Jewish Community Center of San Francisco

Financial Statements

June 30, 2018
(With Comparative Totals for 2017)

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Jewish Community Center of San Francisco (a California nonprofit corporation) (the "Center"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Opinion

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Jewish Community Center of San Francisco's 2017 financial statements, and our report dated December 12, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino[LLP]
San Ramon, California

November 21, 2018

Jewish Community Center of San Francisco
Statement of Financial Position
June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 784,084	$ 518,629
Accounts and other receivables	230,095	143,347
Contributions receivable, net	828,139	1,474,386
Other assets	297,273	317,675
Investments	16,829,588	22,685,931
Property and equipment, net	43,282,466	45,074,860
Total assets	$ 62,251,645	$ 70,214,828
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,317,501	$ 1,907,152
Accrued vacation	693,866	688,589
Deferred revenue	2,573,731	2,398,234
Loan payable	-	1,416,667
Line of credit	-	4,300,000
Total liabilities	4,585,098	10,710,642
Net assets		
Unrestricted	44,134,175	45,517,806
Temporarily restricted	4,098,478	4,552,486
Permanently restricted	9,433,894	9,433,894
Total net assets	57,666,547	59,504,186
Total liabilities and net assets	$ 62,251,645	$ 70,214,828

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, 2018
(With Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Revenues, gains and other support					
Contributions and grants	$ 3,655,587	$ 207,542	$ -	$ 3,863,129	$ 4,575,760
Government grants	132,149	-	-	132,149	253,658
Fitness center	12,565,360	-	-	12,565,360	12,585,502
Program revenue	13,124,173	-	-	13,124,173	14,011,001
Investment income	395,320	883,615	-	1,278,935	2,144,340
Special events, net of expenses of $148,084	308,487	-	-	308,487	168,772
Miscellaneous	627,130	-	-	627,130	694,849
Ancillary service revenue	1,453,172	-	-	1,453,172	1,846,113
Net assets released from restriction	1,545,165	(1,545,165)	-	-	-
Revenues, gains and other support	33,806,543	(454,008)	-	33,352,535	36,279,995
Functional expenses					
Program services					
Fitness center	9,602,320	-	-	9,602,320	9,077,178
Early childhood education	7,139,978	-	-	7,139,978	7,202,060
Youth and family	6,181,536	-	-	6,181,536	6,246,808
Adults	3,707,733	-	-	3,707,733	5,817,807
Ancillary services	1,431,651	-	-	1,431,651	1,975,424
Total program services	28,063,218	-	-	28,063,218	30,319,277
Supporting services					
Management and general	5,579,479	-	-	5,579,479	5,455,581
Development	1,547,477	-	-	1,547,477	1,592,280
Total supporting services	7,126,956	-	-	7,126,956	7,047,861
Total functional expenses	35,190,174	-	-	35,190,174	37,367,138
Change in net assets from operations	(1,383,631)	(454,008)	-	(1,837,639)	(1,087,143)
Pension plan termination refund	-	-	-	-	54,716
Change in net assets	(1,383,631)	(454,008)	-	(1,837,639)	(1,032,427)
Net assets, beginning of year	45,517,806	4,552,486	9,433,894	59,504,186	60,536,613
Net assets, end of year	$ 44,134,175	$ 4,098,478	$ 9,433,894	$ 57,666,547	$ 59,504,186

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, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (1,837,639)	$ (1,032,427)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	2,036,210	1,944,643
Net realized and unrealized gains on investments	(874,240)	(1,454,114)
Changes in operating assets and liabilities		
Accounts and other receivables	(86,748)	(29,925)
Contributions receivable	646,247	(1,113,259)
Other assets	20,402	435,775
Accounts payable and accrued expenses	(589,651)	572,027
Accrued vacation	5,277	15,684
Deferred revenue	175,497	(145,927)
Net cash used in operating activities	(504,645)	(807,523)
Cash flows from investing activities		
Acquisition of property and equipment	(243,816)	(999,196)
Purchase of investments	(20,649,426)	(1,416,214)
Proceeds from sale of investments	27,380,009	2,469,148
Net cash provided by investing activities	6,486,767	53,738
Cash flows from financing activities		
Net borrowings (repayments) on line of credit	(4,300,000)	1,100,000
Repayment on loan payable	(1,416,667)	(500,000)
Net cash provided by (used in) financing activities	(5,716,667)	600,000
Net increase (decrease) in cash and cash equivalents	265,455	(153,785)
Cash and cash equivalents, beginning of year	518,629	672,414
Cash and cash equivalents, end of year	$ 784,084	$ 518,629

Supplemental disclosure of cash flow information

Cash paid during the year interest	$ 83,025	$ 115,868

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 1,000 recreational and learning programs for youth and adults, ranging from fine arts to languages, health and wellness, sports, aquatics, camps, travel, studio arts, career development, cultural events, Jewish education, interfaith programs and lifelong learning, as well as community services such as senior lunches, city clean-up projects and job skills training.

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 ("GAAP"). The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

- *Unrestricted net assets* - The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations.
- *Temporarily restricted net assets* - The portion of net assets whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center. Temporarily restricted net assets also include the portion of donor-restricted endowment funds that are not classified as permanently restricted, until such funds are appropriated for expenditure by the Center.
- *Permanently restricted net assets* - The portion of net assets whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center.

Revenue recognition

Membership dues, program service fees and other revenues including ancillary services are recognized as revenue when earned, 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.

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 recorded at the present value of their estimated future cash flows. GAAP requires the use of a discount rate that considers market risk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contributions that are restricted by the donor/grantor are reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets.

Cash and cash equivalents

For purposes of the statement of cash flows, the Center considers all unrestricted 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.

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, 2018, no allowance for doubtful accounts has been recorded as all receivables are considered fully collectible.

Other assets

Other assets include prepaid expenses, cafe inventory, and security deposits.

Investments

Investments are valued at fair value based on quoted market prices with realized and unrealized gains or losses reflected in the statement of activities.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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.

Property and equipment

Property and equipment are recorded at cost when purchased. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets ranging from five to forty 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 on the Statement of Financial Position. 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 $320,831 at June 30, 2018.

Contributed services

Many individuals volunteer their time and perform a variety of tasks that assist the Center. The Center received approximately 2,700 volunteer hours for the year ended June 30, 2018. The value of this contributed time is not reflected in the financial statements because they do not meet the GAAP 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. Costs applicable to more than one program or activity, such as payroll and employee costs, occupancy, utilities, travel, supplies, interest, depreciation and amortization have been allocated among program services, management and general, development and ancillary services classifications based on estimated square footage usage and estimated time spent by the Center's management by function.

Advertising costs

Advertising costs are expensed as incurred. Advertising expenses were $32,588 for the year ended June 30, 2018.

Collective bargaining agreement

Approximately 60% of full-time staff positions are covered by a collective bargaining agreement. The current bargaining agreement is in effect through December 31, 2019 and is to be continued thereafter year to year unless notice to amend, modify, or terminate the agreement is given as is defined in the provisions of the agreement.

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, 2018, the Center does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2017, from which the information was derived.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of amounts due for annual campaign pledges, foundation grants and others.

Contributions receivable consist of the following:

Receivable in less than one year	$ 742,400
Receivable in one to five years	92,900
	835,300
Less: discounts to net present value	(7,161)
	$ 828,139

4. INVESTMENTS

Investments consist of the following:

	Cost	Fair Value
Cash equivalents	$ 358,083	$ 358,083
Mutual funds	16,798,313	16,470,505
Government obligations	1,000	1,000
	$ 17,157,396	$ 16,829,588

Investment income is comprised of net realized and unrealized gains of $874,240, interest and dividends of $404,775 1ess $80 of fees for the year ended June 30, 2018.

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, 2018:

	Level 1	Level 2	Level 3	Fair Value
Cash equivalents	$ 358,083	$ -	$ -	$ 358,083
Mutual funds				
Equity funds	8,276,136	-	-	8,276,136
Fixed income funds	8,194,369	-	-	8,194,369
	16,470,505	-	-	16,470,505
Government obligations	1,000	-	-	1,000
	$ 16,829,588	$ -	$ -	$ 16,829,588

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	$ 2,104,375
Buildings and improvements	63,630,963
Furniture and equipment	6,130,134
Automobiles	60,652
Construction in progress	13,769
	71,939,893
Accumulated depreciation	(28,657,427)
	$ 43,282,466

Depreciation expense amounted to $2,036,210 for the year ended June 30, 2018.

7. LOAN PAYABLE AND LINE OF CREDIT

On April 1, 2015, the Center borrowed $2,500,000 pursuant to a term note under a credit agreement with Wells Fargo Bank (the "Lender") for general working capital purposes. The indebtedness was secured by all of its unrestricted assets, and was payable in monthly installments of principal and interest. The term loan was scheduled to mature on April 1, 2020. The Center also had a line of credit with a maximum borrowing limit of $5,000,000. Both the term loan and line credit were paid in full in December 2017.

7. LOAN PAYABLE AND LINE OF CREDIT (continued)

The Center subsequently entered into a new line of credit for $2,000,000 with an interest rate of 2% above LIBOR in effect on the first day of the applicable LIBOR period. The line of credit is scheduled to mature on May 1, 2019. No amounts were drawn on the line of credit as of June 30, 2018.

8. UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

Undesignated	$ 39,396,750
Board designated reserve	4,298,829
Board designated endowment	438,596
	$ 44,134,175

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

Restricted to future periods	$ 6,000
Restricted by purpose	923,212
Accumulated endowment earnings	3,169,266
	$ 4,098,478

Temporarily restricted net assets released from restriction during the year were as follows:

Restricted to future periods	$ 156,209
Restricted by purpose	764,256
Accumulated endowment earnings	624,700
	$ 1,545,165

10. ENDOWMENT

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

10. ENDOWMENT (continued)

Interpretation of relevant law

The Center's Board of Trustees 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 organization 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, risk parameters, and spending policies

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 temporarily restricted net assets 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 average of the market values of its endowment investments. 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.

10. ENDOWMENT (continued)

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 material deficiencies as of June 30, 2018.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 3,169,266	$ 9,433,894	$ 12,603,160
Board designated funds	438,596	-	-	438,596
	$ 438,596	$ 3,169,266	$ 9,433,894	$ 13,041,756

Changes in endowment net assets for the fiscal year ended June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2017	$ 6,241,433	$ 2,910,788	$ 9,433,894	$18,586,115
Investment return				
Investment income, net	42,854	281,737	-	324,591
Net appreciation	336,859	601,441	-	938,300
Total investment return	379,713	883,178	-	1,262,891
Transfer out of board designated endowment	(5,866,526)	-	-	(5,866,526)
Appropriation of endowment earnings	(316,024)	(624,700)	-	(940,724)
	(5,802,837)	258,478	-	(5,544,359)
Balance, June 30, 2018	$ 438,596	$ 3,169,266	$ 9,433,894	$13,041,756

11. RETIREMENT PLAN

In 2009, the Center established a 403(b) retirement plan for all eligible employees and 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 $811,303 for the year ended June 30, 2018.

11. RETIREMENT PLAN (continued)

The Center participated in the Jewish Community Federation's (the "JCF") multiple employer pension plan. The plan provided defined benefits to all eligible employees. The JCF, together with all affiliated agencies decided to terminate the Plan. The plan was frozen effective December 31, 2007. On December 17, 2014, the Center's board passed a resolution to terminate its participation in the Plan and as a result agreed to pay the termination payment to settle the obligation in full. This obligation of $3,053,906 was paid in full as of December 21, 2015.

12. COMMITMENTS

Operating leases

The Center leases real property and office equipment under lease arrangements classified as operating leases.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,		
2019	$	195,310
2020		196,878
2021		150,200
2022		15,328
	$	557,716

Rental expense related to these leases for the year ended June 30, 2018 amounted to $202,065 .

Fitness center management

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 October 31, 2019.

13. 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.

13. CONCENTRATIONS OF CREDIT RISK (continued)

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 95% of the contributions receivable outstanding at June 30, 2018.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 21, 2018, which is the date the financial statements were available to be issued.