

Financial Statements

Joslyn Center

June 30, 2021

Maryanov Madsen Gordon & Campbell
CERTIFIED PUBLIC ACCOUNTANTS - A Professional Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Joslyn Center
Palm Desert, California

We have audited the accompanying financial statements of the Joslyn Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 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.

Board of Directors
Joslyn Center

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Joslyn Center as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with auditing standards generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Joslyn Center's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maryann Madsen Gordon & Campbell

Palm Springs, California
October 26, 2021

JOSLYN CENTER

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 65,439	\$ 339,817
Accounts receivable	46,318	-
Prepaid expense	10,638	5,930
Investments	<u>390,567</u>	<u>154,984</u>
Total current assets	<u>512,962</u>	<u>500,731</u>
PROPERTY AND EQUIPMENT, NET	765,238	786,382
OTHER ASSETS		
Cash and cash equivalents - donor restricted	12,075	39,650
Investments - endowment	<u>309,171</u>	<u>241,413</u>
Total other assets	<u>321,246</u>	<u>281,063</u>
TOTAL ASSETS	<u>\$ 1,599,446</u>	<u>\$ 1,568,176</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 21,837	\$ 28,295
Accrued salaries and payroll taxes	7,014	5,707
Accrued vacation	31,290	28,404
Accrued expenses	600	600
Notes payable, current portion	<u>101,821</u>	<u>-</u>
Total current liabilities	<u>162,562</u>	<u>63,006</u>
NOTES PAYABLE	<u>153,052</u>	<u>250,892</u>
Total liabilities	<u>315,614</u>	<u>313,898</u>
NET ASSETS		
Without donor restrictions	1,070,979	1,013,850
With donor restrictions	<u>212,853</u>	<u>240,428</u>
Total net assets	<u>1,283,832</u>	<u>1,254,278</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,599,446</u>	<u>\$ 1,568,176</u>

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

JOSLYN CENTER

STATEMENTS OF ACTIVITIES
 YEAR ENDED JUNE 30, 2021
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020 (Memorandum Only)
REVENUES				
Contributions and grants	\$ 203,313	\$ -	\$ 203,313	\$ 291,319
Memberships	42,830	-	42,830	58,390
Fundraising	75,142	4,025	79,167	140,761
Less: Costs of direct benefits to donors	(31,768)	-	(31,768)	(30,482)
Funds from joint cities	339,601	-	339,601	339,601
Theatre	18,696	-	18,696	23,071
Meals on wheels	197,412	-	197,412	104,934
Wellness center	147,127	-	147,127	112,920
Senior activities	10,646	-	10,646	70,391
Advertising	1,095	900	1,995	5,255
Building usage	-	-	-	4,565
Loss on disposal of assets	-	-	-	(1,627)
Interest	15,550	-	15,550	11,530
Realized/unrealized gain on investments	99,507	-	99,507	(11,427)
Net assets released from restrictions	32,500	(32,500)	-	-
Total revenues	1,151,651	(27,575)	1,124,076	1,119,201
EXPENSES				
Program services	873,083	-	873,083	919,748
Management and general	124,582	-	124,582	132,089
Fundraising	96,857	-	96,857	95,336
Total expenses	1,094,522	-	1,094,522	1,147,173
CHANGE IN NET ASSETS	57,129	(27,575)	29,554	(27,972)
NET ASSETS, beginning of year	1,013,850	240,428	1,254,278	1,282,250
NET ASSETS, end of year	\$ 1,070,979	\$ 212,853	\$ 1,283,832	\$ 1,254,278

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

JOSLYN CENTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2021
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Program Services		Supporting Services		Totals	
	Center Activities	Meals on Wheels	Management and General	Fundraising	2021	2020 (Memorandum Only)
PAYROLL AND RELATED EXPENSES						
Salaries	\$ 324,327	\$ 125,368	\$ 73,627	\$ 75,553	\$ 598,875	\$ 546,842
Payroll taxes	28,175	10,891	6,396	6,563	52,025	47,055
Workers compensation	1,038	401	236	242	1,917	4,578
403(b) employer match	5,838	5,418	3,084	2,109	16,449	13,841
Medical	14,682	3,397	3,746	5,578	27,403	29,197
Payroll preparation	3,792	1,466	861	883	7,002	6,331
Total payroll and related expenses	377,852	146,941	87,950	90,928	703,671	647,844
OTHER EXPENSES						
Activities	55,332	59,557	-	735	115,624	152,530
Depreciation	51,430	4,140	2,189	302	58,061	60,511
Insurance	7,983	8,739	6,467	-	23,189	27,048
Maintenance - building and equipment	10,241	2,057	1,357	-	13,655	18,742
Maintenance - grounds	22,298	2,538	1,693	-	26,529	25,624
Newsletter	9,576	1,978	1,214	-	12,768	14,173
Office and technology	20,853	4,888	3,704	-	29,445	22,575
Other	4,075	1,594	8,394	742	14,805	24,582
Postage	1,514	303	202	-	2,019	3,011
Professional fees	8,100	1,620	1,080	-	10,800	9,500
Public relations	6,744	6,744	6,117	4,116	23,721	23,752
Security	1,754	351	234	-	2,339	2,300
Theatre	300	-	-	-	300	1,418
Utilities	29,037	5,808	3,871	-	38,716	39,770
Vehicles	110	1,394	110	34	1,648	1,940
Wellness Center	17,232	-	-	-	17,232	71,853
Total other expenses	246,579	101,711	36,632	5,929	390,851	499,329
Total expenses	\$ 624,431	\$ 248,652	\$ 124,582	\$ 96,857	\$ 1,094,522	\$ 1,147,173

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

JOSLYN CENTER

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 29,554	\$ (27,972)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	58,061	60,511
(Gain) loss on investments	(99,507)	11,427
Loss on asset disposal	-	1,627
Changes in operating assets and liabilities:		
Accounts receivable	(46,318)	27,281
Prepaid expense	(4,708)	3,714
Accounts payable	(6,458)	(8,237)
Accrued salaries and payroll taxes	1,307	(17,216)
Accrued vacation	2,886	5,221
	<u>(94,737)</u>	<u>84,328</u>
Total adjustments		
Net cash provided (used) by operating activities	<u>(65,183)</u>	<u>56,356</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(36,915)	(68,284)
Investment purchases	(243,712)	(188,785)
Investment proceeds	39,876	246,510
	<u>(240,751)</u>	<u>(10,559)</u>
Net cash used by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	3,981	250,892
	<u>3,981</u>	<u>250,892</u>
Net increase (decrease) in cash	(301,953)	296,689
Cash at beginning of year	<u>379,467</u>	<u>82,778</u>
Cash at end of year	<u>\$ 77,514</u>	<u>\$ 379,467</u>

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

JOSLYN CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The Joslyn Center (the Center), is a non-profit corporation organized under the laws of the State of California on April 14, 1981. The mission of the Joslyn Center is to provide health, recreational, educational, and social programs along with information, referral, volunteer, and support services for adults age 50+ in the communities of Indian Wells, Palm Desert, and Rancho Mirage.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Tax Exempt Status

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income.

Nature of Prior Period 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 GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement actual results may differ from estimated amounts.

Continued

JOSLYN CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible into cash and have original maturities of three months or less when purchased.

Concentration of Credit Risk

The Center maintains accounts at various financial institutions, which at June 30, 2020 and periodically throughout each year, were in excess of federally insured limits of \$250,000.

Economic Dependency

The Center receives a substantial portion of its revenues from the Cove Communities Services Commission; which is made up of the cities of Palm Desert, Rancho Mirage, and Indian Wells. The Cove Commission has provided substantial support to the Center since its inception, including \$339,601 for the year ended June 30, 2021.

Investments

Investments in marketable equity securities with readily determinable fair values are reported at their fair value based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

The Center capitalizes assets with an expected useful life in excess of one year and value in excess of \$1,000 including additions, improvements, and other capital outlays that significantly extend the useful life of an asset. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from five to 39 years.

Continued

JOSLYN CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fine Arts Collection

Collection items acquired after July 1, 1999 are capitalized at cost if purchased or at their appraised or fair value on the acceptance date. All prior fine arts collection items were recorded as decreases in net assets if purchased. No financial statement recognition was made for previous contributed fine arts collection items.

Net Asset Classification

The Center reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Center, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Center's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Continued

JOSLYN CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donor-Imposed Restrictions

Contributions are generally available without donor restrictions in the year received unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are satisfied in the same reporting period in which they are received. Donor-imposed restrictions are considered to be satisfied when a stipulated time restriction ends, or a purpose restriction is accomplished.

Contributions with donor-imposed restrictions that are not satisfied within the reporting period received are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time to the Center's programs, operations, and fundraising activities. The value of donated volunteer services is not reflected in the accompanying financial statements since no objective basis is available to measure the value of such services.

Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as personnel costs, professional services, office expenses, information technology, insurance, and others, which are allocated on the basis of estimates of time and effort.

Continued

JOSLYN CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform to the presentation of the current year financial statements.

Date of Management's Evaluation

Management has evaluated subsequent events through October 26, 2021, the date on which the financial statements were issued, see Note 12.

NOTE 1: NEW ACCOUNTING PRONOUNCEMENTS

The Center adopted the following changes in accounting principle for the years ended June 30, 2021 and 2020:

Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The core principle of the new guidance requires that an entity recognizes revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Revenue from contributions and investment income are not impacted by this new standard.

The Center adopted ASU 2014-09 using a full retrospective method effective July 1, 2020. The revenue of the Center is recorded when earned, as described in the summary of significant accounting policies, and generally does not require an additional performance obligation. The adoption of ASU 2014-09 did not have an impact on the Center's financial statements.

Clarifying the Scope and Accounting Guidance for Contributions Received and Made

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution (nonreciprocal) or as an exchange (reciprocal) transaction. The guidance also clarifies whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction.

Continued

JOSLYN CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1: NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Center adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019. There were no material changes to the recognition of contribution revenue in the year of implementation.

NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Center's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 77,514	\$ 379,467
Investments	<u>697,108</u>	<u>396,397</u>
Total financial assets	774,622	775,864
Less those unavailable for general expenditures within one year:		
Donor restricted for specific programs	12,075	39,650
Endowment investments	<u>306,541</u>	<u>241,413</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 456,006</u>	<u>\$ 494,801</u>

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.

Investments include funds consisting of endowments with donor restrictions to be held in perpetuity and endowments without donor restrictions as determined by the board.

JOSLYN CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3: FAIR VALUE MEASUREMENTS

The Center determines the fair value of investments and other assets using a framework for measuring fair value, established by GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy inputs are described below:

- Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.
- Level 2 inputs are other than quoted prices included in Level I that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 inputs are unobservable and significant to the fair value measurement.

The asset's or liability'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.

The following tables set forth, by level within the fair value hierarchy, the assets held in trust at fair value as of June 30:

	<u>2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds				
Fixed income	\$ 35,576	\$ -	\$ -	\$ 35,576
Equities	114,709	-	-	114,709
Non-traditional	24,416	-	-	24,416
Other	<u>11,820</u>	<u>-</u>	<u>-</u>	<u>11,820</u>
Total equity funds	186,521	-	-	186,521
City of Rancho Mirage Community Foundation	<u>-</u>	<u>204,046</u> <u>309,171</u>	<u>-</u>	<u>204,046</u> <u>309,171</u>
Total assets at fair value	<u>\$ 186,521</u>	<u>\$ 513,217</u>	<u>\$ -</u>	<u>\$ 699,738</u>

Continued

JOSLYN CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds				
Fixed income	\$ 30,986	\$ -	\$ -	\$ 30,986
Equities	93,333	-	-	93,333
Non-traditional	19,325	-	-	19,325
Other	<u>10,963</u>	<u>-</u>	<u>-</u>	<u>10,963</u>
Total equity funds	154,607	-	-	154,607
City of Rancho Mirage Community Foundation	<u>-</u>	<u>377</u> <u>241,413</u>	<u>-</u>	<u>377</u> <u>241,413</u>
Total assets at fair value	<u>\$ 154,607</u>	<u>\$ 241,790</u>	<u>\$ -</u>	<u>\$ 396,397</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 637,334	\$ 637,334
Improvements	598,425	581,454
Furniture and equipment	401,604	381,660
Vehicles	<u>29,609</u>	<u>29,609</u>
	1,666,972	1,630,057
Less: accumulated depreciation	<u>(948,659)</u>	<u>(890,600)</u>
	718,313	739,457
Collections	<u>46,925</u>	<u>46,925</u>
Total property and equipment, net	<u>\$ 765,238</u>	<u>\$ 786,382</u>

JOSLYN CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5: NOTES PAYABLE

The Center had notes payable to a financial institution with the following terms for the years ended June 30, 2021 and 2020:

A two-year Paycheck Protection Program (PPP) loan dated May 2020, with an original balance of \$100,641. The loan has a fixed interest rate of 1.0%, with repayments, consisting of principal and interest, scheduled to commence after the Small Business Administration (SBA) processes the loan forgiveness application. The outstanding balance at June 30, 2021 was \$101,822.

PPP loans were offered to qualifying small businesses in order to provide financial assistance during the COVID-19 pandemic and were designed to be used to cover payroll and other qualifying expenses. PPP loans may be partially or fully forgiven by the SBA, provided funds are used to pay for qualifying expenses and in accordance with the program's terms.

Management has elected to recognize this loan in accordance with ASC 470. Under this guidance, funds are to be reflected as debt and will accrue interest until such time as they may be legally released as an obligation to pay by the SBA. In the period of forgiveness, income will be recognized as gain on extinguishment of debt for any principal and accrued interest discharged. The Center was notified by the SBA that the loan was forgiven in full in August 2021.

The Center had notes payable to other organizations with the following terms for the years ended June 30, 2021 and 2020:

A 30-year Economic Injury Disaster Loan (EIDL) with the SBA dated June 2020, with an original balance of \$150,000. The loan has a fixed interest rate of 2.75% with monthly payments of \$641, consisting of principal and interest, scheduled to commence on June 15, 2022. The outstanding balance at June 30, 2021 was \$153,051.

Future maturities of notes payable at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 101,821
2023	6,681
2024	3,730
2025	3,834
2026	3,940
Thereafter	<u>134,867</u>
	<u>\$ 254,873</u>

JOSLYN CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6: ENDOWMENT FUNDS

Board-designated Endowment

As of June 30, 2021, the board of directors had designated \$108,393 of net assets without donor restrictions as a general endowment fund to support the mission of the Center. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Donor-designated Endowment

The Center's endowment also includes donor-restricted funds to be held in perpetuity. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Center's donor-restricted endowment had a balance of \$200,778 for the year ended June 30, 2021.

The Center has interpreted the state enacted Uniform Prudent Management of Institutional Fund 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. The Center classifies as net assets with donor restrictions (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 applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (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 Center, and (7) the Center's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies. The Center has adopted an investment policy, approved by the board of directors, for endowment assets that attempts to maintain the principle of the endowment while incurring the lowest possible risk. To this end, all assets are limited to cash equivalents, fixed income securities and equity securities. Therefore, the Center expects its endowment assets, over time, to exceed the rate of inflation. Actual returns in any given year may vary from this expectation. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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JOSLYN CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6: ENDOWMENT FUNDS (Continued)

Spending Policy. The income and/or gain earned by the endowment fund is considered revenue without donor restrictions and may be distributed to the Center as general support revenue for its programs. The Center has a policy of appropriating for distribution each year 7% of its endowment fund's earnings. In accordance with the UPMIFA, any expenditure less than or equal to 7% of the fair market value of the endowment fund shall be presumed to be prudent management of the funds. In establishing this policy, the Center considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Center expects the current spending policy to allow its endowment funds to grow at an average rate of 3% annually. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets as of June 30, 2021, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 40,635	\$ 200,778	\$ 241,413
Investment income	1,572	6,311	7,883
Net appreciation	72,799	(3,848)	68,952
Investment fees	(613)	(2,463)	(3,077)
Amounts appropriated for expenditure	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Endowment net assets, end of year	<u>\$ 108,393</u>	<u>\$ 200,778</u>	<u>\$ 309,171</u>

JOSLYN CENTER

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NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows at June 30:

Subject to expenditures for specified purpose:

	<u>2021</u>	<u>2020</u>
Equipment	\$ -	\$ 5,000
Fashion Show	1,500	16,500
Health Fair	1,675	1,650
Meals on Wheels	4,000	4,000
Newsletter advertising	900	-
Social events	4,000	-
Wellness Center	<u>-</u>	<u>12,500</u>
	<u>\$ 12,075</u>	<u>\$ 39,650</u>
Endowments held in perpetuity	<u>\$ 200,778</u>	<u>\$ 200,778</u>

NOTE 8: LAND LEASE

During May 1982, the Center entered into a forty-year land lease with the City of Palm Desert. In November 2017, the City of Palm Desert approved a twenty-year land lease that replaces the prior lease agreement. The lease has an option to renew for another twenty-year term. The annual rent is one dollar (\$1.00).

NOTE 9: OPERATING LEASES

The Center has a non-cancelable operating lease for copier equipment that expires June 2023. The lease requires the Center to pay all executor costs, such as taxes, maintenance, and insurance. Rental expense was \$13,831 and \$13,596 for the years ended June 30, 2021 and 2020, respectively.

JOSLYN CENTER

NOTES TO FINANCIAL STATEMENTS
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NOTE 10: RETIREMENT PLAN

The Center has a 403(b) Profit Sharing Plan and Trust (the Plan) which covers substantially all employees meeting the minimum age and hours worked requirements. The Plan provides for elective contributions by employees up to the maximum limit allowed by the tax regulations. Under the terms of the Plan, the Center may make discretionary contributions equal to a uniform percentage of the amount of the elective contribution made by employees. The Plan also allows the Center to contribute a discretionary percentage of eligible employees' annual compensation to a profit-sharing plan. The Center's 403(b) expense for the years ended June 30, 2021 and 2020 was \$16,449 and \$13,841, respectively.

NOTE 11: UNCERTAINTIES

The ongoing COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity across the nation. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Center's operations and financial position. The financial impact to the Center cannot be reasonably estimated at this time.

NOTE 12: SUBSEQUENT EVENTS

In August 2021, the Center was notified by the SBA that the PPP loan was forgiven in full. The \$101,822 total forgiveness included the original principal and accrued interest.