



**PENINSULA  
JEWISH  
COMMUNITY  
CENTER**

**FINANCIAL REPORT  
JUNE 30, 2020**

**PENINSULA JEWISH COMMUNITY CENTER**  
**CONTENTS**

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	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 – 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 25

## 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 statements of financial position as of June 30, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Board of Directors  
Peninsula Jewish Community Center  
Page Two

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peninsula Jewish Community Center as of June 30, 2020 and 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.

*Singer Lewak LLP*

December 16, 2020

# PENINSULA JEWISH COMMUNITY CENTER

## STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
<b>Assets</b>		
Cash	\$ 1,138,485	\$ 2,239,176
Membership and program receivables, net of allowance of \$212,000	9,397	367,006
Contributions receivable	645,906	113,687
Due from affiliates	266,422	-
Prepaid expenses and other assets	60,594	124,224
Investments	8,708,651	9,516,126
Property and equipment, net	17,522,575	18,204,758
<b>Total assets</b>	<b>28,352,030</b>	<b>\$ 30,564,977</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 708,341	\$ 1,105,568
Due to affiliates	-	164,672
Deferred revenue	523,002	1,355,428
Capital lease	2,503,644	3,130,405
Grant advance	1,835,800	-
Note payable – pension termination	1,693,825	1,783,588
Total liabilities	7,264,612	7,539,661
<b>Net assets</b>		
Without donor restrictions		
Undesignated	9,063,696	9,784,182
Board-designated operating reserve	875,500	2,138,819
	9,939,196	11,923,001
With donor restrictions		
Restricted as to time	300,000	-
Restricted as to purpose	10,848,222	11,102,315
	11,148,222	11,102,315
Total net assets	21,087,418	23,025,316
<b>Total liabilities and net assets</b>	<b>\$ 28,352,030</b>	<b>\$ 30,564,977</b>

See notes to financial statements.

# PENINSULA JEWISH COMMUNITY CENTER

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains</b>			
Contributions and grants	\$ 1,091,138	\$ 1,228,815	\$ 2,319,953
Program revenue	6,104,275	-	6,104,275
Membership revenue	6,110,143	-	6,110,143
Special events, net	2,755	11,887	14,642
Net investment return	-	188,876	188,876
Other revenue	123,934	-	123,934
Net assets released from restrictions	<u>1,383,671</u>	<u>(1,383,671)</u>	<u>-</u>
Total revenue, support, and gains	<u>14,815,916</u>	<u>45,907</u>	<u>14,861,823</u>
<b>Expenses</b>			
Program services			
Health and fitness	7,037,018	-	7,037,018
Early childhood education	4,756,882	-	4,756,882
Youth	2,357,559	-	2,357,559
Other	<u>2,412,833</u>	<u>-</u>	<u>2,412,833</u>
Total program services	16,564,292	-	16,564,292
Supporting services			
General and administrative	437,595	-	437,595
Fundraising	<u>415,827</u>	<u>-</u>	<u>415,827</u>
Total supporting services	<u>853,422</u>	<u>-</u>	<u>853,422</u>
Total expenses	<u>17,417,714</u>	<u>-</u>	<u>17,417,714</u>
<b>Change in net assets</b>	(2,601,798)	45,907	(2,555,891)
<b>Net assets, beginning of year</b>	11,923,001	11,102,315	23,025,316
In-kind contribution of equipment – affiliate	<u>617,993</u>	<u>-</u>	<u>617,993</u>
<b>Net assets, end of year</b>	<u>\$ 9,939,196</u>	<u>\$ 11,148,222</u>	<u>\$ 21,087,418</u>

See notes to financial statements.

# PENINSULA JEWISH COMMUNITY CENTER

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains</b>			
Contributions and grants	\$ 563,787	\$ 2,008,842	\$ 2,572,629
Program revenue	8,718,892	-	8,718,892
Membership revenue	8,029,063	-	8,029,063
Special events, net	(22,347)	190,285	167,938
Net investment return	-	617,647	617,647
Other revenue	246,647	-	246,647
Net assets released from restrictions	<u>1,137,935</u>	<u>(1,137,935)</u>	<u>-</u>
Total revenue, support, and gains	<u>18,673,977</u>	<u>1,678,839</u>	<u>20,352,816</u>
<b>Expenses</b>			
Program services			
Health and fitness	8,320,318	-	8,320,318
Early childhood education	5,369,608	-	5,369,608
Youth	2,613,235	-	2,613,235
Other	<u>2,295,461</u>	<u>-</u>	<u>2,295,461</u>
Total program services	18,598,622	-	18,598,622
Supporting services			
General and administrative	517,828	-	517,828
Fundraising	<u>502,350</u>	<u>-</u>	<u>502,350</u>
Total supporting services	<u>1,020,178</u>	<u>-</u>	<u>1,020,178</u>
Total expenses	<u>19,618,800</u>	<u>-</u>	<u>19,618,800</u>
<b>Change in net assets</b>	(944,823)	1,678,839	734,016
<b>Net assets, beginning of year</b>	12,384,175	9,423,476	21,807,651
In-kind contribution of equipment – affiliate	<u>483,649</u>	<u>-</u>	<u>483,649</u>
<b>Net assets, end of year</b>	<u><b>\$ 11,923,001</b></u>	<u><b>\$ 11,102,315</b></u>	<u><b>\$ 23,025,316</b></u>

See notes to financial statements.

**PENINSULA JEWISH COMMUNITY CENTER**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>								
	Program Services					Supporting Services			
	Health and Fitness	Early Childhood Education	Youth	Other	Total	General and Administration	Fundraising	Total	Total
Salaries, taxes, and benefits	\$ 4,182,875	\$ 3,324,971	\$ 1,394,990	\$ 1,451,187	\$ 10,354,023	\$ 177,123	372,718	549,841	\$ 10,903,864
Professional services	49,656	137,388	212,706	138,902	538,652	5,019	13,865	18,884	557,536
Occupancy and campus	1,698,238	824,370	382,767	372,102	3,277,477	171,816	-	171,816	3,449,293
Programmatic	280,018	64,022	124,437	151,075	619,552	18	1,015	1,033	620,585
Office and other	826,231	406,131	242,659	299,567	1,774,588	83,619	29,236	112,855	1,887,443
<b>Total expenses</b>	<b>7,037,018</b>	<b>4,756,882</b>	<b>2,357,559</b>	<b>2,412,833</b>	<b>16,564,292</b>	<b>437,595</b>	<b>416,834</b>	<b>854,429</b>	<b>17,418,721</b>
Less expenses included with revenues on the Statement of activities									
Costs of direct benefits to donors	-	-	-	-	-	-	(1,007)	(1,007)	(1,007)
	<b><u>\$ 7,037,018</u></b>	<b><u>\$ 4,756,882</u></b>	<b><u>\$ 2,357,559</u></b>	<b><u>\$ 2,412,833</u></b>	<b><u>\$ 16,564,292</u></b>	<b><u>\$ 437,595</u></b>	<b><u>\$ 415,827</u></b>	<b><u>\$ 853,422</u></b>	<b><u>\$ 17,417,714</u></b>

	<b>2019</b>								
	Program Services					Supporting Services			
	Health and Fitness	Early Childhood Education	Youth	Other	Total	General and Administration	Fundraising	Total	Total
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
Professional services	343,926	237,096	203,763	186,291	971,076	9,086	33,208	42,294	1,013,370
Occupancy and campus	2,050,376	1,019,692	442,420	323,238	3,835,726	200,536	-	200,536	4,036,262
Programmatic	397,741	104,133	145,971	213,568	861,413	95	33,697	33,792	895,205
Office and other	977,454	510,183	260,146	308,605	2,056,388	129,922	30,771	160,693	2,217,081
<b>Total expenses</b>	<b>8,320,318</b>	<b>5,369,608</b>	<b>2,613,235</b>	<b>2,295,461</b>	<b>18,598,622</b>	<b>517,828</b>	<b>535,958</b>	<b>1,053,786</b>	<b>19,652,408</b>
Less expenses included with revenues on the Statement of activities									
Costs of direct benefits to donors	-	-	-	-	-	-	(33,608)	(33,608)	(33,608)
	<b><u>\$ 8,320,318</u></b>	<b><u>\$ 5,369,608</u></b>	<b><u>\$ 2,613,235</u></b>	<b><u>\$ 2,295,461</u></b>	<b><u>\$ 18,598,622</u></b>	<b><u>\$ 517,828</u></b>	<b><u>\$ 502,350</u></b>	<b><u>\$ 1,020,178</u></b>	<b><u>\$ 19,618,800</u></b>

See notes to financial statements.



# PENINSULA JEWISH COMMUNITY CENTER

## STATEMENTS OF CASH FLOWS Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (2,555,854)	\$ 734,016
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	1,277,347	1,630,856
Unrealized investment gains	(188,935)	(617,324)
Loss on sale of equipment	-	1,656
Bad debt expense	8,233	766
Changes in operating assets and liabilities:		
Membership and program receivables, net	349,376	(207,474)
Contributions receivable	(532,219)	244,646
Due from affiliates	(266,422)	175,941
Prepaid expenses and other assets	63,629	(2,055)
Accounts payable and accrued expenses	(397,264)	(62,061)
Due to affiliates	(164,672)	164,672
Deferred revenue	(832,426)	(350,025)
	(3,239,207)	1,713,614
<b>Cash flows from investing activities</b>		
Proceeds from sale or maturity of investments	996,411	369,720
Proceeds from sale of equipment	22,829	23,067
Purchases of property and equipment	-	(38,321)
	1,019,240	354,466
<b>Cash flows from financing activities</b>		
Principal payments on capital leases	(626,761)	(986,745)
Proceeds from grant advance	1,835,800	-
Principal payments on note payable – pension termination	(89,763)	(115,503)
	1,119,276	(1,102,248)
<b>Net (decrease) increase in cash and cash equivalents</b>	(1,100,691)	965,832
<b>Cash and cash equivalents, beginning of year</b>	2,239,176	1,273,344
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,138,485</b>	<b>\$ 2,239,176</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<b>\$ 183,753</b>	<b>\$ 183,753</b>
<b>Non-cash investing and financing activities</b>		
Contributed property and equipment from affiliate	<b>\$ 617,993</b>	<b>\$ 483,649</b>

See notes to financial statements.

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 1 – ORGANIZATION**

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.

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which required the Organization to make major adjustments to its operations. The fitness facility and educational programs were closed due to shelter-in-place restrictions from March 16 to June 30, 2020. Refunds were made for certain educational programs. Significant number of staff were furloughed effective April 1, 2020. As noted in Note 2, the Organization received a Paycheck Protection Program loan in May 2020, which allowed those staff to be rehired during May and June 2020. In preparation for reopening fitness center and educational programs on July 1, 2020, the PJCC made significant changes to its facilities to provide distancing of fitness equipment, reorganizing classrooms, designed and developed outdoor spaces for distanced use, created new signage and workflows, and extensively cleaned all facilities among other tasks performed by PJCC staff.

The Organization expects uncertainties to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. The Organization is closely monitoring its liquidity and actively working to minimize the impact of the pandemic on its operations.

# PENINSULA JEWISH COMMUNITY CENTER

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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### 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.

#### Cash and 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.

#### 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.

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2020 and 2019.

Deferred Revenue

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

Grant Advance

During the year ended June 30, 2020, the Organization received a loan from a bank totaling \$1,835,800 under the SBA's Paycheck Protection Program (PPP), as authorized under the CARES act. The Organization will use the PPP loan proceeds for eligible costs that should result in forgiveness of the loan. The PPP loan bears interest at 1% and will mature on April 29, 2022. As the Organization expects to meet the eligibility requirements for forgiveness of the loan, management has recorded the loan as a grant advance.

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. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves.
  
- *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.

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition

*Membership and Program Services*

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

*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, 2020 and 2019.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received in excess of 3,000 volunteer hours for the years ended June 30, 2020 and 2019. Such services are not professional in nature; and therefore, are excluded from the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail and expenses by function. Accordingly, 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, 2020 and 2019, 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.

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**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 93% and 0% of outstanding contributions receivable at June 30, 2020 and 2019, respectively, was due from one donor.

Approximately 40% 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.

Recently Adopted Accounting Pronouncements

During the year ended June 30, 2020, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides clarification and improvement on the scope and the accounting guidance for contributions received and contributions made. The Organization adopted this ASU using the modified retrospective approach. The adoption of this ASU did not have a material effect on the financial statements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (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. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2015-147 one year, making it effective for annual reporting periods beginning after December 15, 2020. Management believes the impact of its pending adoption of the new standard on its financial statements will be minimal.

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021. Management believes the impact of its pending adoption of the new standard on its financial statements will be minimal.

In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which delays the effective date of ASU 2016-13 for certain entities. The new standard is effective for years beginning after December 15, 2022, including interim periods within those years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which enhances the presentation and disclosure of contributed nonfinancial assets including fixed assets (such as, land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The ASU should be applied on a retrospective basis and effective for years beginning after June 15, 2021. The Organization is currently evaluating the impact of the adoption of ASU 2020-07 on its financial statements.

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of June 30, 2020, and 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.

	2020	2019
Cash and cash equivalents	\$ 1,138,485	\$ 2,239,176
Membership and program receivables	9,397	367,006
Contributions receivable	345,906	113,687
Due from affiliate	266,422	-
 Total financial assets	 1,760,210	 2,179,869
Board-designated funds for operating reserve	(875,500)	(2,138,819)
	 <b>\$ 884,710</b>	 <b>\$ 581,050</b>

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 4 – 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, 2020 and 2019, contributions receivable of \$345,906 and \$113,687, respectively, were due in less than one year. As of June 30, 2020, \$300,000 is due over a year.



**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 5 – 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 develops 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, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent.

# PENINSULA JEWISH COMMUNITY CENTER

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

### NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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.
- *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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Restricted cash				
equivalents	\$ 43,312	\$ -	\$ -	\$ 43,312
Stock and stock funds	4,816,439	-	-	4,816,439
Bond funds	3,498,900	-	-	3,498,900
Auction rate securities	-	-	350,000	350,000
<b>Total</b>	<b><u>\$ 8,358,651</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 350,000</u></b>	<b><u>\$ 8,708,651</u></b>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
<b>Total</b>	<b><u>\$ 9,166,126</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 350,000</u></b>	<b><u>\$ 9,516,126</u></b>

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

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.

For the years ended June 30, 2020 and 2019, the changes in auction rate securities classified as Level 3 are as follows:

	2020	2019
Balance, beginning of year	\$ 350,000	\$ 350,000
Net investment return	-	-
<b>Balance, end of year</b>	<b><u>\$ 350,000</u></b>	<b><u>\$ 350,000</u></b>

The following table summarizes the Organization’s financial assets as of June 30, 2020 and 2019:

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

Investments held at fair value at June 30, 2020 and 2019 consisted of the following:

	2020	2019
Money market funds	\$ 43,312	\$ 34,815
Stocks and stock funds	4,816,439	5,555,580
Bond funds	3,498,900	3,575,731
Auction rate securities	350,000	350,000
<b>Total investments</b>	<b><u>\$ 8,708,651</u></b>	<b><u>\$ 9,516,126</u></b>

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 6 – PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2020 and 2019 is as follows:

	2020	2019
Furniture and equipment	\$ 2,140,973	\$ 2,149,573
Leasehold improvements	2,209,969	2,209,969
Software development cost	684,208	684,208
Buildings and improvements under capital lease	34,077,276	33,567,535
	39,112,426	38,611,285
Accumulated depreciation and amortization	(21,589,851)	(20,406,527)
	<b><u>\$ 17,522,575</u></b>	<b><u>\$ 18,204,758</u></b>

**NOTE 7 – 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 9).

# PENINSULA JEWISH COMMUNITY CENTER

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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### NOTE 8 – NOTE PAYABLE – PENSION TERMINATION

The Organization 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, 2020, the future maturities of the note payable are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2021	\$ 196,949
2022	196,949
2023	196,949
2024	196,949
2025	196,949
Thereafter	<u>1,149,143</u>
	2,133,888
Total Amount Representing Interest	<u>(440,063)</u>
	<b><u>\$ 1,693,825</u></b>

Interest expense incurred on the note amounted to \$57,948 and \$81,446 for the years ended June 30, 2020 and 2019, respectively.

### NOTE 9 – 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.

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 2024. Future minimum capital lease payments were calculated based on an expected future interest rate of 2.75%.

# PENINSULA JEWISH COMMUNITY CENTER

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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### NOTE 9 – CAPITAL LEASE (Continued)

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, 2020:

Year Ending June 30,	
2020	\$ 700,000
2021	700,000
2023	700,000
2024	<u>534,980</u>
	2,634,980
Amount representing interest	<u>(131,336)</u>
	<b><u>\$ 2,503,644</u></b>

Payments due on the lease after March 30, 2024 have not been determined.

For the years ended June 30, 2020 and 2019, total interest expense on the capital lease was \$73,236 and \$102,307, 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, 2020 and 2019, these common charges totaled \$987,242 and \$1,004,105, respectively.

During the years ended June 30, 2020 and 2019, the Organization paid rent expense for the facilities under capital lease with NPJC in the amounts of \$0 and \$144,403, respectively.

### NOTE 10 – 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, 2020 and 2019 amounted to \$317,656 and \$354,025, respectively.

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2020, and 2019, net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
<i>Subject to expenditure for a specified purpose</i>		
Jewish Peoplehood	\$ 1,074,495	\$ 915,000
Early Childhood Education	119,244	139,306
Adult and Older Adult Programs	672,024	730,670
Financial Assistance	-	72,927
Pink Ribbon – Cancer Survivor Exercise	64,450	92,155
Staff support	33,648	-
Youth and Teen	116,232	119,314
	2,080,093	2,069,372
 <i>Subject to passage of time</i>		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	300,000	-
 <i>Subject to the Organization’s spending policy and appropriation</i>		
Endowment funds restricted in perpetuity	6,017,815	5,997,014
Unappropriated endowment earnings	2,750,314	3,035,929
	8,768,129	9,032,943
<b>Total net assets with donor restrictions</b>	<b><u>\$ 11,148,222</u></b>	<b><u>\$ 11,102,315</u></b>

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 11 – 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, 2020 and 2019, net assets were released as follows:

	2020	2019
<i>Subject to expenditure for a specified purpose</i>		
Jewish Peoplehood	\$ 440,505	\$ 187,451
Early Childhood Education	138,245	48,532
Adult and Older Adult Programs	177,025	87,800
Financial Assistance (YES Fund)	74,038	-
Pink Ribbon – Cancer Survivor Exercise	65,343	65,392
Youth and Teen	12,529	202,120
	907,685	591,295
 <i>Expiration of time restrictions</i>		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	-	64,300
Endowment earnings appropriated	475,986	483,340
	<b><u>\$ 1,383,671</u></b>	<b><u>\$ 1,138,935</u></b>

**NOTE 12 – 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.



**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 12 – ENDOWMENT (Continued)**

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. 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, 2020, and 2019, endowment net assets with donor restrictions composition by type of fund are as follows:

	2020	2019
<i>Donor-restricted endowment fund</i>		
Original donor-restricted gift	\$ 6,017,815	\$ 5,997,014
Accumulated investment gains	2,750,314	3,035,929
<b>Balance, end of year</b>	<b>\$ 8,768,129</b>	<b>\$ 9,032,943</b>

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, 2020 and 2019, there were no deficiencies of this nature.

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 12 – 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: a) 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, 2020 and 2019 are as follows:

	2020	2019
Balance, beginning of year	\$ 9,032,943	\$ 8,897,456
Net investment return	188,876	617,647
Endowment contributions	22,296	1,180
Appropriation of endowment assets pursuant to spending rate policy	(475,986)	(483,340)
<b>Balance, end of year</b>	<b>\$ 8,768,129</b>	<b>\$ 9,032,943</b>

**PENINSULA JEWISH COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 13 – 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, 2020 and 2019, the Organization’s share of these common charges totaled \$987,242 and \$1,004,105, respectively.

The Organization received in-kind contributions of equipment from NPJC in the amount of \$617,993 and \$483,649 during the years ended June 30, 2020 and 2019, respectively.

The Organization received \$83,821 and \$59,351 during the years ended June 30, 2020 and 2019, respectively, in contributions and/or fundraising event support from members of the Board of Directors.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

The Organization leases office equipment under non-cancelable operating leases. The leases require monthly payments of \$2,865 per month through May 2024.

At June 30, 2020, minimum future payments under the non-cancelable operating leases are as follows:

Year Ending <u>June 30,</u>	
2021	\$ 39,319
2022	39,319
2023	38,897
2024	<u>31,510</u>
	<u>\$ 149,045</u>

For the years ended June 30, 2020 and 2019, equipment rental expense was \$38,450 and \$70,018, respectively.

**NOTE 15 – SUBSEQUENT EVENTS**

Effective August 21, 2020, the Organization has obtained an endowment from a donor in the amount of \$1,000,000. The endowment will be used to support the programs of the Organization aimed at preschool aged children.

The Organization has evaluated subsequent events through December 16, 2020, which is the date the financial statements were available to be issued.