Jewish Family and Children's Services
OF SAN FRANCISCO, THE PENINSULA, MARIN AND SONOMA COUNTIES

FINANCIAL REPORT
JUNE 30, 2020

JEWISH FAMILY AND CHILDREN'S SERVICES
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SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jewish Family and Children's Services

Report on the Financial Statements

We have audited the accompanying financial statements of Jewish Family and Children's Services ("JFCS"), which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to JFCS'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 JFCS's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JFCS as of June 30, 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.

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Report on Summarized Comparative Information

We have previously audited JFCS 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

December 14, 2020

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF FINANCIAL POSITION

June 30, 2020

(Summarized Comparative Information as of June 30, 2019)

ASSETS

	2020	2019
Assets		
Cash and cash equivalents	$ 5,392,717	$ 182,486
Accounts receivable, net	1,969,015	1,826,261
Grants and contributions receivable, net	3,931,493	7,644,548
Notes receivable	368,134	473,329
Prepaid expenses and deposits	492,278	494,892
Assets held in split-interest agreements	7,036,647	7,101,898
Investments	39,021,895	38,258,267
Property and equipment, net	18,022,585	18,967,274
Total assets	**$ 76,234,764**	**$ 74,948,955**

LIABILITIES AND NET ASSETS

	2020	2019
Liabilities		
Accounts payable and accrued expenses	$ 4,360,970	$ 6,120,270
Line of credit	550,000	4,528,040
Notes payable	18,130,224	12,518,943
Liabilities under split-interest agreements, net	4,890,602	5,002,180
Total liabilities	27,931,796	28,169,433
Net assets		
Without donor restrictions	2,917,798	2,358,866
With donor restrictions	45,385,170	44,420,656
Total net assets	48,302,968	46,779,522
Total liabilities and net assets	**$ 76,234,764**	**$ 74,948,955**

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

(Summarized Comparative Information for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Revenue, support, and gains				
Program service fees	$ 13,792,374	$ -	$ 13,792,374	$ 15,227,513
Grants and contributions	19,638,482	5,154,448	24,792,930	21,572,626
Special events revenue, net	557,993	-	557,993	168,707
In-kind contributions	151,244	-	151,244	123,382
Change in value of split-interest agreements	(138,809)	75,997	(62,812)	27,285
Net investment return	81,535	516,654	598,189	2,277,128
Other revenues	159,578	-	159,578	(111,811)
Net assets released from restrictions	4,782,585	(4,782,585)	-	-
Total revenue, support, and gains	39,024,982	964,514	39,989,496	39,284,830
Expenses				
Program services	32,225,496	-	32,225,496	32,414,864
Supporting services				
Management and general	3,752,118	-	3,752,118	2,870,804
Development	2,488,436	-	2,488,436	2,498,556
Total supporting services	6,240,554	-	6,240,554	5,369,360
Total expenses	38,466,050	-	38,466,050	37,784,224
Change in net assets	558,932	964,514	1,523,446	1,500,606
Net assets, beginning of year	2,358,866	44,420,656	46,779,522	45,278,916
Net assets, end of year	**$ 2,917,798**	**$ 45,385,170**	**$ 48,302,968**	**$ 46,779,522**

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

(Summarized Comparative Information for the Year Ended June 30, 2019)

	Program Services						Supporting Services				
	Older Adults	Children and Families	Émigrés	Adults	Social Enterprise Center	Total	Management and General	Development	Total	Total 2020	Total 2019
Salaries and wages	$ 11,851,368	$ 3,645,885	$ 1,579,564	$ 1,155,052	$ 181,423	$ 18,413,292	$ 1,738,003	$ 1,474,510	$ 3,212,513	$ 21,625,805	$ 20,666,114
Payroll taxes and benefits	3,061,310	784,297	436,342	246,118	135,566	4,663,633	411,141	334,481	745,622	5,409,255	6,609,694
Professional fees	769,073	526,358	182,369	113,921	13,149	1,604,870	340,221	279,365	619,586	2,224,456	1,965,608
Occupancy	770,825	464,331	141,272	143,027	1,574	1,521,029	169,643	172,313	341,956	1,862,985	1,508,068
Assistance to individuals	1,326,521	168,010	249,035	364,064	-	2,107,630	-	-	-	2,107,630	1,735,630
Depreciation	362,754	429,939	266,075	92,760	2,070	1,153,598	38,398	48,358	86,756	1,240,354	1,174,279
Transportation	205,766	23,672	349,599	10,221	7,843	597,101	10,070	2,482	12,552	609,653	709,650
Publicity	373,547	153,491	98	106	375	527,617	26,484	9,891	36,375	563,992	622,761
Supplies	196,612	107,235	56,547	41,054	22,653	424,101	86,505	45,081	131,586	555,687	622,222
Donor-advised grants	-	279,412	-	-	-	279,412	-	-	-	279,412	544,058
Interest	-	-	-	-	-	-	534,488	-	534,488	534,488	399,642
Insurance	96,174	47,813	41,824	12,187	4,325	202,323	76,614	10,294	86,908	289,231	294,128
Telephone	128,350	65,073	33,355	21,889	1,186	249,853	25,876	23,251	49,127	298,980	245,488
Printing and publications	36,963	31,935	6,797	4,963	423	81,081	16,473	52,077	68,550	149,631	180,116
Conferences and meetings	15,203	12,371	3,372	5,792	21	36,759	163,882	5,904	169,786	206,545	175,128
Equipment rental and maintenance	43,150	35,268	9,937	8,431	8	96,794	5,084	4,307	9,391	106,185	113,765
Recruitment	44,518	53,877	753	2,014	11	101,173	60,942	4,821	65,763	166,936	83,805
Postage and shipping	15,625	20,931	3,741	2,821	17	43,135	7,642	20,643	28,285	71,420	70,424
Bad debt	22,052	5,780	-	75,144	3,541	106,517	212	-	212	106,729	35,910
Dues	6,590	6,746	1,002	1,240	-	15,578	40,440	658	41,098	56,676	27,734
Total expenses by function	**$ 19,326,401**	**$ 6,862,424**	**$ 3,361,682**	**$ 2,300,804**	**$ 374,185**	**$ 32,225,496**	**$ 3,752,118**	**$ 2,488,436**	**$ 6,240,554**	**$ 38,466,050**	**$ 37,784,224**

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

(Summarized Comparative Information for the year ended 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 1,523,446	$ 1,500,606
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,292,774	1,230,832
Loss on sale of assets	38,689	325
Loss on uncollectable receivables	106,729	35,910
Realized and unrealized (gain) loss on investments	172,148	(1,348,247)
Amortization of discount - occupancy rights	528,775	487,812
Actuarial changes in split-interest agreements	(46,327)	(177,967)
Change in operating assets and liabilities		
Accounts receivable	(177,777)	(248,877)
Grants and contributions receivable	3,184,280	(1,251,156)
Prepaid expense and deposits	2,614	(43,835)
Accounts payable and accrued expenses	(1,759,300)	(181,594)
Net cash provided by operating activities	4,866,051	3,809
Cash flows from investing activities		
Proceeds from sale of investments	11,038,918	957,382
Purchases of investments	(11,974,694)	(1,432,652)
Addition to endowment	(1,664,112)	(1,678,874)
Purchases of property and equipment	(386,774)	(1,257,366)
Net proceeds from notes receivable	33,489	(89,771)
Net cash used in investing activities	(2,953,173)	(3,501,281)
Cash flows from financing activities		
Collections of contributions restricted to endowment	1,664,112	1,678,874
Borrowings on line of credit	7,550,000	13,742,767
Payments on line of credit	(7,611,910)	(11,638,665)
Proceeds from long term debt	6,387,565	-
Principal paid on long term debt	(4,692,414)	(704,085)
Net cash provided by financing activities	3,297,353	3,078,891
Net increase (decrease) in cash and cash equivalents	5,210,231	(418,581)
Cash and cash equivalents, beginning of year	182,486	601,067
Cash and cash equivalents, end of year	**$ 5,392,717**	**$ 182,486**
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ 750,415	$ 651,554

See notes to financial statements.

NOTE 1 – NATURE OF ORGANIZATION

Jewish Family and Children's Services ("JFCS"), a non-profit public-benefit corporation, has been serving residents of San Francisco, the Peninsula, Marin and Sonoma Counties since it was founded in 1850. Guided by the Jewish values of *tzedakah* and *tikun olam* – social justice and repairing the world – JFCS is the oldest non-profit west of the Mississippi and one of the largest family services organizations in the United States, serving over 80,000 people annually.

JFCS provides more than 40 high-quality, research-based social and educational programs and services for people of all faiths and backgrounds. As a problem-solving center for children, families, and older adults, JFCS assists people as they face life transitions and personal crises. JFCS's goal is to strengthen families and improve lives through service offerings in four core program areas, while emphasizing inter-generational ties and community responsibility.

Older Adults
JFCS helps older adults to live independently through its award-winning Seniors At Home program, which includes homecare services, dementia care, palliative and end-of-life care, care management, healthcare advocacy, support for Holocaust survivors, counseling, adult day health care, meal delivery, and other practical and spiritual support services.

Children and Families
Through the Center for Children and Youth, JFCS improves the lives of children and families through a range of clinical and mental health services for children and teens, parent support and education programs, training for child development professionals, and public policy advocacy. JFCS also helps families through its adoption agency, housing and advocacy programs, financial advice and assistance services, and youth educational and mentoring programs.

Émigrés
JFCS provides support to those who have immigrated to the Bay Area to acculturate to their new lives by offering legal services, citizenship classes, counseling, loans and grants, and other support services.

Adults
JFCS offers services to adults through its financial assistance and small business loan program, community education programs, counseling, case management, spiritual care, bereavement and healing program, disability services program, and other practical and emotional support services.

During the year ended June 30, 2020, JFCS sold its Cleanerific program service and related assets for $125,000 and discontinued the social enterprise center program. A gain on the sale of $91,908 is included in other revenues on the accompanying statement of activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The accompanying financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Comparative Financial Information
The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Use of Estimates
The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
JFCS considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to permanent endowment or other long-term purposes are excluded from this definition.

Accounts Receivable
Accounts Receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2020, the allowance for doubtful accounts totaled $423,546.

Grants and Contributions Receivable
Grants and contributions receivable include grants from foundations and corporations, individual gifts and bequests. Grants and contributions receivable are recorded when the gifts become unconditional. Such receivables are recorded at the present value of their estimated future cash flows. The discount on these receivables are computed using risk-adjusted rates applicable in the year in which those grants and contributions were made. Amortization of the discounts is included in contributed income. An allowance for uncollectible grants and contributions receivable is established based upon estimated losses related to specific accounts and is recorded through a provision for bad debt.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes Receivable
Notes receivable are primarily low interest student financial aid loans. The loans can be repaid at any time before graduation without interest. The loan period is typically three years with interest rates ranging between 1.95% to 6.75%. For the year ended June 30, 2020, JFCS made student loans with interest rate at 4.5%. JFCS also makes non-interest-bearing emergency assistance loans. The allowance is estimated from historical performance and projections of trends.

Split-interest Agreements
JFCS is a residual beneficiary of a number of split-interest agreements. These include charitable remainder trusts (CRT), charitable gift annuities (CGA), and pooled income funds (PIF). JFCS's net beneficial interest in the split-interest agreements is the difference between the assets and the liabilities. Assets held in split-interest agreements are recognized at estimated fair value and corresponding liability for each split interest agreement is the present value of the amount payable to the income beneficiary under terms of the agreement. In determining the present value, JFCS utilizes the 2012 Individual Annuity Reserve table, the estimated return on the invested assets, the contractual payment obligations under the agreements, and a discount rate reflective of current market conditions. The discount rate used for CRT and PIF was 6% and 4.5% for the CGAs.

Investments
Investments are stated at their fair value. Net realized, and unrealized gains and losses are reflected as part of other revenues without donor restrictions in the statements of activities. Gains and losses that result from market fluctuations are recognized in the year such fluctuations occur. Dividend and interest income are recognized when earned. Investments also include cash and equivalents, money market funds and certificates of deposits designated for non-current purposes.

Property and Equipment
Property and equipment is recorded at cost if purchased, or if donated, at fair value at the date of donation. The cost of assets purchased under $2,000 is charged to expense. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of assets ranging from 5 to 30 years. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Costs and the related accumulated depreciation are eliminated from the accounts when an asset is retired.

Impairment 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. JFCS did not recognize any impairment of long-lived asset losses in the year ended June 30, 2020.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

JFCS is organized as a not-for-profit organization exempt from income tax under provisions of Internal Revenue Code §501(c)(3) and California Revenue and Taxation Code §23701d. Management has analyzed the tax positions taken by JFCS, and has concluded that, as of June 30, 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. JFCS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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 Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets with Donor Restrictions* – 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 reported as increases in net assets with donor restrictions, depending on the nature of the restriction. 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 received and expended in the same reporting period are recorded as net assets without donor restrictions.

Revenue Recognition

Grants, contributions and bequests are recognized when received or unconditionally promised. Conditional promises to give are not recorded as revenue until the conditions have been substantially met. Investments received through gifts are recorded at fair value at the date of donation. Program service fees are recognized when services have been substantially performed.

Donated Facilities and Services

Donated services are recognized when the services received either (a) create or enhance a nonfinancial asset or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. For the year ended June 30, 2020, JFCS recognized $27,154 of donated occupancy rights and $124,090 of donated advertising.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include personnel, professional fees and occupancy costs. These costs are allocated based on the employee hours worked on the program services such as older adults, children and families, emigres, adults and social enterprise.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2015-14 one year, making it effective for annual reporting periods beginning after December 15, 2020. JFCS believes the impact of its pending adoption of the new standard on its financial statements will be minimal.

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 income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021. JFCS is currently evaluating the impact of the pending adoption of the new standard on the financial statements. JFCS currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the balance sheet in amounts that will be material.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)
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.* Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. These presentation changes include: 1) Present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and 2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets with additional disclosures for each category presented. The amendments should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. JFCS is currently evaluating the impact of the adoption of this guidance on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for years beginning after December 15, 2022, including interim periods within those years. JFCS is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and does not expect the impact to be significant.

Recently Adopted Pronouncements
During the year ended June 30, 2020, JFCS adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) *within* the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 did not have a material impact on the financial statements.

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 5,392,717
Accounts receivable	1,969,015
Grants and contribution receivable, current portion	3,515,237
Notes Receivable, current portion	133,656
Budgeted endowment draws per spending rate policy	1,321,884
Net financial assets available to meet cash needs for general expenditures	**$12,332,509**

JFCS regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. JFCS has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and lines of credit. JFCS has a $2,000,000 line of credit, of which $1,450,000 was available at June 30, 2020, which it may use to draw funds to meet any funding shortfalls throughout the year.

NOTE 4 – FINANCIAL INSTRUMENTS AND CREDIT RISK

JFCS manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit 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, JFCS has not experienced losses in any of these accounts.

Investments are exposed to various risks, including interest rate, credit, and overall market volatility. JFCS maintains a formal investment policy that sets out investment guidelines including asset allocation guidelines and performance benchmarks for each of its investment managers. The investment managers and asset allocation are overseen by an Investment Committee that includes members and non-members of the JFCS's Board of Directors and are reviewed by the Board of Directors.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and donors supportive of JFCS's mission. Investments are made by diversified investment managers whose performance is monitored by JFCS and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, JFCS believes that the investment policies and guidelines are prudent for the long-term welfare of JFCS.

Approximately 46% of grants and contribution receivable is from three donors and 27% of grants and contribution revenue is from eight donors as of and for the year ended June 30, 2020.

NOTE 5 – GRANTS AND CONTRIBUTIONS RECEIVABLE

As of June 30, 2020, grants and contribution receivable consisted of the following:

Receivable in less than one year	$ 3,515,237
Receivable in one to four years (net of accumulated Present value discount of $11,793)	416,256
Total grants and contributions receivable, net	**$ 3,931,493**

Long-term grants and contributions receivable are discounted with rates ranging from 0.85% to 2.44%.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

JFCS 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 JFCS 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, JFCS develop inputs using the best information available in the circumstances.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes JFCS's investments by the fair value hierarchy at June 30, 2020:

	Total	Level 1	Level 2	NAV
Investments				
Cash and cash equivalents	$11,554,769	$ 11,554,769	$ -	$ -
Certificates of deposit	504,763	-	504,763	-
Equity securities	20,265,986	20,265,986	-	-
Fund of funds	6,696,377	-	-	6,696,377
	39,021,895	31,820,755	504,763	6,696,377
Split-interest agreements				
Money market	654,002	654,002	-	-
US Treasury Bills	149,886	149,886	-	-
Certificates of deposit	257,463	-	257,463	-
Equity securities	4,105,033	4,105,033	-	-
Fixed income	1,870,263	451,058	1,419,205	-
	7,036,647	5,359,979	1,676,668	-
	$46,058,542	**$ 37,180,734**	**$ 2,181,431**	**$ 6,696,377**

For the year ended June 30, 2020, net investment return consists of the following:

Interest and dividend income	$ 935,687
Realized gains	221,079
Unrealized losses	(393,227)
Investment management fees	(165,350)
Net investment return	**$ 598,189**

At June 30, 2020, JFCS held a total of $6,696,377 in a fund of funds which is referred to as "alternative investments", whose values have been estimated by JFCS in the absence of readily ascertainable market values. The estimate of fair value is based on the net asset value (NAV) provided to JFCS by the alternative investment fund, supported by independently audited financial statements of the alternative investment fund, when available.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Alternative Investment Strategy and Redemption Information

The investment strategy, commitments to additional capital contributions, and various features of the alternative investments as of June 30, 2020, are as follows:

	Fund of Funds
Fair value	$ 6,969,377
Unfunded commitments	$ -
Redemption frequency	June 30th and December 31th
Redemption notice period	95 days' prior written consent
Holdback	5% holdback for full redemption request

Fund of Funds – This category includes one investment fund with an objective, through its investment in the Master Fund, to produce long-term risk-adjusted returns with low volatility and downside protection qualities, by allocating and reallocating assets among a select group of non-traditional portfolio managers that invest or trade in a wide range of securities and other instruments. It employs various investment strategies to achieve its objective. The top five strategies employed by this Fund include equities-fundamental, multi-strategy, residential mortgages, special situations, and quantitative strategies.

NOTE 7 – PROPERTY AND EQUIPMENT

As of June 30, 2020, property and equipment consisted of the following:

Buildings	$ 20,159,287
Land	6,751,355
Furniture and equipment	3,791,892
Leasehold improvements	2,308,301
Computer equipment	1,257,905
Vehicles	1,170,770
Website	113,943
Construction in progress	124,778
	35,678,231
Less accumulated depreciation	(17,655,646)
Total property and equipment, net	**$ 18,022,585**

NOTE 8 – LINE OF CREDIT

As of June 30, 2020, lines of credit consisted of a revolving line of credit with First Republic Bank, secured by real property, prime rate plus 0.25% per annum (3.50% at June 30, 2020). Interest is paid in full monthly and the principal will be paid in full by the maturity date of September 2021. At June 30, 2020, JFCS has available a $2,050,000 line of credit, of which $1,450,000 was available at June 30, 2020, which it may use to draw funds to meet any funding shortfalls throughout the year.

NOTE 9 – NOTES PAYABLE

As of June 30, 2020, notes payable consisted of the following:

First Republic Bank, secured by real property, monthly payments of $34,049 including interest at 4.05%, matures August 2023	$ 6,111,845
Bernstein Margin Loan, secured by the investments in securities hold with Bernstein, interest at 0.63%	5,424,695
CRF Small Business Loan, monthly payments of $205,416 including interest at 1%, matures April 202	4,879,000
Jewish Community Federation, unsecured, monthly payments of $16,820 including interest at 4.35%, matures January 2031	1,714,684
Total notes payable	**$ 18,130,224**

Maturities of long-term debt at June 30, 2020 are as follows:

2021	$ 1,904,914
2022	2,745,452
2023	1,134,927
2024	5,756,383
2025	153,578
Thereafter	6,434,970
Total notes payable	**$ 18,130,224**

NOTE 9 – NOTES PAYABLE (Continued)

Small Business Loan
Due to economic uncertainty as a result of the ongoing pandemic (COVID-19), on April 16, 2020, JFCS received an aggregate principal amount of $4,879,000 pursuant to the borrowing arrangement ("Note") with CRF Small Business Loan Company, LLC ("CRF") and agreed to pay the principal amount plus interest at a 1% fixed interest rate per year, on the unpaid principal balance. The Note includes forgiveness provisions in accordance with the requirements of the Paycheck Protection Program, Section 1106 of the CARES Act. The Note is expected to mature on April 15, 2022. Payments were due by October 16, 2020 (the "Deferment Period") and interest was accrued during the Deferment Period. However, the Flexibility Act, which was signed into law on June 5, 2020, extended the Deferment Period to the date that the forgiven amount is remitted by the United States Small Business Administration ("SBA") to CRF. JFCS is in the process of filling out the forgiveness application form.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to expenditure for specified purpose	
Older adults	$ 2,057,270
Children and families	404,656
Adults	328,718
Émigré	20,000
Facilities use	46,011
Split interest agreements	1,494,275
Loan and grant funds	989,818
	5,340,748
Subject to the passage of time	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	90,377
Endowment funds (Note 11)	39,954,045
Total net assets with donor restrictions	**$ 45,385,170**

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors are as follows for the years ended June 30, 2020:

Satisfaction of purpose restrictions	
Older adults	$ 2,639,644
Children and families	659,866
Adults	256,909
Émigré	15,900
Facilities use	566,879
Split interest agreements	8,130
Loan and grant funds	128,908
	4,276,236
Satisfaction to time	310,778
Endowment earnings appropriated	1,262,959
Reclass of net assets with donor restriction	(1,067,388)
Total net assets with donor restrictions	**$ 4,782.585**

NOTE 11 – ENDOWMENT

For the year ended June 30, 2020, JFS's endowment consists of 393 donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

NOTE 11 – ENDOWMENT (Continued)

Endowment Spending Policy
In accordance with UPMIFA, JFCS's Board of Directors 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 JFCS 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 JFCS
(7) The investment policies of JFCS

JFCS's Board of Directors has adopted a policy of appropriating for distribution each year no more than the weighted average of 70% of the previous year's appropriation adjusted for inflation and 30% of 4% of the fair value of endowment assets as of the measurement date.

In some years, economic conditions lead to distributions from endowment in excess of the Board appropriation. It is the policy of the JFCS's Board of Directors to consider excess distributions as temporary withdrawals from endowment and to maintain an ongoing plan for repayment of excess distributions to endowment.

Investment Policy, Strategies, and Objectives
The Board has adopted investment and spending policies for endowment assets that are intended to provide a predictable stream of funding to programs supported by its endowment funds. Accordingly, it is the goal of the aggregate endowment fund assets (excluding assets segregated for split-interest gifts) to meet or exceed a real rate of return (inflation-adjusted) of 4% after fees and costs, but before annual spending.

Actual returns in any given year may vary from this amount. Endowment assets are invested in a well-diversified asset mix, which includes cash equivalents, fixed income securities, equity securities, mutual funds, exchange traded funds and fund of funds. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed so that the fund is not exposed to unacceptable levels of risk.

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA, as interpreted by the JFCS's Board, requires the Agency to retain as a fund of perpetual duration. There are no deficiencies of this nature reported in net assets as of June 30, 2020.

NOTE 11 – ENDOWMENT (Continued)

Investment Policy, Strategies, and Objectives (Continued)
As of June 30, 2020, endowment net assets with donor restrictions composition by type of fund are as follows:

Original donor-restricted gift	$ 39,058,416
Accumulated investment gains	321,083
Promises to give	574,546
	$ 39,954,045

Changes in endowment net assets with donor restrictions for the years ended June 30, 2020, are as follows:

Balance, beginning of year	$ 39,061,776
Net investment return	516,654
Endowment contributions	1,625,156
Appropriation of endowment assets pursuant to spending rate policy	(1,262,959)
Change in value of net beneficial interest in CRTs dedicated to endowment	13,418
	$ 39,954,045

NOTE 12 – DEFINED-CONTRIBUTION RETIREMENT PLAN

JFCS sponsors a defined-contribution plan organized as a qualified plan under IRS §403(b). Employees who elect to participate in the plan may make qualified contributions into the plan on a tax deferred basis. Eligible employees also receive an employer contribution. Under terms of the plan, the employer portion is funded subsequent to the end of each calendar year. JFCS records the employer share of retirement benefits as part of Payroll taxes and benefits in the statement of functional expenses. Pension expense for the 403(b) defined-contribution plan was $925,416 for the year ended June 30, 2020.

NOTE 13 – DONOR-ADVISED FUNDS

During the year ended June 30, 2020, donor-advised funds activity was as follows:

Balance, beginning of year	$ 1,330,264
Contributions to donor-advised funds	235,874
Grants from donor-advised funds	(279,412)
Balance, end of year	**$ 1,286,726**

NOTE 13 – DONOR-ADVISED FUNDS (Continued)

Grant recommendations from donor-advised funds are accepted from the donors or other advisors of these funds. JFCS has variance power; that is, the ultimate discretion of the use of these funds lies with the Board of Directors. Grants from donor-advised funds are included in Program Services expenses.

NOTE 14 – LEASE COMMITMENTS

JFCS is obligated under various operating lease agreements for program facilities, which expire at various times through 2040. Rental expense under these leases for the year ended June 30, 2020 was $241,428. Future minimum lease commitments are as follows:

2021	$ 76,451
2022	98,574
2023	99,731
2024	87,012
2025	60,000
Thereafter	1,260,000
Total	**$ 1,681,768**

NOTE 15 – SPLIT-INTEREST AGREEMENTS

The following is a summary of assets held in split-interest agreements as of and for the year ended June 30, 2020:

Beginning of year	$ 7,101,898
Income, net of losses	324,736
Payments to beneficiaries	(389,987)
End of year	**$ 7,036,647**

The liabilities for the present value of the estimated future payments are $4,890,602 as of June 30, 2020.

NOTE 16 – RELATED PARTY TRANSACTIONS

Taube Foundation for Jewish Life and Culture made unconditional grants for $1M during the year ended June 30, 2020 to support JFCS operations. As of June 30, 2020, $500K is outstanding and is included on the statement of financial position as grants and contributions receivable.

The Board members donated approximately $2M donation to JFCS operations. The funds were not restricted and unconditional.

NOTE 17 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many Federal, state and local governmental agencies including the city and county of San Francisco have declared a state of emergency and issued a variety of mandates and recommendations including the closure of performing arts centers and non-essential businesses. The circumstances surrounding COVID-19 create uncertainty in expectations for future donations and contributions to JFCS. JFCS recognizes that donations in the 2020-21 year may be reduced, as a result. In addition, financial market volatility has significantly increased with an impact on the value of major market indices which may negatively affect JFCS's net investment income. Other financial impacts could occur though such potential impact is unknown at this time.

On August 10, 2020, JFCS refinanced its note payable from First Republic Bank. The loan will bear interest at 3.2% and the term was extended to mature on August 10, 2030.

On August 10, 2020, JFCS amended its line of credit from First Republic Bank. The agreement was extended from September 2020 until September 2021 and increased the amount the Company can borrow from $2.0 million to $3.0 million.

Management has evaluated subsequent events through December 14, 2020, the date which the financial statements were available to be issued, and determined the following reportable event has occurred.