Jewish Community Center of San Francisco

Financial Statements

June 30, 2021
(With Comparative Totals for 2020)

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

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, 2021, 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, 2021, 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 2014-09, *Revenue from Contracts with Customers* (Topic 606). 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 2020 financial statements, and our report dated December 11, 2020 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino[LLP]
San Ramon, California

January 13, 2022

Jewish Community Center of San Francisco
Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 5,504,231	$ 3,434,905
Accounts and other receivables	45,336	292,481
Employee retention tax credit receivable	1,998,776	-
Contributions receivable, net	4,568,805	4,670,972
Other assets	398,538	307,745
Investments	17,211,715	15,747,697
Property and equipment, net	38,904,579	40,417,161
Total assets	$ 68,631,980	$ 64,870,961
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 2,025,044	$ 1,520,656
Accrued vacation	639,679	569,162
Deferred revenue	1,938,926	2,152,446
Note payable	1,300,000	-
Loan payable (Paycheck Protection Program)	5,632,600	3,632,600
Total liabilities	11,536,249	7,874,864
Net assets		
Without donor restrictions	36,178,571	39,508,512
With donor restrictions	20,917,160	17,487,585
Total net assets	57,095,731	56,996,097
Total liabilities and net assets	$ 68,631,980	$ 64,870,961

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, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, gains (losses) and other support				
Contributions and grants	$ 2,849,602	$ 2,943,930	$ 5,793,532	$ 6,216,339
Government grants	338,757	-	338,757	180,115
Employee retention tax credit	1,998,776	-	1,998,776	-
Fitness center	2,097,232	-	2,097,232	9,919,445
Program revenue	5,999,155	-	5,999,155	10,860,042
Investment income, net	87,082	2,955,028	3,042,110	647,739
Loss on disposal of property and equipment	-	-	-	(27,853)
Special events	-	-	-	237,114
Miscellaneous	182,862	-	182,862	738,165
Ancillary service revenue	-	-	-	719,603
Net assets released from restriction	2,469,383	(2,469,383)	-	-
Total revenues, gains, losses, and other support	16,022,849	3,429,575	19,452,424	29,490,709
Functional expenses				
Program services				
Fitness center	2,967,463	-	2,967,463	7,789,837
Early childhood education	5,905,125	-	5,905,125	7,114,118
Youth and family	2,845,597	-	2,845,597	5,868,534
Adults	2,078,766	-	2,078,766	3,333,897
Ancillary services	238,521	-	238,521	883,832
Total program services	14,035,472	-	14,035,472	24,990,218
Supporting services				
Management and general	4,185,505	-	4,185,505	4,947,156
Development	1,131,813	-	1,131,813	1,528,568
Total supporting services	5,317,318	-	5,317,318	6,475,724
Total functional expenses	19,352,790	-	19,352,790	31,465,942
Change in net assets	(3,329,941)	3,429,575	99,634	(1,975,233)
Net assets, beginning of year	39,508,512	17,487,585	56,996,097	58,971,330
Net assets, end of year	$ 36,178,571	$ 20,917,160	$ 57,095,731	$ 56,996,097

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, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 99,634	$ (1,975,233)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	2,545,658	2,101,206
Loss on disposal of property and equipment	-	27,853
Net realized and unrealized gains on investments	(2,502,270)	(217,478)
Contributions restricted for long-term purposes	(2,650,000)	(105,000)
Changes in operating assets and liabilities		
Accounts and other receivables	247,145	(83,588)
Employee retention tax credit receivable	(1,998,776)	-
Contributions receivable	752,167	(973,507)
Other assets	(90,793)	(110,020)
Accounts payable and accrued expenses	504,388	75,185
Accrued vacation	70,517	(136,675)
Deferred revenue	(213,520)	(1,018,767)
Net cash used in operating activities	(3,235,850)	(2,416,024)
Cash flows from investing activities		
Acquisition of property and equipment	(1,033,076)	(376,595)
Purchase of investments	(539,905)	(1,134,671)
Proceeds from the sale of investments	1,578,157	1,242,788
Net cash provided by (used in) investing activities	5,176	(268,478)
Cash flows from financing activities		
Cash received for contributions restricted for long-term purposes	2,000,000	105,000
Proceeds from note payable	1,300,000	-
Proceeds from loan payable (Paycheck Protection Program)	2,000,000	3,632,600
Net cash provided by financing activities	5,300,000	3,737,600
Net increase in cash and cash equivalents	2,069,326	1,053,098
Cash and cash equivalents, beginning of year	3,434,905	2,381,807
Cash and cash equivalents, end of year	$ 5,504,231	$ 3,434,905

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ -	$ 6,054

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. Prior to the global pandemic, it offered 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 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, 2021.

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, 2021, 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 $214,807 as of June 30, 2021 and is included in deferred revenue 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 did not receive any volunteer hours for the year ended June 30, 2021. The value of contributed time is not historically 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 $72,310 for the year ended June 30, 2021.

Collective bargaining agreement

Approximately 55% 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, 2020, 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.

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, 2021, 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 May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2020. The Center adopted ASU 2014-09 with a date of the initial application of July 1, 2020, using the modified prospective method.

The adoption of ASU 2014-09 did not have a significant impact on the Center's financial position, result of operations, or cash flows.

3. CONTRIBUTIONS RECEIVABLE

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

Contributions receivable consisted of the following:

Receivable in less than one year	$ 1,081,500
Receivable in one to five years	3,800,000
	4,881,500
Less discounts to net present value	(312,695)
	$ 4,568,805

4. INVESTMENTS

Investments consisted of the following:

	Cost	Fair Value
Cash equivalents	$ 235,823	$ 235,823
Mutual funds	14,164,501	16,975,892
	$ 14,400,324	$ 17,211,715

Investment income, net is comprised of net realized and unrealized gains of $2,502,270, interest and dividends of $539,840 for the year ended June 30, 2021.

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, 2021:

	Level 1	Level 2	Level 3	Fair Value
Cash equivalents	$ 235,823	$ -	$ -	$ 235,823
Mutual funds				
Equity funds	9,657,474	-	-	9,657,474
Fixed income funds	7,318,418	-	-	7,318,418
	16,975,892	-	-	16,975,892
	$ 17,211,715	$ -	$ -	$ 17,211,715

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	$ 2,104,375
Buildings and improvements	64,140,104
Furniture and equipment	5,493,025
Automobiles	76,918
Construction in progress	1,043,589
	72,858,011
Accumulated depreciation	(33,953,432)
	$ 38,904,579

Depreciation expense amounted to $2,545,658 for the year ended June 30, 2021.

7. LINE OF CREDIT

The Center entered into a line of credit on May 1, 2018 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 matured on November 1, 2020. The Center entered into a new 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 at June 30, 2021.

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.

The future maturities of the note payable are as follows:

Year ending June 30,	
2022	$ 200,000
2023	400,000
2024	400,000
2025	300,000
	$ 1,300,000

9. PAYCHECK PROTECTION PROGRAM

On April 20, 2020, the Center received loan proceeds of $3,632,600 from a promissory note issued by Bank of San Francisco, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term of the loan was two years and the annual interest rate is 1%. Payments of principal and interest were deferred for the first six months of the loan. On January 29, 2021, the Center received a second PPP loan in the amount of $2,000,000 from a promissory note issued by the Bank of San Francisco. The term of the loan is five years and the annual interest rate is 1%. Payments of principal and interest are deferred until the earlier of the date on which the amount of forgiveness is determined or sixteen months after the loan is disbursed. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under PPP. Such forgiveness is determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Center applied for and was granted full forgiveness of the first PPP loan on August 2, 2021 (see Note 20). The Center believes that it will likely qualify for a significant portion of the second PPP loan to be forgiven, but there is uncertainty around the standards and operation of the PPP, and no assurance is provided that the Center will obtain forgiveness in whole or in part. The Center is accounting for the PPP loans as debt with forgiveness recorded upon formal forgiveness. The outstanding balance of the PPP loan as of June 30, 2021 is $5,632,600.

10. 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 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, 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 $1,998,776 for the wages paid during the period January 1, 2021 through June 30, 2021. As the ERC refund relates to salaries and wages paid during 2021 and as the Center has satisfied all conditions of the program, the Center has recognized income and a corresponding receivable for the calculated ERC as of and for the year ended June 30, 2021.

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are as follows:

Undesignated	$ 33,307,345
Board designated building reserve	2,871,226
	$ 36,178,571

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted to future periods	$ 815,000
Restricted by purpose	2,774,368
Donor-restricted endowment (including accumulated earnings)	17,327,792
	$ 20,917,160

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

Restricted to future periods	$ 987,500
Restricted by purpose	248,000
Appropriation of endowment earnings	733,883
Donor approved endowment release	500,000
	$ 2,469,383

13. 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.

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 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.

13. ENDOWMENT (continued)

Return objectives and risk parameters (continued)

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, 2021.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 17,327,792	$ 17,327,792
	$ -	$ 17,327,792	$ 17,327,792

13. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2020	$ -	$ 15,533,217	$ 15,533,217
Investment return			
Investment income, net	-	384,867	384,867
Net appreciation	-	2,570,161	2,570,161
Total investment return	-	2,955,028	2,955,028
Donor approved endowment release	-	(500,000)	(500,000)
Contributions and change in discount	-	73,430	73,430
Appropriation of endowment earnings	-	(733,883)	(733,883)
	-	1,794,575	1,794,575
Balance, June 30, 2021	$ -	$ 17,327,792	$ 17,327,792

14. 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 $45,637 for the year ended June 30, 2021.

15. 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,	
2022	$ 196,650
2023	179,887
2024	181,654
	$ 558,191

15. COMMITMENTS (continued)

Operating leases (continued)

Rent expense related to these leases for the year ended June 30, 2021 amounted to $183,145.

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 July 31, 2024.

16. 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.

Three donors accounted for 92% of the contributions receivable outstanding at June 30, 2021. One donor accounted for 36% of the contribution revenue during the year ended June 30, 2021.

17. RISKS AND UNCERTAINTIES

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Center is headquartered. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations. As a qualifying 501(c)(3) organization, the Center received two PPP loans through the CARES Act (see Note 9).

Impacts to the Center's operations include disruptions and restrictions on employees’ ability to work due to the effect of the pandemic on the financial markets. In-person programming was suspended in mid-March 2020 with some programs moving to a virtual delivery format. In response to this significant reduction in earned revenues (program and membership), 40% of the staff were laid off in June 2020.

17. RISKS AND UNCERTAINTIES (continued)

Since that time, certain programs have partially reopened, including outdoor and indoor fitness, school age family life programming and the ECE preschools. All programs currently open have State and County mandated restrictions in place, which the Center continues to stay in full compliance with. The Center also continues to increase online offerings to both members and non-members, creating new opportunities for additional sources of revenue. Gifts and grants have continued to meet pre-COVID projections and contributed revenue is expected to meet or exceed budgeted amounts for fiscal year 2022.

COVID-19 has and could continue to adversely affect the economies and financial markets of many countries, namely the U.S., resulting in an economic downturn that could affect the Center in a variety of ways. The Center cannot anticipate all of the ways in which COVID-19 could adversely impact its operations. Although the Center is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak, the CARES Act and other governmental initiatives is highly uncertain and subject to change.

18. 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 $447,000 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 13, 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 $613,000 of appropriations from the donor restricted endowment will be available within the next 12 months.

18. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

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

Financial assets:	
Cash and cash equivalents	$ 5,504,231
Contributions receivable, net	4,568,805
Investments	17,211,715
Accounts and other receivables	2,044,112
	29,328,863
Less: amounts unavailable for general expenditure within one year	
Donor restricted endowments, less expected appropriations of $613,000	(16,714,793)
Board-designated reserves, less expected appropriations of $447,000	(2,424,226)
Long-term contributions receivable (non-endowment), net of discount	(500,000)
	(19,639,019)
	$ 9,689,844

19. FUNCTIONAL EXPENSE ALLOCATION

The table below presents expenses by both their natural and functional classifications for the year ended June 30, 2021:

	Fitness	ECE	Youth and Family	Adult	Ancillary Services	Program Total	Management and General	Development	Total
Salaries and payroll	$ 1,605,977	$ 4,655,907	$ 1,884,558	$ 1,299,191	$ 112,432	$ 9,558,065	$ 2,253,800	$ 909,166	$ 12,721,031
Professional and temporary staffing fees	102,437	133,696	49,914	95,394	10,165	391,606	432,226	61,732	885,564
Marketing	48,794	10,106	13,832	21,717	270	94,719	9,888	9,493	114,100
Office expenses	27,179	193,104	48,133	32,281	7,796	308,493	44,282	3,017	355,792
Occupancy	199,265	576,038	162,449	109,094	56,162	1,103,008	592,613	36,806	1,732,427
Travel, conferences and meetings	18,775	6,820	2,761	6,101	10	34,467	10,182	2,955	47,604
Credit card processing fees and bad debts	48,077	12,549	26,927	1,894	-	89,447	27,267	6,662	123,376
Depreciation	862,978	183,287	610,958	483,675	40,731	2,181,629	356,392	7,637	2,545,658
Other expenses	53,981	133,618	46,065	29,419	10,955	274,038	458,855	94,345	827,238
	$ 2,967,463	$ 5,905,125	$ 2,845,597	$ 2,078,766	$ 238,521	$ 14,035,472	$ 4,185,505	$ 1,131,813	$ 19,352,790

20. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 13, 2022, which is the date the financial statements were available to be issued. The Center received full forgiveness of their first PPP loan in the amount of $3,632,600 on August 2, 2021. The Center also received $1,021,671 for the ERC on August 25, 2021 and the remaining $977,105 on November 12, 2021. No other subsequent events have occurred that would have a material impact on the presentation of the Center's financial statements.