Jewish Community Center of San Francisco

Financial Statements

June 30, 2022
(With Comparative Totals for 2021)

armanino

TABLE OF CONTENTS

armanino

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Jewish Community Center of San Francisco (the "Center"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Community Center of San Francisco as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jewish Community Center of San Francisco and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Community Center of San Francisco's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Jewish Community Center of San Francisco's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Community Center of San Francisco's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Jewish Community Center of San Francisco's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Ramon, California

December 20, 2022

Jewish Community Center of San Francisco
Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 4,195,959	$ 5,504,231
Accounts and other receivables	117,401	45,336
Employee retention tax credit receivable	-	1,998,776
Contributions receivable, net	643,151	1,581,502
Other assets	278,349	398,538
Operating investments	2,628,381	2,871,226
Property and equipment, net	39,422,903	38,904,579
Endowment		
Contributions receivable, net	3,062,584	2,987,303
Investments	12,052,842	14,340,489
Total assets	$ 62,401,570	$ 68,631,980
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,567,737	$ 2,025,044
Accrued vacation	601,789	639,679
Deferred revenue	2,122,678	1,938,926
Note payable	1,083,333	1,300,000
Loan payable (Paycheck Protection Program)	-	5,632,600
Total liabilities	5,375,537	11,536,249
Net assets		
Without donor restrictions	40,932,993	36,178,571
With donor restrictions	16,093,040	20,917,160
Total net assets	57,026,033	57,095,731
Total liabilities and net assets	$ 62,401,570	$ 68,631,980

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, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains (losses) and other support				
Contributions and grants	$ 3,934,101	$ 1,053,026	$ 4,987,127	$ 5,793,532
Government grants	239,633	-	239,633	338,757
Employee retention tax credit	2,528	-	2,528	1,998,776
Forgiveness of loan payable (Paycheck Protection Program)	5,702,194	-	5,702,194	-
Fitness center	5,043,354	-	5,043,354	2,097,232
Program revenue	9,482,802	-	9,482,802	5,999,155
Investment income (loss), net	(231,848)	(1,675,769)	(1,907,617)	3,042,110
Special events	299,928	-	299,928	-
Miscellaneous	243,576	-	243,576	182,862
Ancillary service revenue	115,353	-	115,353	-
Net assets released from restriction	4,201,377	(4,201,377)	-	-
Total revenues, gains (losses) and other support	29,032,998	(4,824,120)	24,208,878	19,452,424
Functional expenses				
Program services				
Fitness center	4,934,210	-	4,934,210	2,967,463
Early childhood education	7,552,377	-	7,552,377	5,905,125
Youth and family	3,754,287	-	3,754,287	2,845,597
Adults	1,964,117	-	1,964,117	2,078,766
Ancillary services	343,922	-	343,922	238,521
Total program services	18,548,913	-	18,548,913	14,035,472
Supporting services				
Management and general	4,462,696	-	4,462,696	4,185,505
Development	1,266,967	-	1,266,967	1,131,813
Total supporting services	5,729,663	-	5,729,663	5,317,318
Total functional expenses	24,278,576	-	24,278,576	19,352,790
Change in net assets	4,754,422	(4,824,120)	(69,698)	99,634
Net assets, beginning of year	36,178,571	20,917,160	57,095,731	56,996,097
Net assets, end of year	$ 40,932,993	$ 16,093,040	$ 57,026,033	$ 57,095,731

Jewish Community Center of San Francisco
Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (69,698)	$ 99,634
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,987,864	2,545,658
Net realized and unrealized (gain) loss on investments	2,439,187	(2,502,270)
Contributions restricted for long-term purposes	(3,000)	(2,650,000)
Forgiveness of loan payable (Paycheck Protection Program)	(5,702,194)	-
Changes in operating assets and liabilities		
Accounts and other receivables	(72,065)	247,145
Employee retention tax credit receivable	1,998,776	(1,998,776)
Contributions receivable, net	213,070	752,167
Other assets	120,189	(90,793)
Accounts payable and accrued expenses	(387,713)	504,388
Accrued vacation	(37,890)	70,517
Deferred revenue	183,752	(213,520)
Net cash provided by (used in) operating activities	670,278	(3,235,850)
Cash flows from investing activities		
Acquisition of property and equipment	(2,506,188)	(1,033,076)
Purchase of investments	(17,286,653)	(539,905)
Proceeds from the sale of investments	17,377,958	1,578,157
Net cash provided by (used in) investing activities	(2,414,883)	5,176
Cash flows from financing activities		
Cash received for contributions restricted for long-term purposes	653,000	2,000,000
Payments on note payable	(216,667)	-
Proceeds from note payable	-	1,300,000
Proceeds from loan payable (Paycheck Protection Program)	-	2,000,000
Net cash provided by financing activities	436,333	5,300,000
Net increase (decrease) in cash and cash equivalents	(1,308,272)	2,069,326
Cash and cash equivalents, beginning of year	5,504,231	3,434,905
Cash and cash equivalents, end of year	$ 4,195,959	$ 5,504,231

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. 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 restrictions and net assets with donor restrictions.

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

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. 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, 2022.

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, 2022, no allowance for doubtful accounts has been recorded as all receivables are considered fully collectible.

Other assets

Other assets consists of prepaid expenses and security deposits.

Investments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

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

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

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

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

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 $181,071 as of June 30, 2022 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 received 143 volunteer hours for the year ended June 30, 2022. 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 $196,116 for the year ended June 30, 2022.

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, 2021, 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, 2022, 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.

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no net effect on total assets, liabilities, net assets, changes in net assets, or cash flows from the amounts previously presented.

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	$ 643,151
Receivable in one to five years	3,300,000
	3,943,151
Less discounts to net present value	(237,416)
	$ 3,705,735

Contributions receivable consisted of the following:

Contributions receivable, net	$ 643,151
Contributions receivable restricted for endowment, net	3,062,584
	$ 3,705,735

4. INVESTMENTS

Investments consisted of the following:

	Cost	Fair Value
Cash equivalents	$ 359,519	$ 359,519
Mutual funds	16,782,630	14,321,704
	$ 17,142,149	$ 14,681,223

Investments consisted of the following:

Operating investments	$ 2,628,381
Investments restricted for endowment	12,052,842
	$ 14,681,223

Investment income, net is comprised of net realized and unrealized losses of $2,439,187, interest and dividends of $578,556 and fees of $46,986 for the year ended June 30, 2022.

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, 2022:

	Level 1	Level 2	Level 3	Fair Value
Cash equivalents	$ 359,519	$ -	$ -	$ 359,519
Mutual funds				
Equity funds	7,737,688	-	-	7,737,688
Fixed income funds	6,584,016	-	-	6,584,016
	14,321,704	-	-	14,321,704
	$ 14,681,223	$ -	$ -	$ 14,681,223

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	$ 2,104,375
Buildings and improvements	67,582,338
Furniture and equipment	5,600,567
Automobiles	76,918
	75,364,198
Accumulated depreciation	(35,941,295)
	$ 39,422,903

Depreciation expense amounted to $1,987,864 for the year ended June 30, 2022.

7. LINE OF CREDIT

The Center entered into a line of credit on January 1, 2021 for $4,000,000 with an interest rate of 1.35% above LIBOR in effect on the first day of the applicable LIBOR period. The line of credit matures on June 20, 2024. No amounts were drawn on the line of credit during the year ended June 30, 2022.

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,	
2023	$ 400,000
2024	400,000
2025	283,333
	$ 1,083,333

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 was 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 was five years and the annual interest rate is 1%. The Center was granted full forgiveness of the first PPP loan, plus accrued interest, on August 2, 2021 in the amount of $3,678,916. The Center was also granted full forgiveness of the second PPP loan, plus accrued interest, on April 8, 2022 in the amount of $2,023,278. The forgiveness of the loan and accrued interest totaling $5,702,194 was recorded as a gain on the statement of activities for the year ended June 30, 2022.

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. The Center recognized this revenue and a corresponding receivable during the year ended June 30, 2021 and collected the funds during the year ended June 30, 2022. During 2022, the Center determined it was eligible to apply for the ERC related to wages paid during the period July 1, 2021 through September 30, 2021 and calculated a total ERC of $1,232,856. As the ERC application has not been approved as of the date the financial statements were available to be issued, the ERC revenue is considered conditional and no ERC revenue was recognized during the year ended June 30, 2022.

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are as follows:

Undesignated	$ 38,304,612
Board designated building reserve	2,628,381
	$ 40,932,993

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted to future periods	$ 966,746
Restricted by purpose	10,868
Donor-restricted endowment (including amounts above the original gift amounts of $12,088,851)	15,115,426
	$ 16,093,040

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

Restricted to future periods	$ 815,000
Restricted by purpose	2,773,500
Appropriation of endowment earnings	612,877
	$ 4,201,377

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.

13. ENDOWMENT (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

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

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Center

(7) The investment policies of the Center

Return objectives and risk parameters

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

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

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2022.

13. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 15,115,426	$ 15,115,426
	$ -	$ 15,115,426	$ 15,115,426

Changes in endowment net assets for the fiscal year ended June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2021	$ -	$ 17,327,792	$ 17,327,792
Investment return			
Interest and dividend income, net	-	468,259	468,259
Net realized and unrealized loss	-	(2,144,028)	(2,144,028)
Total investment return	-	(1,675,769)	(1,675,769)
Contributions and change in discount	-	76,280	76,280
Appropriation of endowment earnings	-	(612,877)	(612,877)
	-	(2,212,366)	(2,212,366)
Balance, June 30, 2022	$ -	$ 15,115,426	$ 15,115,426

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 $574,993 for the year ended June 30, 2022.

15. COMMITMENTS

Operating leases

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

15. COMMITMENTS (continued)

Operating leases (continued)

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

Year ending June 30,		
2023	$	196,359
2024		191,260
2025		183,469
2026		139,366
	$	710,454

Rent expense related to these leases for the year ended June 30, 2022 amounted to $229,998.

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.

One donor accounted for 83% of the contributions receivable outstanding at June 30, 2022. Two donors accounted for 24% of the contribution and grant revenue during the year ended June 30, 2022.

17. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

The Center's investments consist of board designated reserve funds primarily intended to be used for repair and replacement of building systems, equipment and furnishings and donor-restricted endowments. The Center expects to appropriate $650,000 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 $664,000 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	$ 4,195,959
Contributions receivable, net	3,705,735
Investments	14,681,223
Accounts and other receivables	117,401
	22,700,318
Less: amounts unavailable for general expenditure within one year	
Donor restricted endowments, less expected appropriations of $664,000	(14,451,426)
Board-designated reserves, less expected appropriations of $650,000	(1,978,381)
	(16,429,807)
	$ 6,270,511

18. FUNCTIONAL EXPENSE ALLOCATION

The table below presents expenses by both their natural and functional classifications for the year ended June 30, 2022:

	Fitness	ECE	Youth and Family	Adult	Ancillary Services	Program Total	Management and General	Development	Total
Salaries and payroll	$ 2,916,679	$ 6,020,759	$ 2,662,458	$ 1,255,649	$ 181,288	$ 13,036,833	$ 2,347,045	$ 941,502	$ 16,325,380
Professional and temporary staffing fees	251,488	160,927	85,611	143,875	12,341	654,242	451,419	104,024	1,209,685
Marketing	153,961	25,035	27,550	25,798	4,518	236,862	11,363	28,044	276,269
Office expenses	124,715	223,040	99,420	26,116	2,401	475,692	28,553	84,725	588,970
Occupancy	361,493	615,146	235,310	85,251	84,441	1,381,641	712,083	63,275	2,156,999
Travel, conferences and meetings	5,063	11,782	12,144	16,584	1	45,574	11,552	7,618	64,744
Credit card processing fees and bad debts	122,836	12,492	60,377	4,164	8,328	208,197	9,889	10,044	228,130
Depreciation	673,886	143,126	477,087	377,694	31,806	1,703,599	278,301	5,964	1,987,864
Other expenses	324,089	340,070	94,330	28,986	18,798	806,273	612,491	21,771	1,440,535
	$ 4,934,210	$ 7,552,377	$ 3,754,287	$ 1,964,117	$ 343,922	$ 18,548,913	$ 4,462,696	$ 1,266,967	$ 24,278,576

19. SUBSEQUENT EVENTS

In September 2022, the Center made a payment in the amount of $108,333 towards the JCRIF loan.

Subsequent events have been evaluated through December 20, 2022, which is the date the financial statements were available to be issued. No other subsequent events have occurred that would have a material impact on the presentation of the Center's financial statements.