



**PENINSULA
JEWISH
COMMUNITY
CENTER**

**FINANCIAL REPORT
JUNE 30, 2022**

PENINSULA JEWISH COMMUNITY CENTER

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Peninsula Jewish Community Center

Report on the Financial Statements

We have audited the financial statements of Peninsula Jewish Community Center (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Singer Lewak LLP

March 17, 2023

PENINSULA JEWISH COMMUNITY CENTER

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,081,919	\$ 1,303,735
Membership and program receivables, net	188,987	70,070
Contributions receivable	42,324	390,401
Other receivable	1,518,962	-
Due from affiliates	360,445	372,845
Prepaid expenses and other assets	27,869	18,491
Notes receivable – related party	500,000	-
Property and equipment, net	15,318,399	16,461,504
Investments	<u>8,689,478</u>	<u>10,157,607</u>
Total assets	<u>\$ 27,728,383</u>	<u>\$ 28,774,653</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued liabilities	\$ 1,009,974	\$ 1,031,076
Deferred revenue	1,021,625	515,137
Capital lease	2,058,103	2,179,977
Grant advance	-	1,940,071
Notes payable	<u>2,018,679</u>	<u>2,318,825</u>
Total liabilities	<u>6,108,381</u>	<u>7,985,086</u>

Net assets

Without donor restrictions		
Undesignated	10,976,983	8,334,486
Board-designated operating reserve	<u>500,000</u>	<u>343,290</u>
	11,476,983	8,677,776
With donor restrictions	<u>10,143,019</u>	<u>12,111,791</u>
Total net assets	<u>21,620,002</u>	<u>20,789,567</u>

Total liabilities and net assets	<u>\$ 27,728,383</u>	<u>\$ 28,774,653</u>
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See notes to financial statements.

PENINSULA JEWISH COMMUNITY CENTER

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Contributions and grants	\$ 4,523,743	\$ 224,254	\$ 4,747,997
Program revenue	5,655,172	-	5,655,172
Membership revenue	3,956,020	-	3,956,020
Net investment loss	-	(977,678)	(977,678)
Tax credit revenue	1,518,962	-	1,518,962
Other revenue	9,660	-	9,660
Net assets released from restrictions	<u>1,215,348</u>	<u>(1,215,348)</u>	<u>-</u>
 Total revenue, support, and gains	 <u>16,878,905</u>	 <u>(1,968,772)</u>	 <u>14,910,133</u>
Expenses			
Program services			
Health and fitness	3,185,734	-	3,185,734
Early childhood education	4,691,420	-	4,691,420
Youth	2,137,619	-	2,137,619
Other	<u>1,203,498</u>	<u>-</u>	<u>1,203,498</u>
 Total program services	 11,218,271	 -	 11,218,271
Supporting services			
General and administrative	1,959,908	-	1,959,908
Fundraising	554,545	-	554,545
Membership	<u>417,523</u>	<u>-</u>	<u>417,523</u>
 Total supporting services	 <u>2,931,976</u>	 <u>-</u>	 <u>2,931,976</u>
 Total expenses	 <u>14,150,247</u>	 <u>-</u>	 <u>14,150,247</u>
 Change in net assets	 2,728,658	 (1,968,772)	 759,886
 Net assets, beginning of year	 8,677,776	 12,111,791	 20,789,567
 In-kind contribution of equipment – affiliate	 <u>70,549</u>	 <u>-</u>	 <u>70,549</u>
 Net assets, end of year	 <u>\$ 11,476,983</u>	 <u>\$ 10,143,019</u>	 <u>\$ 21,620,002</u>

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	<u>1,320,427</u>	<u>(1,320,427)</u>	<u>-</u>
Total revenue, support, and gains	<u>10,396,424</u>	<u>963,569</u>	<u>11,359,993</u>
Expenses			
Program services			
Health and fitness	2,538,414	-	2,538,414
Early childhood education	3,622,583	-	3,622,583
Youth	1,625,046	-	1,625,046
Other	<u>1,169,493</u>	<u>-</u>	<u>1,169,493</u>
Total program services	8,955,536	-	8,955,536
Supporting services			
General and administrative	1,710,004	-	1,710,004
Fundraising	389,410	-	389,410
Membership	<u>666,124</u>	<u>-</u>	<u>666,124</u>
Total supporting services	<u>2,765,538</u>	<u>-</u>	<u>2,765,538</u>
Total expenses	<u>11,721,074</u>	<u>-</u>	<u>11,721,074</u>
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	<u>63,230</u>	<u>-</u>	<u>63,230</u>
Net assets, end of year	<u>\$ 8,677,776</u>	<u>\$ 12,111,791</u>	<u>\$ 20,789,567</u>

See notes to financial statements.

PENINSULA JEWISH COMMUNITY CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2022 and 2021

	2022									
	Program Services					Supporting Services				
	Health and Fitness	Early Childhood Education	Youth	Other	Total	General and Administration	Fundraising	Membership	Total	Total
Salaries, taxes, and benefits	\$ 2,075,694	\$ 3,001,339	\$ 1,340,391	\$ 702,533	\$ 7,119,957	\$ 916,378	\$ 385,365	\$ 264,253	\$ 1,565,996	\$ 8,685,953
Professional services	28,645	92,245	80,395	56,550	257,835	73,426	21,095	4,509	99,030	356,865
Occupancy and campus	498,804	641,346	272,153	198,559	1,610,862	257,476	50,910	56,802	365,188	1,976,050
Depreciation	260,684	462,502	185,153	100,357	1,008,696	110,278	36,777	41,033	188,088	1,196,784
Interest expense	82,008	145,498	58,247	31,571	317,324	34,692	11,570	12,909	59,171	376,495
Programmatic	47,742	55,180	74,216	40,987	218,125	-	-	-	-	218,125
Office	190,646	289,591	125,544	72,359	678,140	567,482	53,328	37,779	658,589	1,336,729
Other	1,511	3,719	1,520	582	7,332	176	213	238	627	7,959
Total expenses	\$ 3,185,734	\$ 4,691,420	\$ 2,137,619	\$ 1,203,498	\$ 11,218,271	\$ 1,959,908	\$ 559,258	\$ 417,523	\$ 2,936,689	\$ 14,154,960
Less expenses included with revenues on the statement of activities	-	-	-	-	-	-	(4,713)	-	(4,713)	(4,713)
Costs of direct benefits to donors	-	-	-	-	-	-	-	-	-	-
	\$ 3,185,734	\$ 4,691,420	\$ 2,137,619	\$ 1,203,498	\$ 11,218,271	\$ 1,959,908	\$ 554,545	\$ 417,523	\$ 2,931,976	\$ 14,150,247

	2021									
	Program Services					Supporting Services				
	Health and Fitness	Early Childhood Education	Youth	Other	Total	General and Administration	Fundraising	Membership	Total	Total
Salaries, taxes, and benefits	\$ 1,736,030	\$ 2,274,801	\$ 1,006,833	\$ 706,073	\$ 5,723,737	\$ 1,041,391	\$ 465,794	\$ 246,309	\$ 1,753,494	\$ 7,477,231
Professional services	17,342	36,351	46,401	54,032	154,126	21,805	14,308	3,362	39,475	193,601
Occupancy and campus	299,033	503,845	196,250	150,037	1,149,165	276,936	66,051	55,916	398,903	1,548,068
Depreciation	236,159	418,271	162,918	124,011	941,359	150,011	54,833	46,419	251,263	1,192,622
Interest expense	76,939	136,270	53,078	40,402	306,689	48,873	17,864	15,123	81,860	388,549
Programmatic	13,261	45,490	53,002	2,575	114,328	-	5,111	-	5,111	119,439
Office	112,577	206,546	105,960	92,163	517,246	167,606	47,186	22,206	236,998	754,244
Other	47,073	1,009	604	200	48,886	3,382	88	75	3,545	52,431
Total expenses	2,538,414	3,622,583	1,625,046	1,169,493	8,955,536	1,710,004	671,235	389,410	2,770,649	11,726,185
Less expenses included with revenues on the statement of activities	-	-	-	-	-	-	(5,111)	-	(5,111)	(5,111)
Costs of direct benefits to donors	-	-	-	-	-	-	-	-	-	-
	\$ 2,538,414	\$ 3,622,583	\$ 1,625,046	\$ 1,169,493	\$ 8,955,536	\$ 1,710,004	\$ 666,124	\$ 389,410	\$ 2,765,538	\$ 11,721,074

See notes to financial statements.

PENINSULA JEWISH COMMUNITY CENTER

STATEMENTS OF CASH FLOWS Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 759,886	\$ (361,081)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	1,196,784	1,084,508
Unrealized investment (gains) losses	968,102	(1,610,165)
Loss on sale of equipment	16,870	2,648
Bad debt expense	-	46,666
Forgiveness of PPP loan	(1,940,071)	(1,835,800)
Changes in operating assets and liabilities:		
Membership and program receivables, net	(118,917)	(107,339)
Contributions receivable	348,077	255,505
Other receivable	(1,518,962)	-
Due from affiliates	12,400	60,272
Prepaid expenses and other assets	(9,378)	42,104
Accounts payable and accrued expenses	(21,102)	156,077
Deferred revenue	506,488	(7,865)
Net cash provided by (used in) operating activities	200,177	(2,274,470)
Cash flows from investing activities		
Proceeds from sale or maturity of investments	570,145	1,340,939
Purchases of investments	(77,216)	(1,286,151)
Notes receivable – related party	(500,000)	-
Proceeds from sale of equipment	-	91,330
Purchases of property and equipment	-	(54,223)
Net cash provided by (used in) investing activities	(7,071)	91,895
Cash flows from financing activities		
Collection of endowment contributions	7,098	106,421
Principal payments on capital leases	(121,874)	(323,667)
Proceeds from government grant	-	1,940,071
Proceeds from notes payable	-	625,000
Principal payments on notes payable	(300,146)	-
Net cash provided by (used in) financing activities	(414,922)	2,347,825
Net change in cash and cash equivalents	(221,816)	165,250
Cash and cash equivalents, beginning of year	1,303,735	1,138,485
Cash and cash equivalents, end of year	\$ 1,081,919	\$ 1,303,735
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 73,063	\$ 58,201
Non-cash investing and financing activities		
Contributed property and equipment from affiliate	\$ 70,549	\$ 63,230

See notes to financial statements.

PENINSULA JEWISH COMMUNITY CENTER

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 embracing 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 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 find 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.

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).

Reclassifications

Certain prior-year amounts have been reclassified to conform to current presentation with no impact on net assets.

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.

PENINSULA JEWISH COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2022 and 2021, the allowance for uncollectible accounts amounted to \$244,854.

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. The Organization determined at June 30, 2022 and 2021, that no allowance was necessary.

Other Receivable

Under the provisions of the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Organization is eligible for a refundable employee retention credit subject to certain criteria. As the Organization met the criteria specified by the CARES Act, the Organization adopted a policy to recognize the employee retention credit when earned. Accordingly, the Organization recorded a \$1.5 million employee retention credit as of June 30, 2022, which is included in other receivable on the statements of financial position.

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 2 to 39 years.

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, 2022 and 2021.

PENINSULA JEWISH COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

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

Classes of Net Assets

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

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

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.

PENINSULA JEWISH COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributed Goods and Services

Contributed goods are recorded at fair value at the date of donation. During the years ended June 30, 2022 and 2021, the Organization received contributed property of \$70,549 and \$63,230, 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, 2022 and 2021.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received approximately 1,500 and 1,000 volunteer hours for the years ended June 30, 2022 and 2021, 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.

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, 2022 and 2021, 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.

PENINSULA JEWISH COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments, Concentrations, and Credit Risk (Continued)

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 19% 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, 2023.

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.

Subsequent Events

The Organization has evaluated subsequent events and transactions through March 17, 2023, the date on which the financial statements were available to be issued.

PENINSULA JEWISH COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2022, and 2021, 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.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,081,919	\$ 1,303,735
Membership and program receivables, net	188,987	70,070
Contributions receivable	42,324	390,401
Other receivable	1,518,962	-
Due from affiliates	<u>360,445</u>	<u>372,845</u>
 Total financial assets	 3,192,637	 2,137,051
Board-designated operating reserve	<u>(500,000)</u>	<u>(343,290)</u>
	 <u>\$ 2,692,637</u>	 <u>\$ 1,793,761</u>

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.

PENINSULA JEWISH COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

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.
- 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, 2022 and 2021, 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:

- *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.

PENINSULA JEWISH COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Restricted cash equivalents	\$ 46,486	\$ -	\$ -	\$ 46,486
Stock and stock funds	4,914,686	-	-	4,914,686
Bond funds	3,378,306	-	-	3,378,306
Auction rate securities	-	-	350,000	350,000
Total	<u>\$ 8,339,478</u>	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ 8,689,478</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>\$ 9,807,607</u>	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$10,157,607</u>

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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 2,775,973	\$ 2,775,973
Leasehold improvements	2,232,197	2,232,197
Buildings and improvements under capital lease	<u>34,144,512</u>	<u>34,127,693</u>
	39,152,682	39,135,863
Accumulated depreciation and amortization	<u>(23,834,283)</u>	<u>(22,674,359)</u>
	<u>\$ 15,318,399</u>	<u>\$ 16,461,504</u>

PENINSULA JEWISH COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS

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. Monthly principal and interest payments of \$16,412 are payable through January 31, 2031. The note payable had an original interest rate of 4.35%. During the year ended June 30, 2022, the note was refinanced to lower the interest rate to 3%. The payment schedule and maturity date remained unchanged.

The Organization has a \$600,000 note payable agreement with a lender. The note is non-interest bearing and matures on July 1, 2024. Principal payments of \$50,000 are due quarterly. No contribution was recorded for the below market note payable.

The Organization has a \$25,000 note payable agreement with a lender. The note is non-interest bearing and matures on July 1, 2024. Principal payments of \$12,500 are due on January 1, 2023 and 2024. No contribution was recorded for the below market note payable.

As of June 30, 2022, the future maturities of the notes payable are as follows:

Year Ending June 30,	
2023	\$ 413,549
2024	405,349
2025	246,949
2026	196,949
2027	196,949
Thereafter	<u>772,661</u>
	2,232,406
Total amount representing interest	<u>(213,727)</u>
	<u>\$ 2,018,679</u>

Interest expense on the notes totaled \$73,063 and \$86,123 for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy and campus expenses on the Statements of Functional Expenses.

PENINSULA JEWISH COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

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, 2022:

Year Ending June 30,	
2023	\$ 298,516
2024	307,644
2025	317,212
2026	326,996
2027 and thereafter	<u>807,735</u>
	<u>\$ 2,058,103</u>

For the years ended June 30, 2022 and 2021, total interest expense on the capital lease was \$47,065 and \$46,058, respectively, and is included in occupancy and campus expenses on the 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, 2022 and 2021, these common charges totaled \$966,154 and \$839,574, 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. Employer matching contributions vest proportionally over five years. Matching and profit-sharing contributions paid during the years ended June 30, 2022 and 2021 totaled \$321,010 and \$696, respectively.

PENINSULA JEWISH COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2022, and 2021, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
<i>Subject to expenditure for a specified purpose</i>		
Jewish Peoplehood	\$ 648,590	\$ 948,590
Early Childhood Education	120,534	126,999
Adult and Older Adult Programs	476,939	566,014
Pink Ribbon – Cancer Survivor Exercise	52,091	66,679
Staff support	-	8,008
Families	28,906	29,983
Youth and Teen	<u>126,481</u>	<u>107,911</u>
	1,453,541	1,854,184
<i>Subject to passage of time</i>		
Promises to give, which are unavailable for expenditure until due	-	100,000
<i>Subject to the Organization's spending policy and appropriation</i>		
Endowment funds restricted in perpetuity	6,129,435	6,124,236
Unappropriated endowment earnings	<u>2,560,043</u>	<u>4,033,371</u>
	<u>8,689,478</u>	<u>10,157,607</u>
Total net assets with donor restrictions	<u>\$ 10,143,019</u>	<u>\$ 12,111,791</u>

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, 2022 and 2021, net assets were released as follows:

	<u>2022</u>	<u>2021</u>
<i>Subject to expenditure for a specified purpose</i>		
Jewish Peoplehood	\$ 300,000	\$ 143,405
Early Childhood Education	112,508	101,174
Adult and Older Adult Programs	135,715	132,880
Pink Ribbon – Cancer Survivor Exercise	41,517	41,012
Staff support	8,271	38,225
Families	1,077	15,017
Youth and Teen	<u>20,610</u>	<u>28,245</u>
	619,698	499,958
Reclass of earnings	-	56,399
Expiration of time restrictions	100,000	300,000
Endowment earnings appropriated	<u>495,650</u>	<u>464,070</u>
	<u>\$ 1,215,348</u>	<u>\$ 1,320,427</u>

PENINSULA JEWISH COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS

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:

- (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, 2022, and 2021, endowment net assets with donor restrictions composition by type of fund are as follows:

	<u>2022</u>	<u>2021</u>
Original donor-restricted gift	\$ 6,129,435	\$ 6,124,236
Accumulated investment gains	<u>2,560,043</u>	<u>4,033,371</u>
Balance, end of year	<u>\$ 8,689,478</u>	<u>\$ 10,157,607</u>

PENINSULA JEWISH COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – ENDOWMENT (Continued)

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, 2022 and 2021, 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.

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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 10,157,607	\$ 8,768,129
Net investment loss	(977,678)	1,803,526
Endowment contributions	5,199	106,421
Reclass of earnings	-	(56,399)
Appropriation of endowment assets pursuant to spending rate policy	<u>(495,650)</u>	<u>(464,070)</u>
Balance, end of year	<u>\$ 8,689,478</u>	<u>\$ 10,157,607</u>

PENINSULA JEWISH COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – RELATED PARTY TRANSACTIONS

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, 2022 and 2021, the Organization's share of these common charges totaled \$966,154 and \$839,574, respectively.

The Organization received in-kind contributions of property and equipment from NPJC in the amount of \$70,549 and \$63,230 during the years ended June 30, 2022 and 2021, respectively.

The Organization received \$82,166 and \$213,166 during the years ended June 30, 2022 and 2021, respectively, in contributions and/or fundraising event support from members of the Board of Directors.

The Organization has a note receivable from an Organization officer in the amount of \$500,000. The note is interest-free and is due in full at the time the officer's employment contract with the Organization ends, on July 1, 2025. If the officer's employment continues past July 1, 2025, the Organization will forgive the outstanding amount of the loan at the rate of \$60,000 per year.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Organization leases office equipment under non-cancelable operating leases. The leases require monthly payments of \$5,008 per month through 2024.

At June 30, 2022, minimum future payments under the non-cancelable operating leases are as follows:

Year Ending June 30,	
2023	\$ 60,091
2024	<u>46,511</u>
	<u>\$ 106,602</u>

For the years ended June 30, 2022 and 2021, equipment rental expense was \$36,999 and \$45,908, respectively.