

JEWISH FAMILY SERVICE OF THE DESERT
PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2022

WITH COMPARATIVE TOTALS FOR JUNE 30, 2021



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jewish Family Service of the Desert
Palm Springs, California

Opinion

We have audited the accompanying financial statements of Jewish Family Service of the Desert (a non-profit organization) which comprise of the related statement of financial position as of June 30, 2022 and statement of activities, functional expenses and cash flows for the year then ended and related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family Service of the Desert, as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jewish Family Service of the Desert and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Family Service of the Desert's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Jewish Family Service of the Desert's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Family Service of the Desert's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of Jewish Family Service of the Desert for the year ended June 30, 2021 were audited by other auditors whose report dated November 18, 2021, expressed an unmodified audit opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent in all material respects, with the audited financial statement from which it has been derived.

*Coachella Valley
Accounting & Auditing*

La Quinta, CA
November 21, 2022

JEWISH FAMILY SERVICE OF THE DESERT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2021

			Totals	
	Without Donor Restrictions	With Donor Restrictions	2022	2021 Memorandum Only
ASSETS				
Cash and cash equivalents	\$ 1,609,966	\$ 300,925	\$ 1,910,891	\$ 1,917,232
Investments	192,884	-	192,884	205,289
Accounts and grants receivable	47,858	-	47,858	81,821
Employee retention credit refund	54,403	-	54,403	54,403
Prepaid expenses	14,453	-	14,453	21,775
Prepaid mausoleum assets	1,000	-	1,000	1,000
Artwork	2,450	-	2,450	-
Deposits	8,500	-	8,500	8,500
Furniture and equipment, net	20,845	-	20,845	29,843
TOTAL ASSETS	\$ 1,952,358	\$ 300,925	\$ 2,253,283	\$ 2,319,863
LIABILITIES				
Accounts payable	\$ 16,565	\$ -	\$ 16,565	\$ 11,556
Accrued vacation	46,614	-	46,614	60,997
Accrued expenses	65,064	-	65,064	71,131
Deferred revenue	139,257	-	139,257	184,692
Total liabilities	267,500	-	267,500	328,376
NET ASSETS				
Without donor restrictions	1,092,042	-	1,092,042	1,073,904
Without donor restrictions, Board designated	592,816	-	592,816	592,657
With donor restrictions	-	300,925	300,925	324,926
TOTAL NET ASSETS	1,684,858	300,925	1,985,783	1,991,487
TOTAL LIABILITIES AND NET ASSETS	\$ 1,952,358	\$ 300,925	\$ 2,253,283	\$ 2,319,863

(The accompanying notes are an integral part of these financial statements)

JEWISH FAMILY SERVICE OF THE DESERT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			<u>2022</u>	<u>2021 Memorandum Only</u>
SUPPORT AND REVENUES				
Support				
Federation allocation	\$ -	\$ 100,000	\$ 100,000	\$ 125,000
United Way allocation	-	10,917	10,917	32,083
Grants	-	847,461	847,461	974,358
Gifts In-Kind	22,192	-	22,192	7,944
Contributions and bequests	<u>156,987</u>	<u>-</u>	<u>156,987</u>	<u>313,660</u>
Total support	<u>179,179</u>	<u>958,378</u>	<u>1,137,557</u>	<u>1,453,045</u>
Revenues				
Client fees	611,489	-	611,489	520,858
Special events, net of \$83,700 expense	654,174	-	654,174	555,773
Investment net (loss) income	<u>(28,461)</u>	<u>-</u>	<u>(28,461)</u>	<u>38,718</u>
Total revenue	<u>1,237,202</u>	<u>-</u>	<u>1,237,202</u>	<u>1,115,349</u>
Total support and revenues	<u>1,416,381</u>	<u>958,378</u>	<u>2,374,759</u>	<u>2,568,394</u>
RECLASSIFICATION				
Net assets released from restrictions	<u>982,379</u>	<u>(982,379)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUES AND RECLASSIFICATION	<u>2,398,760</u>	<u>(24,001)</u>	<u>2,374,759</u>	<u>2,568,394</u>
EXPENSES				
Programs	2,206,389	-	2,206,389	1,990,049
Management	100,477	-	100,477	88,119
Fund raising	<u>73,597</u>	<u>-</u>	<u>73,597</u>	<u>65,952</u>
Total expenses	<u>2,380,463</u>	<u>-</u>	<u>2,380,463</u>	<u>2,144,120</u>
INCREASE (DECREASE) IN NET ASSETS	<u>18,297</u>	<u>(24,001)</u>	<u>(5,704)</u>	<u>424,274</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,666,561</u>	<u>324,926</u>	<u>1,991,487</u>	<u>1,567,213</u>
NET ASSETS - END OF YEAR	<u>\$ 1,684,858</u>	<u>\$ 300,925</u>	<u>\$ 1,985,783</u>	<u>\$ 1,991,487</u>

(The accompanying notes are an integral part of these financial statements)

JEWISH FAMILY SERVICE OF THE DESERT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

	Programs	Support Services		2022	2021
		Management	Fund Raising	Total	Memorandum Only
OPERATING EXPENSES					
Payroll and benefits	\$ 1,422,646	\$ 78,167	\$ 62,534	\$ 1,563,347	\$ 1,353,915
Conferences and travel	-	3,818	-	3,818	556
Insurance	15,024	825	660	16,509	16,984
Marketing and public relations	28,031	1,540	1,232	30,803	42,007
Membership dues	-	4,662	-	4,662	5,123
Office supplies	16,724	919	735	18,378	18,536
Office overhead	18,521	1,018	814	20,353	19,762
Professional fees	59,552	3,272	2,618	65,442	71,619
Program expenses	34,386	-	-	34,386	26,331
Rent	90,502	4,973	3,978	99,453	93,797
Telephone and utilities	10,061	553	442	11,056	14,260
Other	4,049	222	178	4,449	6,223
Grant expenses	497,650	-	-	497,650	463,312
Depreciation	9,243	508	406	10,157	11,695
TOTAL	\$ 2,206,389	\$ 100,477	\$ 73,597	\$ 2,380,463	\$ 2,144,120

(The accompanying notes are an integral part of these financial statements)

JEWISH FAMILY SERVICE OF THE DESERT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

	2022	2021 Memorandum Only
CASH FLOWS FROM		
OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (5,704)	\$ 424,274
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	10,157	11,695
Unrealized losses (gains) on investments	63,661	(32,899)
Donated artwork	(2,450)	-
Donated investments	(64,739)	-
Changes in operating assets and liabilities-		
Accounts and grants receivable	33,963	(13,826)
Employee retention credit refund	-	(54,403)
Prepaid expenses	7,323	11,780
Accounts payable	5,009	2,509
Accrued vacation	(14,383)	24,994
Accrued expenses	(6,067)	61,434
Deferred revenue	(45,435)	(81,904)
Net cash (used) provided by operating activities	(18,665)	353,654
CASH FLOWS FROM		
INVESTING ACTIVITIES		
Purchase of investments	(13,768)	(14,453)
Sale of investments	26,092	-
Net cash provided (used) by investing activities	12,324	(14,453)
CASH FLOWS FROM		
FINANCING ACTIVITIES		
Payments on loan payable	-	(10,000)
Net cash used by financing activities	-	(10,000)
NET (DECREASE) INCREASE IN CASH	(6,341)	329,201
CASH AND RESTRICTED CASH EQUIVALENTS, BEGINNING OF YEAR	1,917,232	1,588,031
CASH AND RESTRICTED CASH EQUIVALENTS, END OF YEAR	\$ 1,910,891	1,917,232
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash and restricted cash consisted of the following at June 30:		
Cash	\$ 1,609,966	\$ 1,592,306
Cash - restricted	300,925	324,926
	\$ 1,910,891	\$ 1,917,232

(The accompanying notes are an integral part of these financial statements)

JEWISH FAMILY SERVICE OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The purpose of the Jewish Family Service of the Desert (JFS) is to provide for the social service needs of the Jewish and general community throughout the greater Coachella Valley with a commitment to promote the well being of persons of all ages, income and lifestyles. It accomplishes its purposes by making available counseling services in addition to financial aid in times of need. Its sources of income consist of an allocation from the Jewish Federation of the Desert, counseling fees from clients, grants, special events and donations and as such, it is subject to various market conditions, which would affect those revenues from time to time.

Income Taxes

JFS is a not-for-profit corporation that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), and from California franchise taxes under related state tax regulations and classified by the Internal Revenue Service as other than a private foundation. JFS may be subject to tax on income from any unrelated business operations. JFS does not currently have any unrelated business operations.

JFS's Form 990, *Return of Organization Exempt from Income Tax* are subject to examination by the IRS, generally for three years after they were filed.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed stipulations. The Board of Directors have designated funds of \$592,816 and \$592,657 at June 30, 2022, and June 30, 2021, respectively, consisting of operating reserves and amounts held in the Legacy Fund.

Net assets with donor restrictions

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, donor restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. (See Note 5)

Contributions

Contributions received are recorded as unrestricted or restricted, depending on the existence and/or nature of donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of time or purpose restrictions.

Expense Allocations

Functional expenses which are not specifically attributable to program services or supporting services are allocated based on estimates made by management.

JEWISH FAMILY SERVICE OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

The Organization’s investments are carried at fair value using quoted market prices with gains and losses included in the statement of activities. Investments are composed of mutual funds. Investments are subject to gains or losses as a result of fluctuations in market prices.

Property and Equipment

Property and equipment are stated at cost, or fair market value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives ranging from five to seven years. The Organization has a minimum capitalization policy of \$1,000.

Cash and Cash Equivalents

JFS considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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.

Recent Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958) which is effective for the Organization’s year ending June 30, 2022 and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requires. The pronouncement has been implemented in the June 30, 2022 financials and presented retrospectively.

Memorandum Totals

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 Organization’s financial statements for the prior year, from which the summarized information was derived.

Reclassification

Certain amount in prior year presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

JEWISH FAMILY SERVICE OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

2) LEASE COMMITMENTS

The Organization entered into an office lease in Palm Springs effective December 2015 and continues through January 2023 with the option to extend for two additional five-year terms. In May 2022 was amended to extend the lease period through March 2028

Total rent expense of \$99,453 and \$93,797 for the years ended June 30, 2022 and 2021, respectively, are included in the accompanying statement of functional expenses. The following summarizes annual base rent commitment as of June 30, 2022 under the terms of this lease:

Year ended	
<u>June 30,</u>	
2023	\$ 82,314
2024	107,127
2025	110,341
2026	113,651
2027	117,059
Thereafter	<u>89,912</u>
	<u>\$ 620,404</u>

3) RETIREMENT PLAN

Jewish Family Service has a defined contribution pension plan with Mutual of America for its eligible employees. Employer contributions are made to the plan based on 5% of each employee's gross compensation. Contributions to the plan for the years ended June 30, 2022 and 2021 were \$71,912 and \$50,410, respectively. Additionally, the Jewish Family Service offers a voluntary salary reduction deferred annuity program to all employees.

4) DONATED SERVICES

Jewish Family Service has received significant donated services from volunteers which include public relations assistance, office support, and program services. Management has estimated these volunteer hours to be 4,912 and 4,473 for the years ended June 30, 2022 and 2021, respectively. These donated services are not reflected in the financial statements as no objective basis is available to measure the value.

JEWISH FAMILY SERVICE OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

5) DONOR RESTRICTED NET ASSETS

Donor restricted net assets are subject to donor restrictions limiting the Organization's use of the contributed assets to later periods or after specific dates (time restrictions), special purposes (purpose restrictions), or both. Donor restricted net assets at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Campership	\$ 15,437	\$ 23,936
Case Management	115,000	16,500
Emergency Assistance	64,738	129,287
Holiday Funds	250	250
Mental Health	46,000	45,720
Operations - time restricted	45,000	85,000
Other	14,500	24,233
Total	<u>\$ 300,925</u>	<u>\$ 324,926</u>

6) GIFTS IN-KIND

The Organization has received various noncash gifts, such as supplies, that were used for purposes of operating and program activities. These contributions are value at the estimated fair value provided by the donor or the net realizable value of donations used for retail operations. Contributed services and gifts in-kind for the year ended June 30, 2022;

Artwork	\$ 2,450
Catering	<u>19,742</u>
	<u>\$ 22,192</u>

There were no gifts in-kind received during the year ended June 30, 2021.

7) INVESTMENTS

Investments cost and fair value at June 30, 2022 and 2021 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (loss)</u>
<u>2022</u>			
Equity Funds	\$ 143,790	\$ 192,884	\$ 49,094
Total	<u>\$ 143,790</u>	<u>\$ 192,884</u>	<u>\$ 49,094</u>
<u>2021</u>			
Equity Funds	\$ 145,272	\$ 205,289	\$ 60,017
Total	<u>\$ 145,272</u>	<u>\$ 205,289</u>	<u>\$ 60,017</u>

Unrealized (losses) gains of (\$63,661) and \$32,899, and realized gains of \$27,547 and \$0, are included in investment net income for the years ended June 30, 2022 and 2021, respectively.

JEWISH FAMILY SERVICE OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

7) INVESTMENTS – continued

Fair Value Hierarchy

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The levels of the fair value hierarchy under FASB ASC 820-10 for assets held by the Organization are level 1 inputs to the valuation methodology; unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

8) DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Patron Party sponsorship advance collections	\$ 126,556	\$ 37,600
Daryl Davis donations/sponsorships deferred collections	-	109,010
Other events donations/sponsorships advance collections	11,582	12,582
Major gifts advance collections	-	25,000
Other	-	500
Total	<u>\$ 139,257</u>	<u>\$ 184,692</u>

9) LEGACY FUND

The Legacy fund is a quasi-endowment fund which professionally manages donor contributions. This gives the Organization the ability to generate investment earnings for drawdown into one of four programs or reinvestment to grow the fund. Donors indicate which of the four program areas they would like the quarterly earnings directed to: either mental health, children and families, seniors or where most needed. Balances held at June 30, 2022 and 2021 amounted to \$592,816 and \$592,657, respectively.

10) UNCERTAINTIES

As a result of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which had an impact on the year ended June 30, 2022. Management anticipates economic uncertainties associated with the COVID-19 coronavirus pandemic are likely to continue to negatively impact operating revenues. The related financial impact and duration cannot be reasonably estimated at this time.

JEWISH FAMILY SERVICE OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

11) EMPLOYEE RETENTION CREDIT

Due to the economic condition many companies faced during this crisis, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law allowing for a refundable tax credit called the Employee Retention Credit (ERC). The purpose of the credit is to encourage businesses to keep employees on their payroll. In 2020, the credit applied to qualified wages paid after March 12, 2020 and before January 1, 2021.

In December 2020, the government extended the ERC into 2021 and increased it to \$7,000 on qualifying wages for each employee for each of the first two quarters of 2021. The credit also increased the number of employees qualifying for the credit by allowing employers to submit the credit for all qualifying wages for companies with under 500 employees (previously 100 employees). This increase allowed the Organization to submit for the credit for all employees working during the time period in which the government mandated limitations on operations referred to as partial suspension through June 15, 2021. The total credit amounted to \$54,403 and has been netted with payroll taxes during the year ended June 30, 2021. Receivables related to this credit amounted to \$54,403 for the years ended June 30, 2022 and 2021. (See Note 13)

12) LIQUIDITY

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

Cash	\$ 1,017,150
Investments	192,884
Accounts receivable	47,858
Employee retention credit refund	<u>54,403</u>
Total	<u>\$ 1,312,295</u>

The Board of Directors has a designated Reserve Fund held in the Legacy Fund (see note 8). These funds may be drawn upon in the event of an unanticipated liquidity need. Additionally, the Organization is committed to investing liquid assets conservatively. Income from donor-restricted sources is restricted for specific purposes and therefore, is not available for general expenditure.

13) SUBSEQUENT EVENTS

The Organization evaluated all potential subsequent events as of November 21, 2022 when the financial statements were authorized and available to be issued. No subsequent events or transactions other than noted below, were identified after June 30, 2022 or as of November 21, 2022 that require disclosure to the financial statements.

In October 2022, the Organization received payment of the ERC receivable in the amount of \$54,403. (See Note 11)