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PENINSULA
JEWISH
COMMUNITY
CENTER

FINANCIAL REPORT
JUNE 30, 2021

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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 statements of financial position as of June 30, 2021 and 2020, 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.

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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, 2021 and 2020, 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 27, 2021

PENINSULA JEWISH COMMUNITY CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

ASSETS

	2021	2020
Assets		
Cash	$ 1,303,735	$ 1,138,485
Membership and program receivables, net	70,070	9,397
Contributions receivable	390,401	645,906
Due from affiliates	372,845	266,422
Prepaid expenses and other assets	18,491	60,594
Investments	10,157,607	8,708,651
Property and equipment, net	16,461,504	17,522,575
Total assets	**$ 28,774,653**	**$ 28,352,030**

LIABILITIES AND NET ASSETS

	2021	2020
Liabilities		
Accounts payable and accrued liabilities	$ 1,031,076	$ 708,341
Deferred revenue	515,137	523,002
Capital lease	2,179,977	2,503,644
Grant advance	1,940,071	1,835,800
Notes payable	2,318,825	1,693,825
Total liabilities	7,985,086	7,264,612
Net assets		
Without donor restrictions		
Undesignated	8,334,486	9,063,696
Board-designated operating reserve	343,290	875,500
	8,677,776	9,939,196
With donor restrictions		
Restricted as to time	100,000	300,000
Restricted as to purpose	12,011,791	10,848,222
	12,111,791	11,148,222
Total net assets	20,789,567	21,087,418
Total liabilities and net assets	**$ 28,774,653**	**$ 28,352,030**

See notes to financial statements.

PENINSULA JEWISH COMMUNITY CENTER

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Contributions and grants	$ 3,382,930	$ 479,345	$ 3,862,275
Program revenue	2,032,317	-	2,032,317
Membership revenue	3,638,904	-	3,638,904
Special events, net	2,389	1,125	3,514
Net investment return	-	1,803,526	1,803,526
Other revenue	19,457	-	19,457
Net assets released from restrictions	1,320,427	(1,320,427)	-
Total revenue, support, and gains	10,396,424	963,569	11,359,993
Expenses			
Program services			
Health and fitness	3,201,311	-	3,201,311
Early childhood education	4,490,111	-	4,490,111
Youth	2,094,459	-	2,094,459
Other	1,146,493	-	1,146,493
Total program services	10,932,374	-	10,932,374
Supporting services			
General and administrative	436,590	-	436,590
Fundraising	352,110	-	352,110
Total supporting services	788,700	-	788,700
Total expenses	11,721,074	-	11,721,074
Change in net assets	(1,324,650)	963,569	(361,081)
Net assets, beginning of year	9,939,196	11,148,222	21,087,418
In-kind contribution of equipment – affiliate	63,230	-	63,230
Net assets, end of year	**$ 8,677,776**	**$ 12,111,791**	**$ 20,789,567**

See notes to financial statements.

PENINSULA JEWISH COMMUNITY CENTER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
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	1,383,671	(1,383,671)	-
Total revenue, support, and gains	14,815,916	45,907	14,861,823
Expenses			
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	2,412,833	-	2,412,833
Total program services	16,564,292	-	16,564,292
Supporting services			
General and administrative	437,595	-	437,595
Fundraising	415,827	-	415,827
Total supporting services	853,422	-	853,422
Total expenses	17,417,714	-	17,417,714
Change in net assets	(2,601,798)	45,907	(2,555,891)
Net assets, beginning of year	11,923,001	11,102,315	23,025,316
In-kind contribution of equipment – affiliate	617,993	-	617,993
Net assets, end of year	**$ 9,939,196**	**$ 11,148,222**	**$ 21,087,418**

See notes to financial statements.

PENINSULA JEWISH COMMUNITY CENTER

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2021 and 2020

2021

	Program Services					Supporting Services			
	Health and Fitness	Early Childhood Education	Youth	Other	Total	General and Administration	Fundraising	Total	Total
Salaries, taxes, and benefits	$ 1,971,263	$ 2,979,234	$ 1,277,201	$ 768,241	$ 6,995,939	$ 162,215	$ 319,077	$ 481,292	$ 7,477,231
Professional services	29,916	43,259	52,594	52,629	178,398	4,866	10,337	15,203	193,601
Occupancy and campus	911,443	1,142,492	562,582	233,395	2,849,912	235,558	-	235,558	3,085,470
Programmatic	27,820	45,490	53,002	2,575	128,887	-	5,111	5,111	133,998
Office and other	260,869	279,636	149,080	89,653	779,238	33,951	22,696	56,647	835,885
Total expenses	3,201,311	4,490,111	2,094,459	1,146,493	10,932,374	436,590	357,221	793,811	11,726,185
Less expenses included with revenues on the statement of activities									
Costs of direct benefits to donors	-	-	-	-	-	-	(5,111)	(5,111)	(5,111)
	$ 3,201,311	**$ 4,490,111**	**$ 2,094,459**	**$ 1,146,493**	**$ 10,932,374**	**$ 436,590**	**$ 352,110**	**$ 788,700**	**$ 11,721,074**

2020

	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
Total expenses	7,037,018	4,756,882	2,357,559	2,412,833	16,564,292	437,595	416,834	854,429	17,418,721
Less expenses included with revenues on the statement of activities									
Costs of direct benefits to donors	-	-	-	-	-	-	(1,007)	(1,007)	(1,007)
	$ 7,037,018	**$ 4,756,882**	**$ 2,357,559**	**$ 2,412,833**	**$ 16,564,292**	**$ 437,595**	**$ 415,827**	**$ 853,422**	**$ 17,417,714**

See notes to financial statements.

PENINSULA JEWISH COMMUNITY CENTER

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	$ (361,081)	$ (2,555,891)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	1,084,508	1,277,347
Unrealized investment gains	(1,610,165)	(188,935)
Loss on sale of property and equipment	2,648	-
Bad debt expense	46,666	8,233
Forgiveness of PPP loan	(1,835,800)	-
Changes in operating assets and liabilities:		
Membership and program receivables, net	(107,339)	349,376
Contributions receivable	255,505	(532,219)
Prepaid expenses and other assets	42,104	63,629
Accounts payable and accrued expenses	156,077	(663,649)
Due to affiliates	60,272	(164,672)
Deferred revenue	(7,865)	(832,426)
Net cash used in operating activities	(2,274,470)	(3,239,207)
Cash flows from investing activities		
Proceeds from sale or maturity of investments	1,340,939	996,411
Purchases of investments	(1,286,151)	-
Proceeds from sale of equipment	91,330	22,829
Purchases of property and equipment	(54,223)	-
Net cash provided by investing activities	91,895	1,019,240
Cash flows from financing activities		
Collection of endowment contributions	106,421	-
Principal payments on capital leases	(323,667)	(626,761)
Proceeds from government grant	1,940,071	1,835,800
Proceeds from notes payable	625,000	-
Principal payments on note payable - pension termination	-	(89,763)
Net cash provided by financing activities	2,347,825	1,119,276
Net increase (decrease) in cash and cash equivalents	165,250	(1,100,691)
Cash and cash equivalents, beginning of year	1,138,485	2,239,176
Cash and cash equivalents, end of year	**$ 1,303,735**	**$ 1,138,485**
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 58,201**	**$ 183,753**
Non-cash investing and financing activities		
Contributed property and equipment from affiliate	**$ 63,230**	**$ 483,649**

See notes to financial statements.

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 partially closed due to COVID-19 related restrictions. Refunds were made for certain educational programs. As noted in Note 2, the Organization received a Paycheck Protection Program (PPP) loan in May 2020, for which the Organization received forgiveness from the Small Business Administration ("SBA") through the bank on July 12, 2021, effective June 29, 2021. The Organization received a second PPP loan in March 2021. In response to COVID-19 related restrictions, the Organization made significant changes to its facilities to provide distancing of fitness equipment, reorganized classrooms, designed and developed outdoor spaces for distanced use, created new signage and workflows, and extensively cleaned all facilities among other tasks performed by the Organization's 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.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. At June 30, 2021 and 2020, the allowance for uncollectible accounts amounted to $244,854 and $212,000, respectively.

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. As of June 30, 2021 and 2020, the balance of the allowance for doubtful accounts was $244,854 and $212,000, respectively, and the amount charged to bad debt expense during the year ended June 30, 2021 and 2020 was $46,666 and $8,233, respectively.

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 $5,000 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)

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, 2021 and 2020.

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 Coronavirus Aid, Relief and Economic Security (CARES) act. The Organization received full forgiveness of the loan during the year ended June 30, 2021 and has recorded it as a contribution on the statement of activities. During the year ended June 30, 2021, the Organization received a second PPP loan draw from a lender totaling $1,940,071. 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 March 3, 2026. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Membership and Program Services

Membership and program services are recognized during the year in which the related services are provided to participants. The performance obligations of providing access to the facilities and delivering program services are simultaneously received and consumed by the participant; therefore, the revenue is recognized ratably over the dates of the services being provided. All amounts received prior to the dates of the membership and before the program or event occurs, the revenue is deferred to the applicable period. The Organization elected to apply portfolio practical expedient, as membership and program contracts with participants are substantially the same in nature and have the same pattern of revenue recognition.

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. During the years ended June 30, 2021 and 2020, the Organization received contributed property of $63,230 and $617,993, respectively. 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, 2021 and 2020.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received in excess of 1,000 and 3,000 volunteer hours for the years ended June 30, 2021 and 2020, respectively. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 and 2020, 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.

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 26% and 93% of outstanding contributions receivable at June 30, 2021 and 2020, respectively, was due from one donor.

Approximately 26% 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.

Change in Accounting Principle
On July 1, 2020, the Organization adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers: (Topic 606),* which requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The new standard supersedes U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires additional disclosures. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue and, therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements
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, 2021, 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. 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), 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.

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2021, and 2020, 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.

	2021	2020
Cash and cash equivalents	$ 1,303,735	$ 1,138,485
Membership and program receivables	70,070	9,397
Contributions receivable	390,401	345,906
Due from affiliates	372,845	266,422
Total financial assets	2,137,051	1,760,210
Board-designated operating reserve	(343,290)	(875,500)
	$ 1,793,761	**$ 884,710**

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 – 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.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2021 and 2020, 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.

- *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.

- *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 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes the Organization's investments measured at fair value on a recurring basis at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Restricted cash equivalents	$ 44,975	$ -	$ -	$ 44,975
Stock and stock funds	5,508,036	-	-	5,508,036
Bond funds	4,254,596	-	-	4,254,596
Auction rate securities	-	-	350,000	350,000
Total	**$9,807,607**	**$ -**	**$ 350,000**	**$10,157,607**

The following table summarizes the Organization's investments measured at fair value on a recurring basis at June 30, 2020:

	Level 1	Level 2	Level 3	Total
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
Total	**$ 8,358,651**	**$ -**	**$ 350,000**	**$ 8,708,651**

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 5 – PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2021 and 2020 is as follows:

	2021	2020
Furniture and equipment	$ 2,775,973	$ 2,140,973
Leasehold improvements	2,232,197	2,209,969
Software development cost	-	684,208
Buildings and improvements under capital lease	34,127,693	34,077,276
	39,135,863	39,112,426
Accumulated depreciation and amortization	(22,674,359)	(21,589,851)
	$ 16,461,504	**$ 17,522,575**

NOTE 6 – NOTES PAYABLE

The Organization has a $2,158,115 note payable with the Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties in California. 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 payable through January 31, 2031. During the year ended June 30, 2021, monthly payments were deferred until January 2022.

During the year ended June 30, 2021, the Organization entered into a $600,000 note payable agreement with a lender. The note payable bears interest at a rate of 0% and mature on July 1, 2024. Principal payments of $50,000 are due quarterly starting October 1, 2021. No contribution was recorded for the below market note payable.

During the year ended June 30, 2021, the Organization entered into a $25,000 note payable agreement with a lender. The note payable bears interest at a rate of 0% and mature on July 1, 2024. Principal payments of $8,300 are due on January 1, 2022 and 2023, and principal payment of $8,400 is due on January 1, 2024. No contribution was recorded for the below market note payable.

As of June 30, 2021, the future maturities of the note payable are as follows:

Year Ending June 30,	
2022	$ 335,249
2023	405,249
2024	405,249
2025	246,949
2026	196,949
Thereafter	1,149,143
	2,758,888
Total amount representing interest	(440,063)
	$ 2,318,825

Interest expense on the notes totaled $144,324 and $57,948 for the years ended June 30, 2021 and 2020, respectively, and is included in occupancy and campus expenses on the Consolidated Statements of Functional Expenses.

NOTE 7 – CAPITAL LEASE

The Organization has a 53-year sublease with North Peninsula Jewish Campus, 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 2028. 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, 2021:

Year Ending June 30,	
2022	$ 214,049
2023	375,097
2024	375,097
2025	375,097
2026 and thereafter	840,637
	$ 2,179,977

For the years ended June 30, 2021 and 2020, total interest expense on the capital lease was $46,058 and $73,236, respectively, and is included in occupancy and campus expenses on the Consolidated Statements of Functional Expenses.

The Organization's long-term facilities lease with North Peninsula Jewish Campus requires the Organization to pay a pre-determined proportionate percentage of the common charges of the campus facilities. For the years ended June 30, 2021 and 2020, these common charges totaled $839,574 and $987,242, respectively.

NOTE 8 – 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. Effective April 15, 2020, all employer contributions were made discretionary. Employer matching contributions vest proportionally over five years. Matching and profit-sharing contributions paid during the years ended June 30, 2021 and 2020 totaled $696 and $317,656, respectively.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021, and 2020, net assets with donor restrictions are restricted for the following purposes or periods:

	2021	2020
Subject to expenditure for a specified purpose		
Jewish Peoplehood	$ 948,590	$ 1,074,495
Early Childhood Education	126,999	119,244
Adult and Older Adult Programs	566,014	672,024
Pink Ribbon – Cancer Survivor Exercise	66,679	64,450
Staff support	8,008	33,648
Families	29,983	-
Youth and Teen	107,911	116,232
	1,854,184	2,080,093
Subject to passage of time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	100,000	300,000
Subject to the Organization's spending policy and appropriation		
Endowment funds restricted in perpetuity	6,124,236	6,017,815
Unappropriated endowment earnings	4,033,371	2,750,314
	10,157,607	8,768,129
Total net assets with donor restrictions	**$ 12,111,791**	**$ 11,148,222**

NOTE 9 – 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, 2021 and 2020, net assets were released as follows:

	2021	2020
Subject to expenditure for a specified purpose		
Jewish Peoplehood	$ 143,405	$ 440,505
Early Childhood Education	101,174	138,245
Adult and Older Adult Programs	132,880	177,025
Financial Assistance (YES Fund)	-	74,038
Pink Ribbon – Cancer Survivor Exercise	41,012	65,343
Staff support	38,225	-
Families	15,017	-
Youth and Teen	28,245	12,529
	499,958	907,685
Reclass of earnings	56,399	-
Expiration of time restrictions	300,000	-
Endowment earnings appropriated	464,070	475,986
	$ 1,320,427	**$ 1,383,671**

NOTE 10 – 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 net assets with donor restrictions in perpetuity (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 net assets with donor restriction in perpetuity is classified as net assets with donor restrictions as to time and purpose 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:

NOTE 10 – ENDOWMENT (Continued)

(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, 2021, and 2020, endowment net assets with donor restrictions composition by type of fund are as follows:

	2021	2020
Original donor-restricted gift	$ 6,124,236	$ 6,017,815
Accumulated investment gains	4,033,371	2,750,314
Balance, end of year	**$ 10,157,607**	**$ 8,768,129**

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, 2021 and 2020, there were no deficiencies of this nature.

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.

NOTE 10 – ENDOWMENT (Continued)

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, 2021 and 2020 are as follows:

	2021	2020
Balance, beginning of year	$ 8,768,129	$ 9,032,943
Net investment return	1,803,526	188,876
Endowment contributions	106,421	22,296
Reclass of earnings	(56,399)	-
Appropriation of endowment assets pursuant to spending rate policy	(464,070)	(475,986)
Balance, end of year	**$ 10,157,607**	**$ 8,768,129**

NOTE 11 – RELATED PARTY TRANSACTIONS

The Organization's long-term facilities lease with North Peninsula Jewish Campus requires the Organization for pay a pre-determined proportionate percentage of the common charges of the campus facilities. For the years ended June 30, 2021 and 2020, the Organization's share of these common charges totaled $839,574 and $987,242, respectively.

The Organization received in-kind contributions of equipment from NPJC in the amount of $63,230 and $617,993 during the years ended June 30, 2021 and 2020, respectively.

The Organization received $213,166 and $83,821 during the years ended June 30, 2021 and 2020, respectively, in contributions and/or fundraising event support from members of the Board of Directors.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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

At June 30, 2021, minimum future payments under the non-cancelable operating leases are as follows:

Year Ending June 30,	
2022	$ 39,319
2023	38,897
2024	31,510
	$ 109,727

For the years ended June 30, 2021 and 2020, equipment rental expense was $45,908 and $38,450, respectively.

NOTE 13 – UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The disruption resulting from the COVID-19 pandemic is currently expected to be temporary, but there is considerable uncertainty around the duration and the Organization expects this matter may negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 14 – SUBSEQUENT EVENTS

The Organization expects to receive Employee Retention Tax Credit (ERTC) in the fiscal year 2022 totaling approximately $2,262,000.

The Organization has evaluated subsequent events through December 27, 2021, which is the date the financial statements were available to be issued.