# Jewish Community Center of San Francisco

Financial Statements

June 30, 2023
(With Comparative Totals for 2022)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jewish Community Center of San Francisco
San Francisco, California

**Opinion**

We have audited the accompanying financial statements of Jewish Community Center of San Francisco, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities 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 Jewish Community Center of San Francisco as of June 30, 2023, 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.

**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 Community Center of San Francisco 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.

**Change in Accounting Principle**

As described in Note 2 to the financial statements, the Center has adopted FASB Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

**Responsibilities of Management 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, 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.

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 Community Center of San Francisco'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 Community Center of San Francisco'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 Community Center of San Francisco'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 Jewish Community Center of San Francisco's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino CPA LLP

Armanino CPA LLP
New York, New York

February 1, 2024

Jewish Community Center of San Francisco
Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 3,465,695 | $ 4,195,959 |
| Accounts and other receivables | 22,514 | 117,401 |
| Employee retention tax credit receivable | 1,284,335 | - |
| Contributions receivable, net | 1,631,773 | 643,151 |
| Other assets | 369,223 | 278,349 |
| Operating investments | 1,537,803 | 2,628,381 |
| Operating lease right-of-use asset | 543,827 | - |
| Property and equipment, net | 37,782,688 | 39,422,903 |
| Endowment | | |
| Contributions receivable, net | 3,139,762 | 3,062,584 |
| Investments | 12,469,358 | 12,052,842 |
| Total assets | $ 62,246,978 | $ 62,401,570 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities | | |
| Accounts payable and accrued expenses | $ 1,593,444 | $ 1,567,737 |
| Accrued vacation | 677,683 | 601,789 |
| Deferred revenue, net | 2,437,824 | 2,122,678 |
| Note payable | 650,000 | 1,083,333 |
| Operating lease liability | 547,463 | - |
| Total liabilities | 5,906,414 | 5,375,537 |
| Net assets | | |
| Without donor restrictions | 38,876,518 | 40,932,993 |
| With donor restrictions | 17,464,046 | 16,093,040 |
| Total net assets | 56,340,564 | 57,026,033 |
| Total liabilities and net assets | $ 62,246,978 | $ 62,401,570 |

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

Jewish Community Center of San Francisco
Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

| | Without Donor Restrictions | With Donor Restrictions | 2023 Total | 2022 Total |
|---|---|---|---|---|
| Revenues, gains (losses) and other support | | | | |
| Contributions and grants | $ 4,622,061 | $ 1,908,167 | $ 6,530,228 | $ 4,987,127 |
| Government grants | 270,608 | - | 270,608 | 239,633 |
| Employee retention tax credit | 1,284,335 | - | 1,284,335 | 2,528 |
| Forgiveness of loan payable (Paycheck Protection Program) | - | - | - | 5,702,194 |
| Fitness center | 7,217,744 | - | 7,217,744 | 5,043,354 |
| Program revenue | 12,105,433 | - | 12,105,433 | 9,482,802 |
| Investment income (loss), net | 47,264 | 1,058,709 | 1,105,973 | (1,907,617) |
| Loss on disposal of property and equipment | (7,987) | - | (7,987) | - |
| Special events | 261,239 | - | 261,239 | 299,928 |
| Miscellaneous | 379,072 | - | 379,072 | 243,576 |
| Ancillary service revenue | 405,880 | - | 405,880 | 115,353 |
| Net assets released from restriction | 1,595,870 | (1,595,870) | - | - |
| Total revenues, gains (losses) and other support | 28,181,519 | 1,371,006 | 29,552,525 | 24,208,878 |
| Functional expenses | | | | |
| Program services | | | | |
| Fitness center | 6,170,369 | - | 6,170,369 | 4,934,210 |
| Early childhood education | 8,874,099 | - | 8,874,099 | 7,552,377 |
| Youth and family | 5,086,107 | - | 5,086,107 | 3,754,287 |
| Adult | 2,621,120 | - | 2,621,120 | 1,964,117 |
| Ancillary services | 769,210 | - | 769,210 | 343,922 |
| Total program services | 23,520,905 | - | 23,520,905 | 18,548,913 |
| Supporting services | | | | |
| Management and general | 5,095,864 | - | 5,095,864 | 4,462,696 |
| Development | 1,621,225 | - | 1,621,225 | 1,266,967 |
| Total supporting services | 6,717,089 | - | 6,717,089 | 5,729,663 |
| Total functional expenses | 30,237,994 | - | 30,237,994 | 24,278,576 |
| Change in net assets | (2,056,475) | 1,371,006 | (685,469) | (69,698) |
| Net assets, beginning of year | 40,932,993 | 16,093,040 | 57,026,033 | 57,095,731 |
| Net assets, end of year | $ 38,876,518 | $ 17,464,046 | $ 56,340,564 | $ 57,026,033 |

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

# Jewish Community Center of San Francisco
## Statement of Cash Flows
## For the Year Ended June 30, 2023
## (With Comparative Totals for 2022)

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ (685,469) | $ (69,698) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 1,994,175 | 1,987,864 |
| Amortization of operating lease right-of-use asset | 182,022 | - |
| Loss on disposal of property and equipment | 7,987 | - |
| Net realized and unrealized (gain) loss on investments | (746,439) | 2,439,187 |
| Contributions restricted for endowment | (83,085) | (3,000) |
| Forgiveness of loan payable (Paycheck Protection Program) | - | (5,702,194) |
| Changes in operating assets and liabilities | | |
| Accounts and other receivables | 94,887 | (72,065) |
| Employee retention tax credit receivable | (1,284,335) | 1,998,776 |
| Contributions receivable, net | (982,715) | 213,070 |
| Other assets | (90,874) | 120,189 |
| Accounts payable and accrued expenses | 25,707 | (387,713) |
| Accrued vacation | 75,894 | (37,890) |
| Deferred revenue | 315,146 | 183,752 |
| Operating lease liability | (178,386) | - |
| Net cash provided by (used in) operating activities | (1,355,485) | 670,278 |
| Cash flows from investing activities | | |
| Acquisition of property and equipment | (361,947) | (2,506,188) |
| Purchase of investments | (353,546) | (17,286,653) |
| Proceeds from the sale of investments | 1,774,047 | 17,377,958 |
| Net cash provided by (used in) investing activities | 1,058,554 | (2,414,883) |
| Cash flows from financing activities | | |
| Cash received for contributions restricted for endowment | - | 653,000 |
| Payments on note payable | (433,333) | (216,667) |
| Net cash provided by (used in) financing activities | (433,333) | 436,333 |
| Net decrease in cash and cash equivalents | (730,264) | (1,308,272) |
| Cash and cash equivalents, beginning of year | 4,195,959 | 5,504,231 |
| Cash and cash equivalents, end of year | $ 3,465,695 | $ 4,195,959 |

Supplemental schedule of noncash investing and financing activities

| | 2023 | 2022 |
|---|---|---|
| Right-of-use-asset obtained in exchange for lease liability | $ 725,849 | $ - |

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

1. NATURE OF OPERATIONS

The Jewish Community Center of San Francisco (the "Center") is a non-profit organization serving the needs of the San Francisco community by providing social, cultural, recreational and educational programs. It offers over 800 recreational and learning programs for youth and adults, ranging from fine arts to languages, health and wellness, sports, aquatics, camps, cultural events, Jewish education and lifelong learning, as well as community services such as city clean-up projects, collection drives, and hygiene kits for the homeless and underhoused population.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Center's financial statements are prepared on an accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The Center reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors of the Center.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions also include the portion of donor-restricted endowment funds that are not required to be maintained in perpetuity, until such funds are appropriated for expenditure by the Center. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

Revenue recognition

Fitness center, program revenue and other revenues including ancillary services are recognized as revenue when earned as performance obligations are met, primarily when a program is provided or over the term of membership dues. Deferred revenue represents activity fees received from participants in advance of the related program activity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contributions and grants are recognized at their fair value when received or when the donor/grantor makes an unconditional promise to give to the Center. Unconditional promises to give that are expected to be collected in future years are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for doubtful contributions receivable is established based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. Conditional promises to give are not recognized until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists. There was no allowance for doubtful contributions receivable as of June 30, 2023.

Contributions that are restricted by the donor or grantor are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions and grants are recognized. All other donor restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions.

Cash and cash equivalents

The Center considers all highly liquid investments with an initial maturity date of three months or less to be cash equivalents. Cash which is considered a component of the Center's investment portfolio is not included as part of cash and cash equivalents for the purposes of the statement of cash flows. Cash on deposit usually exceeds federally insured limits. The Center believes it mitigates this risk by maintaining deposits with major financial institutions.

Accounts and other receivables

The Center uses the allowance method to account for doubtful receivables. The allowance for doubtful accounts reflects management's best estimate of the amounts that will not be collected based on historical experience and an evaluation of the outstanding receivables at the end of the year. At June 30, 2023, no allowance for doubtful accounts has been recorded as all receivables are considered fully collectible.

Other assets

Other assets consists of prepaid expenses and security deposits.

Investments

Investments are valued at fair value based on quoted market prices. Net realized and unrealized gains and losses and interest and dividends, are included in the statement of activities as an increase or decrease in net assets based on the existences or absence of donor-imposed stipulations. Investments received by gift are recorded at the fair value at the date of donation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Center determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3).

- *Level 1* - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- *Level 2* - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- *Level 3* - Unobservable inputs for the asset or liability.

Unobservable inputs reflect the Center's own assumptions about the assumptions market participants would use to price the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Center's own data.

Investments (Level 1) in equity and debt securities are valued at their fair values as determined primarily by quoted market prices.

Leases

The Center leases office space and equipment under operating leases. The Center determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the statement of financial position. Finance leases are included in property and equipment and other long-term liabilities on the statement of financial position. The Center does not have any finance leases.

ROU assets represent the Center's right to use an underlying asset for the lease term and lease liabilities represent the Center's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Center's lease does not provide an implicit rate, the Center uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Center's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Center has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. The Center does not have any short-term leases.

Property and equipment

Property and equipment are recorded at cost when purchased or if donated, at the estimated fair value on the date of the gift. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets ranging from five to forty years. The Center capitalizes assets with an economic benefit that will be derived over a period of 5 years or more and has a value of $5,000 or more.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Buildings and improvements | 40 years or the remaining life of the building or lease |
| Furniture and equipment | 5 years |
| Automobiles | 5 years |

Rewards program

The Center defers revenue associated with the estimated selling price of points earned by its program members towards free products or services as each point is earned, and a corresponding liability is established. The estimated selling price of each point earned is based on the estimated value of the product or service for which the reward is expected to be redeemed, net of points not expected to be redeemed, based on historical redemption patterns. When a customer redeems an earned reward, revenue is recognized for the redeemed product or service and the related loyalty program liability is reduced. The liability related to the loyalty program totaled $117,339 as of June 30, 2023 and is included in deferred revenue on the statement of financial position.

Contributed services

Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Center. The Center received 155 volunteer hours for the year ended June 30, 2023. The value of contributed time is not historically reflected in the financial statements because they do not meet the above criteria for recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Expenses such as payroll and employee costs have been allocated among program services, management and general, and development, based on estimated time spent by the Center's management. Facility related costs such as depreciation and amortization, interest, occupancy and utilities have been allocated based on estimated square footage used by various departments.

Advertising costs

Advertising costs are expensed as incurred. Advertising expenses were $264,836 for the year ended June 30, 2023.

Collective bargaining agreement

Approximately 53% of full-time staff positions are covered by a collective bargaining agreement. The current bargaining agreement was in effect through December 31, 2019 and extended the agreement on a month-to-month basis requiring 30 days' notice by either party wishing to terminate the agreement.  The agreement continues to function on a month-to-month basis.

Comparative financial statements

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2022, from which the information was derived.

Income tax status

The Center is a qualified not-for-profit organization exempt from federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

The Center has evaluated its current tax positions and has concluded that as of June 30, 2023, the Center does not have any significant uncertain tax positions for which a reserve would be necessary.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

### Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Center adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 with certain practical expedients available.

The Center elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Center recognized on July 1, 2022, an initial lease liability of $725,849 which represents the present value of the remaining operating lease payments of $768,668 discounted using risk free rates ranging from 2.79% to 2.88%, and a right-of-use asset of $725,849.

The standard had a material impact to the Center's statement of financial position as of June 30, 2023, but did not have a material impact on the Center's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases on the statement of financial position as of June 30, 2023.

## 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of amounts due for annual campaign pledges, endowment, foundation grants and others. As of June 30, 2023, contributions receivable were recorded using discount rates ranging from 2.52% to 4.07%.

3. CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable, net consisted of the following:

| | |
|---|---|
| Receivable in less than one year | $ 477,785 |
| Receivable in one to five years | 4,500,000 |
| | 4,977,785 |
| Less discounts to net present value | (206,250) |
| | $ 4,771,535 |

Contributions receivable, net consisted of the following:

| | |
|---|---|
| Contributions receivable, net | $ 1,631,773 |
| Contributions receivable restricted for endowment, net | 3,139,762 |
| | $ 4,771,535 |

4. INVESTMENTS

Investments consisted of the following:

| | Cost | Fair Value |
|---|---|---|
| Cash equivalents | $ 395,423 | $ 395,423 |
| Mutual funds | 15,248,159 | 13,611,738 |
| | $ 15,643,582 | $ 14,007,161 |

Investments consisted of the following:

| | |
|---|---|
| Operating investments | $ 1,537,803 |
| Investments restricted for endowment | 12,469,358 |
| | $ 14,007,161 |

Investment income, net is comprised of net realized and unrealized gains of $746,439, interest and dividends of $405,322 and fees of $45,788 for the year ended June 30, 2023.

5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2023:

| | Level 1 | Level 2 | Level 3 | Fair Value |
|---|---|---|---|---|
| Cash equivalents | $ 395,423 | $ - | $ - | $ 395,423 |
| Mutual funds | | | | |
| Equity funds | 7,939,547 | - | - | 7,939,547 |
| Fixed income funds | 5,672,191 | - | - | 5,672,191 |
| | 13,611,738 | - | - | 13,611,738 |
| | $ 14,007,161 | $ - | $ - | $ 14,007,161 |

6. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

| | |
|---|---|
| Land | $ 2,104,375 |
| Buildings and improvements | 67,582,338 |
| Furniture and equipment | 5,589,353 |
| Automobiles | 76,918 |
| Construction in progress | 85,075 |
| | 75,438,059 |
| Accumulated depreciation | (37,655,371) |
| | $ 37,782,688 |

Depreciation expense amounted to $1,994,175 for the year ended June 30, 2023.

7. LINE OF CREDIT

The Center entered into a line of credit on January 1, 2021 for $4,000,000 with an interest rate of 1.35% above LIBOR in effect on the first day of the applicable LIBOR period. The line of credit matures on June 20, 2024. No amounts were drawn on the line of credit during the year ended June 30, 2023. No amounts were outstanding on the line of credit as of June 30, 2023.

8. NOTE PAYABLE

On March 22, 2021, the Center entered into a loan agreement with the Jewish Community Response and Impact Fund ("JCRIF"), LLC for an interest-free loan of $1,300,000 (the "Loan"). The loan requires quarterly payments of principal and matures on January 1, 2025.

8. NOTE PAYABLE (continued)

The future maturities of the note payable are as follows:

| Year ending June 30, | |
|---|---|
| 2024 | $ 400,000 |
| 2025 | 250,000 |
| | $ 650,000 |

9. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit ("ERC"), a refundable tax credit against certain employment taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and was subsequently amended through additional legislation. The tax credit is equal to 50% of the qualified wages, up to $10,000 per employee, that an employer whose business has been financially impacted by COVID-19 pays to employees after March 12, 2020 and before January 1, 2022.

The Center determined it was eligible to apply for the ERC and calculated a total ERC of $1,284,335 for the wages paid during the period July 2021 through September 2021. As the Center has substantially met the program's eligibility conditions, the Center has recognized a receivable as of June 30, 2023 and income for the ERC during the year then ended. The Center received payment of the funds subsequent to year-end (see Note 19).

The ERC program is subject to inspection and audit by the IRS. The purpose of such audits is to determine whether entities met eligibility requirements under the program and that funds were used in accordance with guidelines and regulations. While management believes the Center met the ERC requirements, it is possible that ERC funds recognized could ultimately be disallowed. The ultimate liability, if any, which may result from a governmental audit cannot be reasonably estimated and, accordingly, no provision for the possible disallowance of ERC funds has been recorded on the Center's financial statements.

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are as follows:

| | |
|---|---|
| Undesignated | $ 37,338,715 |
| Board designated building reserve | 1,537,803 |
| | $ 38,876,518 |

## 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

| | |
|---|---|
| Restricted to future periods | $ 1,695,926 |
| Restricted by purpose | 159,000 |
| Donor-restricted endowment (including amounts above the original gift amounts of $12,171,936) | 15,609,120 |
| | $ 17,464,046 |

Net assets with donor restrictions released from restriction during the year were as follows:

| | |
|---|---|
| Restricted to future periods | $ 937,770 |
| Restricted by purpose | 10,000 |
| Appropriation of endowment earnings | 648,100 |
| | $ 1,595,870 |

## 12. ENDOWMENT

The Center's endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Center's Board of Directors has interpreted the 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. As a result of this interpretation, the Center classifies as endowment net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

12. ENDOWMENT (continued)

Interpretation of relevant law (continued)

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 fund

(2) The purposes of the Center and the donor-restricted endowment fund

(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

(7) The investment policies of the Center

Return objectives and risk parameters

In order to extend the duration and preservation of endowment funds and to satisfy its long term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center maintains a balanced portfolio of equities and fixed income investments in order to achieve its long-term return objectives consistent with the preservation of capital.

Gains from the investment of endowment gifts are classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors has approved a spending policy that allows for a prudent 5.00% distribution of endowment funds based on a 36-month moving average of the market values of its endowment investments; this distribution shall not exceed a maximum of 6% of the market value in the final month used in calculating the market value average. UPMIFA includes a presumption that spending up to 7.00% of the fair value of endowment funds in one year is prudent and amounts appropriated for spending may exceed actual realized earnings from endowments.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2023.

12. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor restricted endowment funds | $ - | $ 15,609,120 | $ 15,609,120 |
| | $ - | $ 15,609,120 | $ 15,609,120 |

Changes in endowment net assets for the fiscal year ended June 30, 2023 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Balance, June 30, 2022 | $ - | $ 15,115,426 | $ 15,115,426 |
| Investment return | | | |
| Interest and dividend income, net | - | 296,845 | 296,845 |
| Net realized and unrealized gain | - | 761,864 | 761,864 |
| Total investment return | - | 1,058,709 | 1,058,709 |
| Contributions and change in discount | - | 83,085 | 83,085 |
| Appropriation of endowment earnings | - | (648,100) | (648,100) |
| | - | 493,694 | 493,694 |
| Balance, June 30, 2023 | $ - | $ 15,609,120 | $ 15,609,120 |

13. RETIREMENT PLAN

In 2009, the Center established a 403(b) retirement plan for all eligible employees which includes a defined employer contribution as well as a partial match on amounts contributed by employees. Contributions to the plan by the Center amounted to $725,885 for the year ended June 30, 2023.

14. LEASES

The Center leases real property and office equipment under non-cancelable lease arrangements classified as operating leases with monthly lease payments ranging from $1,373 to $8,345. At June 30, 2023, the operating lease ROU asset and operating lease liability amounted to $543,827 and $547,463, respectively.

14. LEASES (continued)

Additional information related to leases is as follows:

| | | |
|---|---|---|
| Operating lease cost | $ | 199,994 |
| Operating cash flows from operating leases | $ | 196,358 |
| ROU asset obtained in exchange for lease obligations | $ | 725,849 |
| Weighted average remaining lease term | | 3.17 |
| Weighted average discount rate | | 2.86% |

Future minimum lease payments under non-cancelable leases as of June 30, 2023 were as follows:

| Year ending June 30, | | |
|---|---|---|
| 2024 | $ | 189,887 |
| 2025 | | 183,468 |
| 2026 | | 132,765 |
| 2027 | | 66,190 |
| | | 572,310 |
| Less: imputed interest | | (24,847) |
| | $ | 547,463 |

15. CONCENTRATIONS OF CREDIT RISK

The Center has identified its financial instruments that are potentially subject to credit risk. These financial instruments consist principally of cash, investments, receivables and contributions receivables.

The Center invests its excess cash in cash deposits with various financial institutions. Investments are diversified in order to limit the market risk.

Receivables, including promises to give are unsecured and concentrated in the San Francisco Bay Area; however, concentrations of credit risk with respect to these receivables are limited due to the large number of members and donors.

Two donors accounted for approximately 90% of the contributions receivable outstanding at June 30, 2023. Two donors accounted for approximately 44% of the contribution and grant revenue during the year ended June 30, 2023.

16. COMMITMENTS

The contract between the Center and EXOS Community Services, LLC (formerly known as Medifit Community Services LLC), the Center's fitness management company, is effective July 31, 2014 through July 31, 2024.

## 17. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Center's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Center has cash and cash equivalents available. Contributions receivable that are considered current will be collected from donors within one year and will be available for general expenditure. The Center has a committed line of credit in the amount of $4,000,000 which it could draw upon, if needed.

The Center's investments consist of board designated reserve funds primarily intended to be used for repair and replacement of building systems, equipment and furnishings and donor-restricted endowments. The Center expects to appropriate $603,500 from board designated reserve funds over the next year, and the funds can be made available in their entirety if needed. A portion of the income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 12, the endowment funds have a spending rate of 5.00% based on a 36-month average of the market values of its endowment investments. Approximately $643,000 of appropriations from the donor restricted endowment will be available within the next 12 months.

Financial assets available to meet cash needs for general expenditures within one year consist of the following:

| | |
|---|---|
| Financial assets: | |
| Cash and cash equivalents | $ 3,465,695 |
| Accounts and other receivables | 22,514 |
| Employee retention tax credit receivable | 1,284,335 |
| Contributions receivable, net | 1,631,773 |
| Investments | 1,537,803 |
| Contributions receivable restricted for endowment, net | 3,139,762 |
| Investments restricted for endowment | 12,469,358 |
| | 23,551,240 |
| Less: amounts unavailable for general expenditure within one year | |
| Donor restricted endowments, less expected appropriations of $643,000 | (14,966,120) |
| Board-designated reserves, less expected appropriations of $603,500 | (934,303) |
| | (15,900,423) |
| | $ 7,650,817 |

## 18. FUNCTIONAL EXPENSE ALLOCATION

The table below presents expenses by both their natural and functional classifications for the year ended June 30, 2023:

| | Fitness Center | Early Childhood Education | Youth and Family | Adult | Ancillary Services | Program Total | Management and General | Development | Total |
|---|---|---|---|---|---|---|---|---|---|
| Salaries, payroll and benefits | $ 3,597,664 | $ 6,998,878 | $ 3,736,819 | $ 1,627,069 | $ 478,575 | $ 16,439,005 | $ 2,813,008 | $ 1,075,382 | $ 20,327,395 |
| Occupancy | 516,171 | 739,495 | 347,199 | 133,093 | 164,067 | 1,900,025 | 675,119 | 89,169 | 2,664,313 |
| Professional and temporary staffing fees | 399,046 | 325,454 | 179,434 | 224,334 | 50,776 | 1,179,044 | 626,060 | 209,332 | 2,014,436 |
| Office expenses | 195,962 | 253,425 | 119,645 | 89,114 | 1,754 | 659,900 | 26,396 | 92,735 | 779,031 |
| Marketing | 186,947 | 32,242 | 22,646 | 37,440 | 7,795 | 287,070 | 16,340 | 26,134 | 329,544 |
| Credit card processing fees and bad debts | 169,970 | 17,276 | 78,809 | 5,759 | 11,517 | 283,331 | 11,703 | 14,940 | 309,974 |
| Travel, conferences and meetings | 12,924 | 24,941 | 32,197 | 18,725 | 779 | 89,566 | 28,976 | 10,331 | 128,873 |
| Depreciation | 676,025 | 143,581 | 478,602 | 378,893 | 31,907 | 1,709,008 | 279,185 | 5,983 | 1,994,176 |
| Other expenses | 415,660 | 338,807 | 90,756 | 106,693 | 22,040 | 973,956 | 619,077 | 97,219 | 1,690,252 |
| | $ 6,170,369 | $ 8,874,099 | $ 5,086,107 | $ 2,621,120 | $ 769,210 | $ 23,520,905 | $ 5,095,864 | $ 1,621,225 | $ 30,237,994 |

## 19. SUBSEQUENT EVENTS

In July 2023, the Center received a payment in the amount of $1,284,335 for the ERC.

Subsequent events have been evaluated through February 1, 2024, which is the date the financial statements were available to be issued. No other subsequent events have occurred that would have a material impact on the presentation of the Center's financial statements.