Jewish Community Center of San Francisco

Financial Statements

June 30, 2019
(With Comparative Totals for 2018)

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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, 2019, 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, 2019, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Center has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Restatement of Financial Statements

As discussed in Note 3, management identified an error resulting in the understatement of amounts previously reported for contributions revenue and contributions receivable. Accordingly, amounts reported for contributions receivable and net assets as of June 30, 2018, contributions and grants for the year ended June 30, 2018, and net assets as of July 1, 2017, have been adjusted in the 2018 summarized comparative information. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Jewish Community Center of San Francisco's 2018 financial statements, and our report dated November 21, 2018 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to apply the change in accounting principle and correction of error as discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, adjusted for the change in accounting principle and correction of error discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.

Armanino LLP

Armanino[LLP]
San Ramon, California

December 5, 2019

Jewish Community Center of San Francisco
Statement of Financial Position
June 30, 2019
(With Comparative Totals for 2018)

	2019	(Restated) 2018
ASSETS		
Cash and cash equivalents	$ 2,381,807	$ 784,084
Accounts and other receivables	208,893	230,095
Contributions receivable, net	3,697,465	3,695,670
Other assets	197,725	297,273
Investments	15,638,336	16,829,588
Property and equipment, net	42,169,625	43,282,466
Total assets	$ 64,293,851	$ 65,119,176
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,445,471	$ 1,317,501
Accrued vacation	705,837	693,866
Deferred revenue	3,171,213	2,573,731
Total liabilities	5,322,521	4,585,098
Net assets		
Without donor restrictions	42,389,467	44,134,175
With donor restrictions	16,581,863	16,399,903
Total net assets	58,971,330	60,534,078
Total liabilities and net assets	$ 64,293,851	$ 65,119,176

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, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	(Restated) 2018 Total
Revenues, gains, losses, and other support				
Contributions and grants	$ 3,248,390	$ 913,235	$ 4,161,625	$ 3,733,615
Government grants	212,305	-	212,305	132,149
Fitness center	13,048,847	-	13,048,847	12,565,360
Program revenue	13,735,287	-	13,735,287	13,124,173
Investment income, net	298,978	700,207	999,185	1,278,935
Loss on disposal of property and equipment	(15,715)	-	(15,715)	-
Special events, net of expenses of $141,617	237,846	-	237,846	308,487
Miscellaneous	616,288	-	616,288	627,130
Ancillary service revenue	1,031,182	-	1,031,182	1,453,172
Net assets released from restriction	1,431,482	(1,431,482)	-	-
Total revenues, gains, losses, and other support	33,844,890	181,960	34,026,850	33,223,021
Functional expenses				
Program services				
Fitness center	9,712,515	-	9,712,515	9,602,320
Early childhood education	7,329,607	-	7,329,607	7,139,978
Youth and family	6,451,452	-	6,451,452	6,181,536
Adults	4,068,378	-	4,068,378	3,707,733
Ancillary services	1,156,281	-	1,156,281	1,431,651
Total program services	28,718,233	-	28,718,233	28,063,218
Supporting services				
Management and general	5,358,219	-	5,358,219	5,579,479
Development	1,513,146	-	1,513,146	1,547,477
Total supporting services	6,871,365	-	6,871,365	7,126,956
Total functional expenses	35,589,598	-	35,589,598	35,190,174
Change in net assets	(1,744,708)	181,960	(1,562,748)	(1,967,153)
Net assets, beginning of year (as previously reported)	44,134,175	13,532,372	57,666,547	59,504,186
Prior period adjustment (Note 3)	-	2,867,531	2,867,531	2,997,045
Net assets, beginning of year (as restated)	44,134,175	16,399,903	60,534,078	62,501,231
Net assets, end of year	$ 42,389,467	$ 16,581,863	$ 58,971,330	$ 60,534,078

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, 2019
(With Comparative Totals for 2018)

	2019	(Restated) 2018
Cash flows from operating activities		
Change in net assets	$ (1,562,748)	$ (1,967,153)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,122,908	2,036,210
Loss on disposal of property and equipment	(15,715)	-
Net realized and unrealized gains on investments	(499,416)	(874,240)
Contributions restricted for long-term purposes	(75,215)	-
Changes in operating assets and liabilities		
Accounts and other receivables	21,202	(86,748)
Contributions receivable	(1,795)	775,761
Other assets	99,548	20,402
Accounts payable and accrued expenses	127,970	(589,651)
Accrued vacation	11,971	5,277
Deferred revenue	597,482	175,497
Net cash provided by (used in) operating activities	826,192	(504,645)
Cash flows from investing activities		
Acquisition of property and equipment	(1,017,852)	(243,816)
Proceeds from the sale of property and equipment	23,500	-
Purchase of investments	(1,147,659)	(20,649,426)
Proceeds from the sale of investments	2,838,327	27,380,009
Net cash provided by investing activities	696,316	6,486,767
Cash flows from financing activities		
Contributions restricted for long-term purposes	75,215	-
Repayments on line of credit	-	(4,300,000)
Repayment on loan payable	-	(1,416,667)
Net cash provided by (used in) financing activities	75,215	(5,716,667)
Net increase in cash	1,597,723	265,455
Cash and cash equivalents, beginning of year	784,084	518,629
Cash and cash equivalents, end of year	$ 2,381,807	$ 784,084

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 6,797	$ 83,025

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 ("U.S. GAAP"). The Center reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- *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. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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.

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. Long-term contributions receivable are recorded using discount rate of 2.52%. An allowance for doubtful contributions receivable is established based upon management's judgement including such factors as prior collection history, type of contribution and current aging of contributions receivable.

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, 2019, no allowance for doubtful accounts has been recorded as all receivables are considered fully collectible.

Other assets

Other assets consists of prepaid expenses, cafe inventory, 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.

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.

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 $291,582 as of June 30, 2019 and is included in accounts payable and accrued expenses on the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

Many individuals volunteer their time and perform a variety of tasks that assist the Center. The Center received approximately 2,600 volunteer hours for the year ended June 30, 2019. The value of this contributed time is not reflected in the financial statements because they do not meet the U.S. GAAP criteria for recognition as the Center would not have acquired such services from professionals if they had not been donated.

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, and development, 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 $55,317 for the year ended June 30, 2019.

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.

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, 2018, from which the information was derived. Certain amounts derived from the financial statements for the year ended June 30, 2018 have been restated. See Note 3.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

The Center has evaluated its current tax positions and has concluded that as of June 30, 2019, 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 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 August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
   a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
   b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
   c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
   d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
   e. Methods used to allocate costs among program and support functions.
   f. Underwater endowment funds.
3. Reporting investment return net of external and direct internal investment expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

4. Use, in the absence of explicit donor stipulations of the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The Center adopted the provision of ASU 2016-14 in fiscal year 2019 and applied the amendments on a retrospective basis for all years presented with the option to omit disclosures about functional expenses and liquidity and availability of resources for the prior year comparative period.

Subsequent events

Subsequent events have been evaluated through December 5, 2019, which is the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Center's financial statements.

3. RESTATEMENT OF 2018 SUMMARIZED COMPARATIVE TOTALS

The Center has discovered that previously issued financial statements included an error related to an incorrect interpretation of a promise to give for endowment that should have been recorded during the year ended June 30, 2013. The error in accounting for this contribution resulted in the adjustment to the summarized comparative totals as shown below. There was no impact on net cash flow from operating activities for any years presented.

The effect of the correction on amounts previously reported as of and for the year ended June 30, 2018 are as follows:

	Restated	As Previously Reported
Contributions receivable, net	$ 3,695,670	$ 828,139
Contributions and grants revenue	$ 3,733,615	$ 3,863,129
Net assets with donor restriction	$ 16,399,903	$ 13,532,372
Changes in net assets	$ 1,967,153	$ 1,837,639

4. CONTRIBUTIONS RECEIVABLE

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

4. CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable consisted of the following:

Receivable in less than one year	$ 555,786
Receivable in one to five years	310,000
Receivable in more than five years	3,300,000
	4,165,786
Less discounts to net present value	(468,321)
	$ 3,697,465

5. INVESTMENTS

Investments consisted of the following:

	Cost	Fair Value
Cash equivalents	$ 341,902	$ 341,902
Mutual funds	15,091,004	15,295,434
Government obligations	1,000	1,000
	$ 15,433,906	$ 15,638,336

Investment income, net is comprised of net realized and unrealized gains of $499,416, interest and dividends of $499,800 less $31 of fees for the year ended June 30, 2019.

6. 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, 2019:

	Level 1	Level 2	Level 3	Fair Value
Cash equivalents	$ 341,902	$ -	$ -	$ 341,902
Mutual funds				
Equity funds	7,904,577	-	-	7,904,577
Fixed income funds	7,390,857	-	-	7,390,857
	15,295,434	-	-	15,295,434
Government obligations	1,000	-	-	1,000
	$ 15,638,336	$ -	$ -	$ 15,638,336

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	$ 2,104,375
Buildings and improvements	63,906,943
Furniture and equipment	6,428,017
Automobiles	76,918
Construction in progress	13,078
	72,529,331
Accumulated depreciation	(30,359,706)
	$ 42,169,625

Depreciation expense amounted to $2,122,908 for the year ended June 30, 2019.

8. LINE OF CREDIT

The Center entered into a new line of credit on May 1, 2018 for $2,000,000 with an interest rate of 1.35% above LIBOR in effect on the first day of the applicable LIBOR period. The line of credit was set to mature on May 1, 2019 and was amended effective May 1, 2019 to extend the maturity date to May 1, 2020. No amounts were drawn on the line of credit at June 30, 2019.

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are as follows:

Undesignated	$ 39,544,943
Board designated building and capital reserve	2,671,353
Board designated endowment	173,171
	$ 42,389,467

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted to future periods	$ 65,000
Restricted by purpose	891,211
Donor-restricted endowment (including accumulated earnings)	15,625,652
	$ 16,581,863

10. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

Restricted to future periods	$ 6,000
Restricted by purpose	816,152
Appropriation of endowment earnings	609,330
	$ 1,431,482

11. 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 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.

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

11. ENDOWMENT (continued)

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 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.

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, 2019.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 15,625,651	$ 15,625,651
Board designated endowment funds	173,171	-	173,171
	$ 173,171	$ 15,625,651	$ 15,798,822

11. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2018 (as restated)	$ 438,602	$ 15,470,676	$ 15,909,278
Investment return			
Investment income, net	4,586	336,138	340,724
Net appreciation	4,972	364,069	369,041
Total investment return	9,558	700,207	709,765
Contributions and change in discount	-	75,215	75,215
Appropriation of endowment earnings	(274,989)	(609,330)	(884,319)
Change in donor restriction	-	(11,117)	(11,117)
	(265,431)	154,975	(110,456)
Balance, June 30, 2019	$ 173,171	$ 15,625,651	$ 15,798,822

12. 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 $823,269 for the year ended June 30, 2019.

13. COMMITMENTS

Operating leases

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

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

Year ending June 30,	
2020	$ 194,589
2021	174,834
2022	33,804
	$ 403,227

13. COMMITMENTS (continued)

Operating leases (continued)

Rent expense related to these leases for the year ended June 30, 2019 amounted to $194,545.

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 January 31, 2020.

14. 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 94% of the contributions receivable outstanding at June 30, 2019. One donor accounted for 16% of the contribution revenue during the year ended June 30, 2019.

15. 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 are considered available for general expenditures. To help manage unanticipated liquidity needs, the Center has a committed line of credit in the amount of $2,000,000, which it could draw upon if needed. The Center has long-term contributions receivable, net of discount, of $3,141,679 at June 30, 2019. As of June 30, 2019, $2,842,251 of the long-term contributions receivable is donor-restricted for the endowment and therefore backed out of that line item in the table below.

15. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The Center's investments consist of board designated reserve funds primarily used for repair and replacement of building systems, equipment and furnishings, donor-restricted endowments and board designated endowment. The Center intends to appropriate $2,000,000 from board-designated reserve funds in fiscal year 2020 to fund certain expenditures. Although the Center does not intend to spend from its board designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board designated endowment as well as other board-designated reserve funds could be made available if necessary. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 11, 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 $776,000 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	$ 2,381,807
Contributions receivable, net	3,697,465
Investments	15,638,336
Accounts and other receivables	208,893
	21,926,501
Less: amounts unavailable for general expenditure within one year	
Donor restricted endowments, less expected appropriations of $776,000	(14,849,651)
Board-designated reserves, less expected appropriations of $2,000,000	(671,353)
Long-term contributions receivable, net of discount	(299,428)
Board-designated endowment	(173,171)
	(15,993,603)
	$ 5,932,898

16. FUNCTIONAL EXPENSE ALLOCATION

The table below presents expenses by both their natural and functional classifications for the year ended June 30, 2019:

	Fitness	ECE	Youth and Family	Adult	Ancillary Services	Program Total	Management and General	Development	Total
Salaries and payroll	$ 6,418,227	$ 5,949,140	$ 4,554,196	$ 2,415,250	$ 605,893	$ 19,942,706	$ 3,309,009	$ 953,557	$ 24,205,272
Professional and temporary staffing fees	782,500	293,694	243,622	501,519	86,308	1,907,643	826,238	120,784	2,854,665
Marketing	95,925	20,241	34,333	57,450	9,619	217,568	36,307	43,155	297,030
Office expenses	277,097	215,968	245,209	167,952	15,212	921,438	25,609	120,809	1,067,856
Occupancy	747,331	588,118	416,074	231,755	303,593	2,286,871	659,223	106,798	3,052,892
Travel, conferences and meetings	23,135	23,172	176,969	126,815	1,555	351,646	26,522	18,176	396,344
Credit card processing fees and bad debts	555,886	50,992	171,197	20,607	42,828	841,510	35,287	17,736	894,533
Depreciation	719,666	152,849	509,498	403,353	33,967	1,819,333	297,207	6,368	2,122,908
Other expenses	92,748	35,433	100,354	143,677	57,306	429,518	142,817	125,763	698,098
	$ 9,712,515	$ 7,329,607	$ 6,451,452	$ 4,068,378	$ 1,156,281	$ 28,718,233	$ 5,358,219	$ 1,513,146	$ 35,589,598