PENINSULA JEWISH COMMUNITY CENTER

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

PENINSULA JEWISH COMMUNITY CENTER
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June 30, 2019 and 2018

SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Peninsula Jewish Community Center

Report on the Financial Statements
We have audited the accompanying financial statements of Peninsula Jewish Community Center (the "Organization"), which comprise the statement of financial position as of June 30, 2019, the related statements of activities, functional expenses, 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 Organization'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 Organization'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 the Organization as of June 30, 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 3 to the financial statements, the Organization adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

Other auditors previous audited the Organization's 2018 financial statements, and they expressed an unmodified opinion on those audited financial statements in their report, dated March 7,2019. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SingerLewak LLP

December 24, 2019

PENINSULA JEWISH COMMUNITY CENTER

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS		
Assets		
Cash and cash equivalents	$ 2,239,176	$ 1,273,344
Membership and program receivables, net of allowance of $212,000	367,006	160,298
Contributions receivable	113,687	358,333
Due from affiliates	-	175,941
Prepaid expenses and other assets	124,224	122,169
Investments	9,516,126	9,268,522
Property and equipment, net	18,204,758	19,338,367
Total assets	**$ 30,564,977**	**$ 30,696,974**
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 1,105,568	$ 1,167,630
Due to affiliates	164,672	-
Deferred revenue	1,355,428	1,705,452
Capital lease	3,130,405	4,117,150
Note payable – pension termination	1,783,588	1,899,091
Total liabilities	7,539,661	8,889,323
Net assets		
Without donor restrictions		
Undesignated	9,784,182	10,112,321
Board-designated operating reserve	2,138,819	2,271,854
	11,923,001	12,384,175
With donor restrictions		
Restricted as to time	-	61,100
Restricted as to purpose	11,102,315	9,362,376
	11,102,315	9,423,476
Total net assets	23,025,316	21,807,651
Total liabilities and net assets	**$ 30,564,977**	**$ 30,696,974**

See notes to financial statements.

PENINSULA JEWISH COMMUNITY CENTER

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2019

(Summarized Information for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals 2019	Totals 2018
Revenue, support, and gains				
Contributions and grants	$ 563,787	$ 2,008,842	$ 2,572,629	$ 745,470
Program revenue	8,718,892	-	8,718,892	8,131,543
Membership revenue	8,029,063	-	8,029,063	8,159,272
Special events, net	(22,347)	190,285	167,938	(2,162)
Net investment return	-	617,647	617,647	629,039
Other revenue	246,647	-	246,647	180,777
Net assets released from restrictions	1,137,935	(1,137,935)	-	-
Total revenue, support, and gains	18,673,977	1,678,839	20,352,816	17,843,939
Expenses				
Program services				
Health and fitness	8,320,318	-	8,320,318	8,431,087
Early childhood education	5,369,608	-	5,369,608	4,832,698
Youth	2,613,235	-	2,613,235	2,272,940
Other	2,295,460	-	2,295,460	2,389,622
Total program services	18,598,621	-	18,598,621	17,926,347
Supporting services				
General and administrative	517,828	-	517,828	484,620
Fundraising	502,350	-	502,350	377,531
Total supporting services	1,020,178	-	1,020,178	862,151
Total expenses	19,618,800	-	19,618,800	18,788,498
Change in net assets	(944,823)	1,678,839	734,016	(944,559)
Net assets, beginning of year	12,384,175	9,423,476	21,807,651	22,304,455
In-kind contribution of equipment – affiliate	483,649	-	483,649	447,755
Net assets, end of year	**$ 11,923,001**	**$ 11,102,315**	**$ 23,025,316**	**$ 21,807,651**

See notes to financial statements.

PENINSULA JEWISH COMMUNITY CENTER

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

(Summarized Information for the Year Ended June 30, 2018)

	Program Services					Supporting Services				
	Health and Fitness	Early Childhood Education	Youth	Other	Total	General and Administration	Fundraising	Total	2019	2018
Salaries, taxes, and benefits	$ 4,550,821	$ 3,498,504	$ 1,560,935	$ 1,263,759	$ 10,874,019	$ 178,189	$ 438,282	$ 616,471	$ 11,490,490	$ 11,071,985
Professional services	343,926	237,096	203,763	186,291	971,076	9,086	33,208	42,294	1,013,370	894,118
Occupancy and campus	2,050,376	1,019,692	442,420	323,238	3,835,726	200,536	-	200,536	4,036,262	3,984,316
Programmatic	397,741	104,133	145,971	213,568	861,413	95	33,697	33,792	895,205	839,638
Office and other	977,454	510,183	260,146	308,605	2,056,386	129,922	30,771	160,693	2,217,079	2,023,119
Total expenses	8,320,318	5,369,608	2,613,235	2,295,460	18,598,619	517,828	535,958	1,053,786	19,652,406	18,813,176
Less expenses included with revenues on the Statement of activities										
Costs included in special event revenues	-	-	-	-	-	-	(33,608)	(33,608)	(33,608)	(24,678)
	$ 8,320,318	**$ 5,369,608**	**$ 2,613,235**	**$ 2,295,460**	**$ 18,598,619**	**$ 517,828**	**$ 502,350**	**$ 1,020,178**	**$ 19,618,798**	**$ 18,788,498**

See notes to financial statements.

PENINSULA JEWISH COMMUNITY CENTER
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 734,016	$ (944,559)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	1,630,856	1,587,946
Net investment gains	(617,324)	(629,039)
Loss on sale of equipment	1,656	865
Bad debt expense	766	-
Changes in operating assets and liabilities:		
Membership and program receivables, net	(207,474)	15,360
Contributions receivable	244,646	412,137
Due from affiliates	175,941	(118,377)
Prepaid expenses and other assets	(2,055)	(12,714)
Accounts payable and accrued expenses	(62,061)	19,749
Due to affiliates	164,672	-
Deferred revenue	(350,025)	107,435
Net cash provided by operating activities	1,713,614	438,803
Cash flows from investing activities		
Purchase of investments	-	(11,471)
Proceeds from sale or maturity of investments	369,720	462,982
Proceeds from sale of equipment	23,067	-
Purchases of property and equipment	(38,321)	(152,385)
Net cash provided by investing activities	354,466	299,126
Cash flows from financing activities		
Principal payments on capital leases	(986,745)	(959,646)
Principal payments on note payable – pension termination	(115,503)	(110,254)
Net cash used in financing activities	(1,102,248)	(1,069,900)
Net increase (decrease) in cash and cash equivalents	965,832	(331,971)
Cash and cash equivalents, beginning of year	1,273,344	1,605,315
Cash and cash equivalents, end of year	**$ 2,239,176**	**$ 1,273,344**
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 183,753**	**$ 216,103**
Non-cash investing and financing activities		
Contributed property and equipment	**$ 483,649**	**$ 447,755**

See notes to financial statements.

NOTE 1 – ORGANIZATION

General

The Peninsula Jewish Community Center (the "Organization") is a California nonprofit public benefit corporation established in 1948 to provide for the social, cultural, recreational and pre-school educational needs of the Peninsula Jewish community. As it reinforces Jewish cultural and ethical values, the Organization enriches the lives of individuals, families, the Jewish community and society as a whole. Programs are designated for all ages from infants to senior adults, within the North Peninsula's diverse community. A vital part of its mission is to encourage diverse community participation in its guiding principles of embrace the diversity of culture, opinion, social justice, religion and identity in the community, being a hub for engagement, dialogue, collaboration and the celebrations, respect and nurture each individual's journey toward wholeness and see our role as a catalyst for wellness, exploration, reflection and growth – "wellness your way", being responsible for making the community as a place where dignity is upheld for all so the community can seek to improve the world through its actions, and celebrating Jewish culture, tradition, ethics, and community by helping Jewish people and the diverse community finding comfort in Jewish life, to strengthen their identities, and to enable them to become more informed and involved in the community. While the Organization emphasizes Jewish values which are universal, the Organization does not restrict membership or program participation. Rather, it encourages openness and participation in its programs through its full-service wellness, recreation, preschool, camp, youth, afterschool, adult, and cultural programs. In addition, the Organization operates a full-service health and fitness department. The Board of Directors serves as an oversight and policy making body for the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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 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.

Comparative Financial Information

The accompanying 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 audited financial statements of the year ended June 30, 2018, from which the summarized information was derived.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents
The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

Membership and Program Receivables
The Organization determines the allowance for doubtful accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Contributions Receivable
The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Other Assets
Other assets consist of inventory held by the Organization.

Investments
The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Property and Equipment
Property and equipment are stated at cost if purchased, or if donated, at fair value on the date of donation. The cost of assets purchased under $2,500 is charged to expense. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of assets ranging from 3 to 39 years.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Software Development Costs
The Organization accounts for costs incurred for software developed or obtained for internal use, including capitalizing costs incurred during the application development stage with amortization on a straight-line basis over estimated useful life of three years, beginning when the computer software is ready for its intended use.

Impairment or Disposal of Long-lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Measurement of an impairment loss is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell. The Organization did not recognize any impairment of long-lived asset losses in the years ended June 30, 2019 and 2018, respectively.

Deferred Revenue
Payments collected in advance for membership and program services are reflected as deferred revenue.

Classes of Net Assets
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restriction* – Net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Organization.

- *Net assets with donor restriction* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed 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 the donor stipulates that resources be maintained in perpetuity. 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. Donor-restricted contributions and appropriated endowment earnings received and expended in the same reporting period are recorded as net assets without donor restrictions.

Revenue Recognition

Membership and Program Services
Membership and program services are recognized when the related services are provided.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions and Grants
Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributed Goods and Services
Contributed goods are recorded at fair value at the date of donation. Contributed services are recorded at the fair value of the services received. Contributed services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No such contributed services were received during the years ended June 30, 2019 and 2018.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received in excess of 5,000 volunteer hours for the years ended June 30, 2019 and 2018. Such services are not professional in nature; and therefore, are excluded from the accompanying financial statements.

Advertising Costs
Advertising costs are expensed as incurred and totaled $23,015 and $53,775 for the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses
Certain costs have been allocated among the programs and supporting services benefited. Facilities expenses are allocated based on square footage. Other expenses that are associated with more than one program or supporting service are allocated on the basis of estimates of time and effort.

Income Taxes
The Organization is organized as a not-for-profit organization exempt from income taxes under the Internal Revenue Code §501(c)(3), and from franchise taxes under California Revenue and Taxation Code §23710(d), except with respect to any unrelated business income. Management has analyzed the tax positions taken by the Organization, and has concluded that, as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments, Concentrations, and Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, membership and program receivables, contributions receivable, and investments. The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts.

Investments are made by the Organization and performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Approximately 0% and 74% of outstanding contributions receivable at June 30, 2019 and 2018, respectively, was due from one donor.

Approximately 18% and 22% of the Organization's program service expenses for the year ended June 30, 2019 and 2018, respectively, were incurred with a vendor that managed the Organization's health and fitness department. On June 30, 2018, the contract with the vendor was terminated.

Approximately 39% of the Organization's employees are members of the Service Employees' International Union, Local 521. The Organization's contract with the union expires June 30, 2022.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. The statements of financial position and statements of activities were reclassified to present financial activity in the new format described under Note 3.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is in the process of evaluating the impact of this new guidance.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statements of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Organization is currently evaluating the impact that the adoption of this standard will have on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)
In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. As the Organization is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after June 15, 2018, including interim periods. Where the Organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. The adoption of ASU 2018-08 is not expected to have a material impact on the Organization's financial statements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in its financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions" and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for years beginning after December 15, 2017, and interim periods within years beginning after December 15, 2018, with early adoption permitted. The Organization adopted this ASU as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements. The Organization has opted to not disclose liquidity and availability information for 2018, as permitted under the ASU in the year of adoption. In addition, the Organization changed its presentation of net asset classes and expanded the footnote disclosures as required by the ASU. A summary of the net asset reclassifications as of June 30, 2018 resulting from the adoption of ASU 2016-14, follows:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net assets classifications, as previously presented			
Total unrestricted	$ 12,384,175	$ -	$ 12,384,175
Temporarily restricted	-	3,426,462	3,426,462
Permanently restricted	-	5,997,014	5,997,014
Net assets, as reclassified	$ 12,384,175	$ 9,423,476	$ 21,807,651

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2019, the following table reflects the Organization's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date due to donor restrictions or internal board designations.

Cash and cash equivalents	$ 2,239,176
Membership and program receivables	367,006
Contributions receivable	113,687
Due from affiliate	411,205
Total financial assets	3,131,074
Board-designated funds for operating reserve	(2,138,819)
Financial assets available to meet general expenditures within one year	**$ 992,255**

The Organization has Board-designated operating reserves that are liquid based on the approval of the Board of Directors, which can be used as necessary to further fund the operations and programs. It considers contributions restricted to be available for ongoing, major, and central to meet its annual programmatic and capital needs. It manages the liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset class. As of June 30, 2019 and 2018, contributions receivable are due in less than one year.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization reports certain assets and liabilities at fair value in the financial statements. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develop inputs using the best information available in the circumstances.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, which is the Organization's policy. For the years ended June 30, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following is a description of the valuation methodologies used for instruments measured at fair value:

- *Mutual funds* – The fair value of these investments is the market value based on quoted market prices. They are classified within Level 1 of the fair value hierarchy.

- *Auction rate securities* – The fair value of alternative asset funds is based on market values of similar observable or underlying assets. They are classified within Level 3 of the fair value hierarchy.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

- *Stocks and Stock Funds* – The basis of fair value for stocks and stock funds is market value based on quoted market prices; these are classified within Level 1 of the valuation hierarchy.

- *Bond Funds* – The fair value of bond funds is the market value based on quoted market prices; they are classified within Level 1 of the fair value hierarchy.

The following table summarizes the Organization's investments measured at fair value on a recurring basis at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments				
Restricted cash equivalents	$ 34,815	$ -	$ -	$ 34,815
Stock and stock funds	5,555,580	-	-	5,555,580
Bond funds	3,575,731	-	-	3,575,731
Auction rate securities	-	-	350,000	350,000
Total	**$ 9,166,126**	**$ -**	**$ 350,000**	**$ 9,516,126**

The following table summarizes the Organization's investments measured at fair value on a recurring basis at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments				
Restricted cash equivalents	$ 18,990	$ -	$ -	$ 18,990
Stock and stock funds	5,568,444	-	-	5,568,444
Bond funds	3,331,088	-	-	3,331,088
Auction rate securities	-	-	350,000	350,000
Total	**$ 8,918,522**	**$ -**	**$ 350,000**	**$ 9,268,522**

The auction rate securities are classified within Level 3, since there are no active markets for these investments, therefore, the Organization is unable to obtain independent valuations from market sources.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

For the years ended June 30, 2019 and 2018, the changes in auction rate securities classified as Level 3 are as follows:

	2019	2018
Balance, beginning of year	$ 350,000	$ 350,000
Net investment return	-	-
Balance, end of year	**$ 350,000**	**$ 350,000**

The following table summarizes the Organization's financial assets as of June 30, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Auction rate securities	$ 350,000	$ -	daily – annually	1 – 90 days

The following table summarizes the Organization's financial assets as of June 30, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Auction rate securities	$ 350,000	$ -	daily – annually	1 – 90 days

Endowment investments held at fair value at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Money market funds	$ 30,723	$ 18,990
Stocks and stock funds	5,555,580	5,380,545
Bond funds	3,575,731	3,147,920
Auction rate securities	350,000	350,000
Total endowment investments	**$ 9,512,034**	**$ 8,897,456**

NOTE 7 – PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2019 and 2018 is as follows:

	2019	2018
Furniture and equipment	$ 2,149,573	$ 2,111,252
Leasehold improvements	2,209,969	2,279,041
Software development cost	684,208	684,208
Buildings and improvements under capital lease	33,567,535	33,332,396
	38,611,285	38,406,897
Accumulated depreciation and amortization	(20,406,527)	(19,068,530)
	$ 18,204,758	**$ 19,338,367**

NOTE 8 – DEBT GUARANTEE

In June 2014, the Organization, along with two affiliated organizations, the Ronald C. Wornick Jewish Day School (RCWJDS) and North Peninsula Jewish Campus (NPJC), collectively applied for an eight-year, $10 million bank note to refinance debt associated with the acquisition, construction and equipment of the Center and School facilities located in Foster City. In the event of default by NPJC, certain Organization assets could be immediately held by the bank until either the default is cured, or the underlying assets are sold. The buildings and associated note payable are owned by NPJC.

U.S. GAAP related to guarantees may require an entity to record a liability for the fair market value of its guarantee. The Organization does not meet the requirements necessary to record a liability for this guarantee as it is with an affiliate. However, it has recorded a liability for its obligation under the lease with NPJC. (See Note 10).

NOTE 9 – NOTE PAYABLE – PENSION TERMINATION

The Organization entered has a $2,158,115 note payable with the Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties. The note payable was obtained in connection with the termination of the Retirement Plan of the Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties and Affiliated Agencies. The note payable bears interest at a rate of 4.35%. Monthly principal and interest payments of $16,412 are due beginning January 31, 2016 through January 31, 2031.

As of June 30, 2019, the future maturities of the note payable are as follows:

Year Ending June 30,	
2020	$ 196,134
2021	196,134
2022	196,134
2023	196,134
2024	196,134
Thereafter	802,918
	$ 1,783,588

Interest expense incurred on the note amounted to $81,446 and $86,695 for the years ended June 30, 2019 and 2018, respectively.

NOTE 10 – CAPITAL LEASE

The Organization has a 53-year sublease with NPJC, an affiliate, for its facilities in Foster City, California. Under the terms of the lease, the monthly rent is based on the Organization's share of rent that NPJC is obligated to pay under its master lease with Foster City. During November 2012, the master lease was suspended in conjunction with the issuance of a note payable to Foster City. Provided there is no event of default on the note payable, then future rental payments under the sublease are waived.

As described in Note 7, the Organization has accounted for its share of the building and improvements financing component of the lease as a capital lease. The term of this portion of the lease is through June 2022, concurrent with the due date of the guaranteed loan. Future minimum capital lease payments were calculated based on an expected future interest rate of 2.75%.

Future minimum lease payments due and the present value of net minimum lease payments under the facilities capital lease are estimated as follows at June 30, 2019:

Year Ending June 30,	
2020	$ 1,089,053
2021	1,089,053
2022	1,089,055
	3,267,161
Amount representing interest	(136,756)
	$ 3,130,405

Payments due on the lease after June 30, 2022 have not been determined.

For the years ended June 30, 2019 and 2018, total interest expense on the capital lease was $102,307 and $129,408, respectively.

The Organization's long-term facilities lease with NPJC requires the Organization to pay a pre-determined proportionate percentage of the common charges of the campus facilities. For the years ended June 30, 2019 and 2018, these common charges totaled $1,004,105 and $1,187,888, respectively.

During the years ended June 30, 2019 and 2018, the Organization paid rent expense for the facilities under capital lease with NPJC in the amounts of $144,403 and $144,409, respectively.

NOTE 11 – DEFINED-CONTRIBUTION PLAN

The Organization has a defined-contribution pension plan, which provides retirement benefits to substantially all employees and establishes a matching contribution equal to 50% of the employee's deferral up to 4% of compensation. Employer matching contributions vest proportionally over five years. Matching and profit sharing contributions paid during the years ended June 30, 2019 and 2018 amounted to $354,025 and $330,211, respectively.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and 2018, net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for a specified purpose		
Jewish Peoplehood	$ 915,000	$ 223,072
Early Childhood Education	139,306	113,606
Adult and Older Adult Programs	730,670	2,886
Financial Assistance	72,927	-
Pink Ribbon – Cancer Survivor Exercise	92,155	9,849
Youth and Teen	119,314	115,507
	2,069,372	464,920
Subject to passage of time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	-	61,100
Subject to the Organization's spending policy and appropriation		
Endowment funds restricted in perpetuity	5,997,014	5,997,014
Unappropriated endowment earnings	3,035,929	2,900,442
	9,032,943	8,897,456
Total net assets with donor restrictions	**$ 11,102,315**	**$ 9,423,476**

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors or the passage of time. For the years ended June 30, 2019 and 2018, net assets were released as follows:

	2019	2018
Subject to expenditure for a specified purpose		
Jewish Peoplehood	$ 187,451	$ 333,932
Early Childhood Education	48,532	60,300
Adult and Older Adult Programs	87,800	88,114
Pink Ribbon – Cancer Survivor Exercise	65,392	41,951
Youth and Teen	202,120	141,558
	591,295	665,855
Expiration of time restrictions		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	64,300	61,100
Endowment earnings appropriated	482,340	373,469
	$ 1,137,935	$ 1,100,424

NOTE 13 – ENDOWMENT

The Organization's endowments consist of funds established for a variety of purposes. Its endowments are comprised exclusively of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

NOTE 13 – ENDOWMENT (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate funds for distribution:

(1) The duration and preservation of the fund

(2) The purpose 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 Organization

(7) The investment policies of the Organization

As of June 30, 2019 and 2018, endowment net assets with donor restrictions composition by type of fund are as follows:

	2019	2018
Donor-restricted endowment fund		
Original donor-restricted gift	$ 5,997,014	$ 5,997,014
Accumulated investment gains	3,035,929	2,900,442
Balance, end of year	**$ 9,032,943**	**$ 8,897,456**

From time to time, the fair value of assets associated with endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2019 and 2018, there were no deficiencies of this nature.

NOTE 13 – ENDOWMENT (Continued)

Investment and spending policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds, if any. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating for distribution that occurs on a yearly basis. A recommendation for maximum amount to a transfer will be submitted to the Board of Directors for approval. The amount of the transfer will be calculated based on: 1) 5% of its endowment fund's fair value as of year-end or b) at an alternative level based on any donor directives. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets with donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Balance, beginning of year	$ 8,897,456	$ 8,642,231
Net investment return	617,647	628,694
Endowment contributions	1,180	-
Appropriation of endowment assets pursuant to spending rate policy	(483,340)	(373,469)
Balance, end of year	**$ 9,032,943**	**$ 8,897,456**

NOTE 14 – RELATED PARTY TRANSACTIONS

The Organization's long-term facilities lease with NPJC requires the Organization for pay a pre-determined proportionate percentage of the common charges of the campus facilities. For the years ended June 30, 2019 and 2018, the Organization's share of these common charges totaled $1,004,105 and $1,187,908, respectively.

The Organization received in-kind contributions of equipment from NPJC in the amount of $483,649 and $447,755 during the years ended June 30, 2019 and 2018, respectively.

The Organization received $59,351 and $49,447 during the years ended June 30, 2019 and 2018, respectively, in contributions and/or fundraising event support from members of the Board of Directors.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Organization leases office equipment under non-cancelable operating leases. The leases require monthly payments ranging from $422 to $2,865 per month through May 2024.

At June 30, 2019, minimum future payments under the non-cancelable operating leases are as follows:

Year Ending June 30,	
2020	$ 39,017
2021	34,375
2022	34,375
2023	34,375
2024	31,510
	173,652

For the years ended June 30, 2019 and 2018, equipment rental expense was $70,018 and $73,627, respectively.

NOTE 16 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 24, 2019, which is the date the financial statements were available to be issued.