records furniture and equipment at cost and depreciates such costs over the estimated useful life of 3, 5, 7 or 10 years using the straight-line method of depreciation. Land and land improvements were donated to the Center by Orange County Jewish Campus (OCJC) and recorded at OCJC's net book value. The building and land improvements are depreciated over the estimated useful life of 5 to 50 years.

Financial Statement Presentation

The Center reports information regarding contributions and support received in its statement of financial position and statement of activities and changes in net assets according to two classes of net assets based upon the existence or absence of donor-imposed restrictions:

Net Assets without Donor Restrictions – Contributions that are considered to be available for unrestricted use.

Net Assets with Donor Restrictions – Contributions received that are restricted by donors for a specific time period or purpose. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Income earned on these assets may or may not be restricted, depending upon the donor-imposed restrictions.

When donor restrictions on contributions are satisfied in the same period as the receipt of the contribution, the Center reports both the revenue and the related expense in the net asset without donor restrictions category.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are reported at fair value at the date the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates (see Note 15).

Jewish Community Center of Orange County
Notes to the Financial Statements
December 31, 2019

2. Summary of Significant Accounting Policies (Continued)

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's 2018 financial statements, from which the summarized financial information was derived.

Cash and Cash Equivalents

The Center considers deposits with financial institutions subject to immediate withdrawal to be cash. The Center considers all short-term securities purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities are reported at fair value in the statement of financial position. Investments in certificates of deposit are reported at cost, which approximates fair value. Sales and purchases of securities are recorded on a trade-date basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis. Realized and unrealized gains and losses are included in the statement of activities and changes in net assets.

Deferred Revenues

The Center receives membership fees, tuition, and program fees in advance from members, which are recorded as deferred revenues and amortized to income over the terms of the contracts and agreements with the members, or taken into income on the actual date that the program events occur.

Fair Value Measurements

The Center determines the fair values of its investments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fair value measurements are required to be classified and disclosed in one of the following three categories.

Level 1 - Quoted prices in active markets for identical assets and liabilities, including equity and debt securities and derivative contracts that are traded in an active exchange market.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Impairment of Long-Lived Assets

The Center's long-lived assets include property, equipment, and improvements. The long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related asset. As of December 31, 2019, the Center did not identify any material impairment of its long-lived assets.

Jewish Community Center of Orange County
Notes to the Financial Statements
December 31, 2019

2. Summary of Significant Accounting Policies (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising expenses were approximately \$139,000 for the year ended December 31, 2019.

Recently Adopted Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU is intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. The ASU addresses how to characterize grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions), as well as distinguish between conditional and unconditional contributions. This ASU was adopted in 2019, however, there was no impact on the financial statements.

3. Support and Revenue

The Center's support and revenue are from several sources. The primary support is from programs operated by the Center and membership fees as follows:

Early Childhood Development Center	\$ 5,187,825
Various adult and children programs	3,625,984
Less: Scholarship expense	<u>(244,777)</u>
Total program fees	<u>\$ 8,569,032</u>
Membership fees	<u>\$ 4,102,352</u>

The Center also receives revenue from various fundraising events, special events, rental of its facility, and other charitable donations.

The Center receives a substantial amount of donated services from unpaid volunteers who assist in fundraising events, special events, and program services. No amounts have been reported in the accompanying financial statements for these donated services by volunteers because the services do not meet the recognition requirements.

4. Tax Exempt Status

The Center qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Service Code and Section 23701(d) of the California Revenue and Taxation Code.

The Center's information returns for 2016 and subsequent remain open for examination by the Internal Revenue Service. The returns for California, the Center's only state jurisdiction, remain open for examination by California's tax authorities for 2015 and subsequent.

5. Cash and Investments Held for Long-Term Use

Management intends to hold certain money market mutual funds for long-term use. In addition, a substantial part of the net assets with donor restrictions are invested for long-term purposes. Therefore, a commensurate share of cash and investments is reported as non-current assets in the accompanying statement of financial position.

Jewish Community Center of Orange County
Notes to the Financial Statements
December 31, 2019

6. Investments and Fair Value Measurements

Investments measured at fair value in the financial statements as of December 31, 2019 are summarized in the following table by the type of inputs applicable to the fair value measurements:

	Quoted Prices Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Investments				
Corporate bonds and notes	\$ 6,025,949	\$ -	\$ -	\$ 6,025,949
Mutual funds	1,518,591	-	-	1,518,591
Pooled investment funds	<u>-</u>	<u>1,917,769</u>	<u>-</u>	<u>1,917,769</u>
Total investments in fair value hierarchy	<u>\$ 7,544,540</u>	<u>\$ 1,917,769</u>	<u>\$ -</u>	9,462,309
Certificates of deposit (not subject to fair valuation measurements)				<u>2,401,134</u>
Total investments				<u>\$ 11,863,443</u>

The fair values of the investments in mutual funds and corporate bonds and notes have been valued at the closing prices reported on the active markets on which the individual investments are traded. The fair values of the investments in pooled investment funds have been estimated using the net asset value per share of the investments.

The Center invests in instruments that, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. The valuation levels are not necessarily an indication of the risk or liquidity associated with investing in those securities. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and the statement of activities and changes in net assets (see Note 15).

7. Concentrations

The Center deposits its cash and cash equivalents with various credit institutions. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to \$250,000 at FDIC-insured institutions are covered by FDIC insurance. At times, deposits may be in excess of the FDIC insurance limit; however, management does not believe the Center is exposed to any significant related credit risk.

Jewish Community Center of Orange County
Notes to the Financial Statements
December 31, 2019

8. Property, Equipment, and Improvements

A summary of property, equipment, and improvements is as follows as of December 31, 2019:

Land	\$ 13,058,355
Land improvements and building	31,518,701
Furniture and fixtures	1,720,848
Equipment	1,771,389
Construction in progress	<u>4,696</u>
Total	48,073,989
Less accumulated depreciation	<u>13,013,251</u>
Total property, equipment, and improvements, net	<u><u>\$ 35,060,738</u></u>

9. Line of Credit

The Center has an agreement, renewed periodically, with Bank of America for a \$200,000 revolving line of credit. The Center can draw on the line of credit through January 1, 2021 with interest calculated at the bank's prime rate. As of December 31, 2019, the Center had not drawn on the line of credit.

10. Retirement Savings Plan

The Center has a 403(b) retirement savings plan (the Plan) covering substantially all employees. Participating employees may elect to contribute, on a tax deferred basis, a portion of their compensation in accordance with Sections 402(g), 403(b), and 415 of the Internal Revenue Code. The Center matches up to 5% of the employees' compensation for participating employees who have satisfied age and service requirements. The Center contributed approximately \$156,000 to the Plan during 2019.

11. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 were as follows:

Net assets with donor restrictions, short-term	
Cultural arts fund	\$ 244,900
Chasin education fund	232,073
Playground enhancement project fund	10,000
Myers Scholarship fund	65,391
Myers Theater fund	<u>66,406</u>
Total net assets with donor restrictions, short-term	<u>618,770</u>
Net assets with donor restrictions, long-term	
Capital expenditure and major repair fund	1,358,679
Development and special projects fund	3,760,207
Teaching kitchen fund	<u>25,900</u>
Total net assets with donor restrictions, long-term	<u>5,144,786</u>
Total net assets with donor restrictions	<u><u>\$ 5,763,556</u></u>

Jewish Community Center of Orange County
Notes to the Financial Statements
December 31, 2019

11. Net Assets with Donor Restrictions (Continued)

Net assets released from restrictions during the year ended December 31, 2019 were as follows:

Capital expenditure and major repair fund	\$ 178,091
Development and special projects fund	522,927
Scholarship fund	13,750
Cultural arts fund	39,000
Global Teens program fund	20,000
Chasin education fund	18,750
Naming rights fund	3,970
Myers Scholarship fund	56,044
Myers Theater fund	<u>63,167</u>
Total net assets released from restrictions	<u>\$ 915,699</u>

12. Board-Designated Net Assets

The Center's governing board has designated, from net assets without donor restrictions, cash and investments of \$3,746,440 (see Note 13) to be held for long-term use as of December 31, 2019.

13. Availability of Financial Assets and Liquidity

The Center has approximately \$3,800,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, as follow:

Financial assets, at December 31, 2019*	\$ 12,690,947
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(5,144,786)
Board designations:	
Cash and investments set aside for capital expenditure and major repair fund	
General expenditures and projects	\$ (25,000)
Teaching Kitchen	<u>(100,000)</u>
Total set aside for capital projects and major repair fund	(125,000)
Cash and investments set aside for other long-term use	<u>(3,621,440)</u>
Total Board designations	<u>(3,746,440)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,799,721</u>

* Total assets, less nonfinancial assets (i.e. property, equipment, and improvements, prepaids, deposits)

Jewish Community Center of Orange County
Notes to the Financial Statements
December 31, 2019

13. Availability of Financial Assets and Liquidity (Continued)

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Center invests cash in excess of daily requirements in short-term investments. The Center has a goal to maintain liquid financial assets on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$3,433,000. To help manage unanticipated liquidity needs, the Center has a committed line of credit in the amount of \$200,000, which it could draw upon. Additionally, the Center has designated, from net assets without donor restrictions, cash and investments of approximately \$3,746,000 to be held for long-term purposes. Although the Center does not intend to spend from its long-term cash and investment holdings other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, the long-term holdings could be made available if necessary.

14. Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Additionally, the financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy-related costs, which are allocated on a square footage basis, as well as labor-related expenses, which are allocated on the basis of estimates of time and effort.

15. Subsequent Events

Management has evaluated subsequent events through May 28, 2020, the date the financial statements were available to be issued, and found no subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Center is headquartered, have declared a state of emergency.

Potential impacts to the Center's operations include disruptions or restrictions on the employees' ability to work. COVID-19 has adversely affected the economies and financial markets of many countries, resulting in an economic downturn that could impact operating results. Any of the foregoing could harm the Center in ways management cannot anticipate. Although management is continuing to monitor and assess the effects of the pandemic on the Center and its investment portfolio, the ultimate impact of the outbreak or a similar health epidemic is highly uncertain and subject to change. The Center's financial statements do not include adjustments to fair value that may have resulted from declines in the investment portfolio.

On April 22, 2020, the Center received a loan from Bank of America totaling approximately \$1,626,000, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted on March 27, 2020. The loan, which was in the form of a note dated April 14, 2020 issued by the Center, matures on April 22, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on October 22, 2020. The note may be prepaid by the Center at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, mortgage interest payments, lease payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Center intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Jewish Community Center of Orange County
Notes to the Financial Statements
December 31, 2019

15. Subsequent Events (Continued)

In order to apply for the PPP loan, the Center was required to certify, among other things, that the current economic uncertainty made the PPP loan request necessary to support its ongoing operations. The Center made this certification in good faith after considering its need for additional funding to continue operations. The Center believes that it has satisfied all eligibility criteria for the PPP loan, and that its receipt of the PPP loan is consistent with the objectives of the PPP of the CARES Act. If it is later determined that the Center was ineligible to receive the PPP Loan, the Center may be required to repay the PPP loan in its entirety and be subject to additional penalties. On May 13, 2020, the Small Business Administration (SBA) determined that the following safe harbor will apply to SBA's review of PPP loans with respect to this issue: Any borrower that, together with its affiliates, received PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith.