

**JEWISH COMMUNITY CENTER
OF ORANGE COUNTY**

**Financial Statements
For The Year Ended
December 31, 2017
and
Independent Auditor's Report**

JEWISH COMMUNITY CENTER OF ORANGE COUNTY
Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position.....	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows.....	5 - 6
Notes to the Financial Statements	7 - 11

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, 2017 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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Center's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HBLA Certified Public Accountants, Inc.

May 17, 2018

JEWISH COMMUNITY CENTER OF ORANGE COUNTY
Statement of Financial Position
December 31, 2017
(with comparative totals for December 31, 2016)

Assets	2017	2016
Current Assets		
Cash and cash equivalents	\$ 1,255,121	\$ 680,518
Short-term investments	2,391,986	2,123,777
Prepaid expenses	83,730	60,675
Note receivable	-	6,845
Total current assets	<u>3,730,837</u>	<u>2,871,815</u>
Property, Equipment, and Improvements, net	<u>36,013,482</u>	<u>36,407,124</u>
Other Assets		
Deposits	38,610	31,997
Cash and cash equivalents held for long-term investment	218,693	427,783
Long-term investments	<u>8,322,709</u>	<u>8,154,314</u>
Total other assets	<u>8,580,012</u>	<u>8,614,094</u>
Total assets	<u><u>\$ 48,324,331</u></u>	<u><u>\$ 47,893,033</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 389,403	\$ 283,043
Accrued expenses	787,619	676,121
Deferred revenues	1,100,314	768,587
Security deposits	<u>122,800</u>	<u>205,600</u>
Total current liabilities	<u>2,400,136</u>	<u>1,933,351</u>
Net Assets		
Unrestricted net assets	39,652,059	39,076,741
Temporarily restricted net assets	<u>6,272,136</u>	<u>6,882,941</u>
Total net assets	<u>45,924,195</u>	<u>45,959,682</u>
Total liabilities and net assets	<u><u>\$ 48,324,331</u></u>	<u><u>\$ 47,893,033</u></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, 2017
(with comparative totals for the year ended December 31, 2016)

	2017			2016
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Support and Revenue				
Program fees, net of scholarships expense of \$234,425	\$ 7,849,742	\$ -	\$ 7,849,742	\$ 7,386,786
Membership fees	3,792,647	-	3,792,647	3,553,498
Donations	407,885	205,466	613,351	568,957
Special events - net of direct donor benefit costs of \$213,651	290,934	-	290,934	187,430
Grants	230,500	97,588	328,088	452,581
Rentals	240,545	-	240,545	244,549
Investment gains	547,280	145,311	692,591	653,040
Other revenue	55,190	-	55,190	41,923
Gain (loss) on sale of property and equipment	(5,133)	-	(5,133)	1,931
Net assets released from restrictions	<u>1,059,170</u>	<u>(1,059,170)</u>	<u>-</u>	<u>-</u>
 Total support and revenue	 <u>14,468,760</u>	 <u>(610,805)</u>	 <u>13,857,955</u>	 <u>13,090,695</u>
Expenses				
Program expenses	12,050,473	-	12,050,473	11,181,804
General and administrative expenses	<u>1,842,969</u>	<u>-</u>	<u>1,842,969</u>	<u>1,576,948</u>
 Total expenses	 <u>13,893,442</u>	 <u>-</u>	 <u>13,893,442</u>	 <u>12,758,752</u>
 Increase (decrease) in net assets	 575,318	 (610,805)	 (35,487)	 331,943
 Net assets, beginning of year	 <u>39,076,741</u>	 <u>6,882,941</u>	 <u>45,959,682</u>	 <u>45,627,739</u>
 Net assets, end of year	 <u>\$ 39,652,059</u>	 <u>\$ 6,272,136</u>	 <u>\$ 45,924,195</u>	 <u>\$ 45,959,682</u>

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, 2017
(with comparative totals for the year ended December 31, 2016)

	2017			2016
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 2,375,221	\$ 545,275	\$ 2,920,496	\$ 2,647,511
Wages	3,416,874	281,067	3,697,941	3,561,846
Payroll taxes and benefits	1,341,495	184,695	1,526,190	1,430,143
Program services	246,503	-	246,503	168,200
Program supplies	460,608	-	460,608	447,977
Advertising	131,015	-	131,015	107,084
Printing	85,949	-	85,949	83,518
Contract labor	619,635	172,766	792,401	715,792
Travel and transportation	203,041	4,767	207,808	155,837
Rent expense	20,579	-	20,579	3,604
Admission	76,350	-	76,350	76,913
Food	277,934	-	277,934	256,360
Utilities	349,298	55,389	404,687	378,854
Insurance	93,121	20,441	113,562	112,031
Lawn care	140,302	30,798	171,100	111,672
Security and alarm	265,734	42,050	307,784	268,256
Repairs and maintenance	169,707	26,389	196,096	155,498
Audit and legal	-	92,754	92,754	33,383
Credit card and bank charges	346,010	-	346,010	295,290
Computer	146,503	69,756	216,259	198,374
Conferences and meetings	148,060	37,815	185,875	231,341
Dues and subscriptions	64,103	33,480	97,583	97,920
Employee recruitment	40,782	2,851	43,633	27,983
Fees, licenses and taxes	74,189	14,999	89,188	87,063
Office supplies and equipment	89,531	33,263	122,794	125,764
Postage and mail	16,965	1,107	18,072	24,090
Telephone and communications	42,615	15,865	58,480	50,661
Depreciation expense	808,349	177,442	985,791	905,787
Total functional expenses	<u>\$ 12,050,473</u>	<u>\$ 1,842,969</u>	<u>\$ 13,893,442</u>	<u>\$ 12,758,752</u>

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, 2017
(with comparative totals for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Increase in unrestricted net assets	\$ 575,318	\$ 375,982
Decrease in temporarily restricted net assets	(610,805)	(44,039)
	<u>(35,487)</u>	<u>331,943</u>
Total increase (decrease) in net assets		
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Reinvested dividends and investment gains	(648,396)	(619,720)
Depreciation	985,791	905,787
Deferred revenues	331,727	94,375
(Gain) loss on sale of property and equipment	2,349	(1,931)
	<u>671,471</u>	<u>378,511</u>
Total adjustments		
Changes in working capital:		
(Increase) decrease in assets:		
Prepaid expenses	(23,055)	23,229
Deposits	(6,613)	(2,506)
Increase (decrease) in liabilities:		
Accounts payable	106,360	(62,251)
Accrued expenses	111,498	61,127
Security deposits	(82,800)	(4,400)
	<u>105,390</u>	<u>15,199</u>
Total changes in working capital		
Net cash provided by operating activities	<u>741,374</u>	<u>725,653</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	2,586,901	1,562,502
Purchases of investments	(2,375,109)	(2,165,646)
Proceeds from sale of property and equipment	17,036	3,700
Purchases of property and equipment	(611,534)	(564,361)
Repayment of note receivable	6,845	10,914
	<u>(375,861)</u>	<u>(1,152,891)</u>
Net cash used by investing activities		

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, 2017
(with comparative totals for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Net increase (decrease) in cash and cash equivalents	\$ 365,513	\$ (427,238)
Cash and cash equivalents, beginning of year	<u>1,108,301</u>	<u>1,535,539</u>
Cash and cash equivalents, end of year	<u>\$ 1,473,814</u>	<u>\$ 1,108,301</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, 2017

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, 2017, the Center had 3,011 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 and 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 three classes of net assets based upon the existence or absence of donor-imposed restrictions:

Unrestricted Net Assets – Contributions that are considered to be available for unrestricted use.

Temporarily Restricted Net Assets – Contributions received that are restricted by donors for a specific time period or purpose. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Income earned on these assets may be unrestricted or temporarily restricted, depending upon the donor imposed restrictions.

Permanently Restricted Net Assets – Assets that contain donor imposed restrictions requiring that the principal be invested in perpetuity and that only the income be used. Income earned on these assets may be unrestricted or temporarily 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 unrestricted net asset 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.

JEWISH COMMUNITY CENTER OF ORANGE COUNTY
Notes to the Financial Statements
December 31, 2017

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 2016 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. 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, 2017, 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, 2017

2. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This ASU will simplify the face of the financial statements by eliminating the distinction between resources with permanent restrictions and those with temporary restrictions, while at the same time enhancing the footnote disclosures to provide financial statement readers with more useful information about an entity's resources and changes in those resources. This ASU will be effective for fiscal years beginning after December 15, 2017. Management is evaluating the impact of adopting this new ASU on the financial statements.

Subsequent Events

Management has evaluated subsequent events through May 17, 2018, 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.

3. Note Receivable

The note receivable, originally dated August 1, 2009 and amended during 2012, was from an employee of the Center. The note was unsecured and bore interest at 1.27%. The note was paid in full in January 2017.

4. Support and Revenue

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

Early Childhood Development Center	\$ 5,042,118
Various adult and children programs	3,042,049
Less: Scholarship expense	<u>(234,425)</u>
Total program fees	<u>\$ 7,849,742</u>
Membership fees	<u>\$ 3,792,647</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 reporting requirements.

5. 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 2014 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 2013 and subsequent.

JEWISH COMMUNITY CENTER OF ORANGE COUNTY
Notes to the Financial Statements
December 31, 2017

6. 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 temporarily restricted funds 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.

7. Investments and Fair Value Measurements

Investments measured at fair value in the financial statements as of December 31, 2017 are summarized in the following table by the type of inputs applicable to the fair value measurements:

	Total Fair Value	Quoted Prices Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments				
Corporate bonds and notes	\$ 7,201,955	\$ 7,201,955	\$ -	\$ -
Mutual funds	1,306,855	1,306,855	-	-
Pooled investment fund	<u>1,186,118</u>	<u>-</u>	<u>1,186,118</u>	<u>-</u>
	<u>\$ 9,694,928</u>	<u>\$ 8,508,810</u>	<u>\$ 1,186,118</u>	<u>\$ -</u>

Certificates of deposit totaling \$1,019,767 included in investments at December 31, 2017 are not subject to fair valuation measurements.

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.

8. 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, 2017

9. Property, Equipment, and Improvements

A summary of property, equipment, and improvements is as follows as of December 31, 2017:

Land	\$ 13,058,355
Land improvements and building	30,906,721
Furniture and fixtures	1,589,599
Equipment	1,480,342
Construction in progress	<u>32,398</u>
Total	47,067,415
Less accumulated depreciation	<u>11,053,933</u>
Total property, equipment, and improvements, net	<u><u>\$ 36,013,482</u></u>

Depreciation expense was \$985,791 for 2017.

10. Line of Credit

On December 15, 2005, the Center entered into 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 November 1, 2018 with interest calculated at the bank's prime rate. As of December 31, 2017, the Center had not drawn on the line of credit.

11. 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 Section 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 \$154,000 to the Plan during 2017.

12. Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 were as follows:

Capital expenditure and major repair fund	\$ 1,375,204
Development and special projects fund	4,273,134
Scholarship fund	27,500
Cultural arts fund	318,900
Amitim Fellows program fund	25,000
Maccabi hosting fund	178,416
Center for Jewish Life fund	17,050
Myers Scholarship fund	48,794
Myers Theater fund	<u>8,138</u>
Total temporarily restricted net assets	<u><u>\$ 6,272,136</u></u>