Financial Statements

Joslyn Center

June 30, 2022

Maryanov Madsen Gordon & Campbell

CERTIFIED PUBLIC ACCOUNTANTS - A Professional Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Joslyn Center
Palm Desert, California

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the 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 the Joslyn Center as of June 30, 2022, 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.

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 the Joslyn Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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' 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 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.

801 E. Tahquitz Canyon Way ■ Suite 200 ■ Palm Springs, CA 92262
tel: 760.320.6642 ■ fax: 760.327.6854 ■ www.mmgcCPA.com

Board of Directors
Joslyn Center

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 the Joslyn Center'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 the Joslyn Center '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

We have previously audited the Joslyn Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2021. 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 statements from which it has been derived.

Maryanov Madsen Gordon & Campbell

Palm Springs, California
October 25, 2022

JOSLYN CENTER

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 32,480	$ 65,439
Accounts receivable	49,339	46,318
Prepaid expense	7,875	10,638
Investments	361,650	390,567
Total current assets	451,344	512,962
PROPERTY AND EQUIPMENT, NET	728,557	765,238
OTHER ASSETS		
Cash and cash equivalents - donor restricted	127,100	12,075
Investments - endowment	256,869	309,171
Total other assets	383,969	321,246
TOTAL ASSETS	$ 1,563,870	$ 1,599,446

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 22,509	$ 21,837
Accrued salaries and payroll taxes	18,023	7,014
Accrued vacation	32,105	31,290
Accrued expenses	950	600
Notes payable, current portion	2,991	101,821
Total current liabilities	76,578	162,562
NOTES PAYABLE	147,388	153,052
Total liabilities	223,966	315,614
NET ASSETS		
Without donor restrictions	1,012,026	1,070,979
With donor restrictions	327,878	212,853
Total net assets	1,339,904	1,283,832
TOTAL LIABILITIES AND NET ASSETS	$ 1,563,870	$ 1,599,446

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

JOSLYN CENTER

STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021 (Memorandum Only)
REVENUES				
Contributions and grants	$ 108,080	$ 85,500	$ 193,580	$ 203,313
Memberships	57,020	-	57,020	42,830
Fundraising	284,746	1,000	285,746	79,167
Less: Costs of direct benefits to donors	(98,487)	-	(98,487)	(31,768)
Funds from joint cities	339,601	-	339,601	339,601
Theatre	500	-	500	18,696
Meals on wheels	101,961	22,600	124,561	197,412
Wellness center	106,600	10,000	116,600	147,127
Senior activities	30,595	-	30,595	10,646
Advertising	75	-	75	1,995
Building usage	8,562	-	8,562	-
Interest	16,904	-	16,904	15,550
Realized/unrealized gain (loss) on investments	(83,235)	-	(83,235)	99,507
Net assets released from restrictions	4,075	(4,075)	-	-
Gain on debt forgiveness	101,822	-	101,822	-
Employee retention credit	131,350	-	131,350	-
Total revenues	1,110,169	115,025	1,225,194	1,124,076
EXPENSES				
Program services	944,311	-	944,311	873,083
Management and general	133,497	-	133,497	124,582
Fundraising	91,314	-	91,314	96,857
Total expenses	1,169,122	-	1,169,122	1,094,522
CHANGE IN NET ASSETS	(58,953)	115,025	56,072	29,554
NET ASSETS, beginning of year	1,070,979	212,853	1,283,832	1,254,278
NET ASSETS, end of year	$ 1,012,026	$ 327,878	$ 1,339,904	$ 1,283,832

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

JOSLYN CENTER

STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

	Program Services		Supporting Services		Totals	
	Center Activities	Meals on Wheels	Management and General	Fundraising	2022	2021 (Memorandum Only)
PAYROLL AND RELATED EXPENSES						
Salaries	$ 360,837	$ 128,999	$ 76,982	$ 74,214	$ 641,032	$ 598,875
Payroll taxes	29,915	10,694	6,382	6,153	53,144	52,025
Workers compensation	3,507	1,254	748	721	6,230	1,917
403(b) employer match	4,647	4,710	2,694	1,015	13,066	16,449
Medical	14,661	3,694	4,077	2,526	24,958	27,403
Payroll fees	4,987	1,783	1,064	1,026	8,860	7,002
Total payroll and related expenses	418,554	151,134	91,947	85,655	747,290	703,671
OTHER EXPENSES						
Activities	60,245	64,845	-	800	125,890	115,624
Depreciation	50,439	4,060	2,147	296	56,942	58,061
Insurance	9,305	8,554	7,520	-	25,379	23,189
Maintenance - building and equipment	14,564	2,925	1,930	-	19,419	13,655
Maintenance - grounds	19,956	2,272	1,515	-	23,743	26,529
Newsletter	12,898	2,665	1,634	-	17,197	12,768
Office and technology	19,989	4,686	3,550	-	28,225	29,445
Other	5,423	2,122	11,171	988	19,704	14,805
Postage	2,145	429	286	-	2,860	2,019
Professional fees	8,820	1,764	1,176	-	11,760	10,800
Public relations	5,808	5,808	5,267	3,544	20,427	23,721
Security	2,011	402	269	-	2,682	2,339
Theatre	754	-	-	-	754	300
Utilities	37,385	7,478	4,984	-	49,847	38,716
Vehicles	101	1,282	101	31	1,515	1,648
Wellness Center	15,488	-	-	-	15,488	17,232
Total other expenses	265,331	109,292	41,550	5,659	421,832	390,851
Total expenses	$ 683,885	$ 260,426	$ 133,497	$ 91,314	$ 1,169,122	$ 1,094,522

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

JOSLYN CENTER

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 56,072	$ 29,554
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	56,942	58,061
(Gain) loss on investments	83,235	(99,507)
Gain on debt forgiveness	(101,822)	-
Accrued interest on notes payable	951	3,981
Changes in operating assets and liabilities:		
Accounts receivable	(3,021)	(46,318)
Prepaid expense	2,763	(4,708)
Accounts payable	672	(6,458)
Accrued salaries and payroll taxes	11,009	1,307
Accrued vacation	815	2,886
Accrued expenses	350	-
Total adjustments	51,894	(90,756)
Net cash provided (used) by operating activities	107,966	(61,202)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(20,260)	(36,915)
Investment purchases	(95,969)	(243,712)
Investment proceeds	93,952	39,876
Net cash used by investing activities	(22,277)	(240,751)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(3,623)	-
Net increase (decrease) in cash	82,066	(301,953)
Cash at beginning of year	77,514	379,467
Cash at end of year	$ 159,580	$ 77,514

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

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, 2021, 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

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.

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, 2022.

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

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

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

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 25, 2022, the date on which the financial statements were issued, see Note 11.

NOTE 1: NEW ACCOUNTING PRONOUNCEMENTS

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.

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:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 159,580	$ 77,514
Accounts receivable	49,339	46,318
Investments	618,519	699,738
Total financial assets	827,438	823,570
Less those unavailable for general expenditures within one year:		
Donor restricted for specific programs	127,100	12,075
Endowment investments	256,869	309,171
Financial assets available to meet cash needs for general expenditure within one year	$ 443,469	$ 502,324

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.

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:

	2022			
	Level 1	Level 2	Level 3	Total
Equity funds				
Fixed income	$ 32,036	$ -	$ -	$ 32,036
Equities	88,635	-	-	88,635
Non-traditional	20,252	-	-	20,252
Commodities	5,505	-	-	5,505
Other	7,460	-	-	7,459
Total equity funds	153,888	-	-	153,888
City of Rancho Mirage	-	207,762	-	207,762
Community Foundation	-	256,869	-	256,869
Total assets at fair value	$ 153,888	$ 464,631	$ -	$ 618,519

Continued

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

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

NOTE 4: PROPERTY AND EQUIPMENT

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

	2022	2021
Buildings	$ 637,334	$ 637,334
Improvements	602,994	598,425
Furniture and equipment	417,295	401,604
Vehicles	29,609	29,609
	1,687,232	1,666,972
Less: accumulated depreciation	(1,005,600)	(948,659)
	681,632	718,313
Collections	46,925	46,925
Total property and equipment, net	$ 728,557	$ 765,238

NOTE 5: NOTES PAYABLE

The Center had notes payable to a financial institution with the following terms for the years ended June 30, 2022 and 2021:

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, 2022 and 2021 was $0 and $101,822, respectively.

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, 2022 and 2021:

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. The Center began making repayments on June 2021. The outstanding balance at June 30, 2022 and 2021 was $150,379 and $153,052.

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

Year Ending June 30,	Amount
2023	$ 2,991
2024	3,469
2025	3,571
2026	3,676
2027	3,784
Thereafter	132,888
	$ 150,379

NOTE 6: ENDOWMENT FUNDS

Board-designated Endowment

As of June 30, 2022, the board of directors had designated $56,091 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, 2022.

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.

Continued

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, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 108,393	$ 200,778	$ 309,171
Investment income	1,232	4,948	6,180
Net depreciation	(43,879)	(2,320)	(46,199)
Investment fees	(655)	(2,628)	(3,283)
Amounts appropriated for expenditure	(9,000)	-	(9,000)
Endowment net assets, end of year	$ 56,091	$ 200,778	$ 256,869

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:

	2022	2021
ADA refurbish	$ 40,000	$ -
Fashion Show	-	1,500
Health Fair	-	1,675
Meals on Wheels	64,600	4,000
Newsletter advertising	-	900
Social events	5,000	4,000
Wellness Center	17,500	-
	$ 127,100	$ 12,075
Endowments held in perpetuity	$ 200,778	$ 200,778

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 $14,079 and $13,831 for the years ended June 30, 2022 and 2021, respectively.

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, 2022 and 2021 was $13,066 and $16,449, 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.