



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

**FINANCIAL REPORT
JUNE 30, 2021**

JEWISH FAMILY AND CHILDREN'S SERVICES

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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, 2021, 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' 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' 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Jewish Family and Children's Services
Independent Auditor's Report
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Report on Summarized Comparative Information

We have previously audited JFCS' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Singer Lewak LLP". The signature is written in black ink and is positioned above the date.

December 6, 2021

JEWISH FAMILY AND CHILDREN'S SERVICES
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(Summarized Comparative Information as of June 30, 2020)

ASSETS

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,458,433	\$ 5,392,717
Accounts receivable, net	1,498,906	1,969,212
Grants and contributions receivable, net	8,008,634	3,931,296
Notes receivable, net	297,446	368,134
Prepaid expenses and deposits	319,391	492,278
Assets held in split-interest agreements	7,937,752	7,036,647
Investments	63,248,361	39,021,895
Property and equipment, net	21,129,849	18,022,585
Total assets	\$ 103,898,772	\$ 76,234,764

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 6,543,993	\$ 4,360,970
Lines of credit	-	550,000
Notes payable	11,338,289	18,130,224
Liabilities under split-interest agreements, net	5,198,433	4,890,602
Total liabilities	23,080,715	27,931,796
Net assets		
Without donor restrictions	20,996,768	2,917,798
With donor restrictions	59,821,289	45,385,170
Total net assets	80,818,057	48,302,968
Total liabilities and net assets	\$ 103,898,772	\$ 76,234,764

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021
(Summarized Comparative Information for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenue, support, and gains				
Program service fees	\$ 12,682,963	\$ -	\$ 12,682,963	\$ 13,792,374
Grants and contributions	23,850,870	9,226,512	33,077,382	24,578,905
Contributions designated for donor advised funds	11,229,520	-	11,229,520	214,025
Special events revenue, net	-	-	-	557,993
In-kind contributions	650,192	-	650,192	151,244
Change in value of split-interest agreements	(177,435)	87,579	(89,856)	(62,812)
Net investment return	1,916,241	7,409,571	9,325,812	598,189
Other revenues	123,420	-	123,420	159,578
Gain on Extinguishment of Debt	4,879,000	-	4,879,000	-
Net assets released from restrictions	2,287,543	(2,287,543)	-	-
	<u>57,442,314</u>	<u>14,436,119</u>	<u>71,878,433</u>	<u>39,989,496</u>
Expenses				
Program services	33,399,808	-	33,399,808	32,225,496
Supporting services				
Management and general	3,111,436	-	3,111,436	3,752,118
Development	2,852,100	-	2,852,100	2,488,436
	<u>5,963,536</u>	<u>-</u>	<u>5,963,536</u>	<u>6,240,554</u>
	<u>39,363,344</u>	<u>-</u>	<u>39,363,344</u>	<u>38,466,050</u>
Change in net assets	18,078,970	14,436,119	32,515,089	1,523,446
Net assets, beginning of year	<u>2,917,798</u>	<u>45,385,170</u>	<u>48,302,968</u>	<u>46,779,522</u>
Net assets, end of year	<u>\$ 20,996,768</u>	<u>\$ 59,821,289</u>	<u>\$ 80,818,057</u>	<u>\$ 48,302,968</u>

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021
(Summarized Comparative Information for the Year Ended June 30, 2020)

	Program Services					Supporting Services			Total 2021	Total 2020
	Older Adults	Children and Families	Émigrés	Adults	Total	Management and General	Development	Total		
Salaries and wages	\$ 11,934,813	\$ 4,030,836	\$ 1,576,819	\$ 1,289,482	\$ 18,831,950	\$ 1,674,078	\$ 1,621,753	\$ 3,295,831	\$ 22,127,781	\$ 21,625,805
Payroll taxes and benefits	3,208,174	910,118	477,565	282,520	4,878,377	427,865	391,142	819,007	5,697,384	5,409,255
Professional fees	859,687	728,731	222,582	166,816	1,977,816	332,542	279,126	611,668	2,589,484	2,224,456
Occupancy	740,955	623,716	110,493	222,807	1,697,971	173,147	176,831	349,978	2,047,949	1,862,985
Assistance to individuals	1,682,159	230,107	143,781	229,329	2,285,376	-	-	-	2,285,376	2,107,630
Depreciation	297,873	376,020	249,391	110,017	1,033,301	20,141	34,894	55,035	1,088,336	1,240,354
Transportation	120,250	16,180	104,549	4,871	245,850	20,780	2,383	23,163	269,013	609,653
Publicity	328,644	242,521	-	1,104	572,269	-	23,745	23,745	596,014	563,992
Supplies	166,628	105,999	46,567	36,337	355,531	86,769	156,952	243,721	599,252	555,687
Donor-advised grants	-	565,900	-	-	565,900	-	-	-	565,900	279,412
Interest	-	-	-	-	-	115,530	-	115,530	115,530	534,488
Insurance	83,183	36,791	34,733	13,750	168,457	79,621	7,681	87,302	255,759	289,231
Telephone	171,159	95,672	46,709	33,366	346,906	34,222	38,187	72,409	419,315	298,980
Printing and publications	31,887	24,155	6,330	4,839	67,211	16,451	74,292	90,743	157,954	149,631
Conferences and meetings	6,088	3,812	4,021	3,199	17,120	22,167	875	23,042	40,162	206,545
Equipment rental and maintenance	52,329	30,277	16,606	22,721	121,933	5,930	6,447	12,377	134,310	106,185
Recruitment	35,499	23,825	1,894	8,101	69,319	34,306	4,030	38,336	107,655	166,936
Postage and shipping	21,853	21,941	3,047	4,221	51,062	6,711	29,983	36,694	87,756	71,420
Bad debt	11,036	3,040	-	83,934	98,010	-	-	-	98,010	106,729
Dues	7,473	5,692	1,825	459	15,449	61,176	3,779	64,955	80,404	56,676
Total expenses by function	\$ 19,759,690	\$ 8,075,333	\$ 3,046,912	\$ 2,517,873	\$ 33,399,808	\$ 3,111,436	\$ 2,852,100	\$ 5,963,536	\$ 39,363,344	\$ 38,466,050

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES
STATEMENT OF CASH FLOWS
Year Ended June 30, 2021
(Summarized Comparative Information for the year ended 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 32,515,089	\$ 1,523,446
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,140,756	1,292,774
Loss on disposal of assets	-	38,689
Loss on uncollectable receivables	98,010	106,729
Realized and unrealized (gain) loss on investments	(8,578,533)	172,148
Amortization of discount - occupancy rights	46,011	528,775
Change in value of split-interest agreements	(593,274)	(46,327)
Contributions restricted for endowment	(1,773,991)	(1,625,156)
Gain on extinguishment of debt	(4,879,000)	-
Change in operating assets and liabilities		
Accounts receivable	624,228	(177,777)
Grants and contributions receivable	(4,439,211)	4,809,436
Prepaid expense and deposits	172,887	2,614
Accounts payable and accrued expenses	2,183,023	(1,759,300)
Net cash provided by operating activities	16,515,995	4,866,051
Cash flows from investing activities		
Proceeds from sale of investments	26,893,297	11,038,918
Purchases of investments	(42,541,230)	(13,638,806)
Purchases of property and equipment	(4,248,020)	(386,774)
Net proceeds from notes receivable	70,688	33,489
Net cash used in investing activities	(19,825,265)	(2,953,173)
Cash flows from financing activities		
Collections of contributions restricted to endowment	1,837,921	1,664,112
Borrowings on line of credit	-	7,550,000
Payments on line of credit	(550,000)	(7,611,910)
Proceeds from notes payable	-	6,387,565
Principal paid on notes payable	(1,912,935)	(4,692,414)
Net cash provided by financing activities	(625,014)	3,297,353
Net increase (decrease) in cash and cash equivalents	(3,934,284)	5,210,231
Cash and cash equivalents, beginning of year	5,392,717	182,486
Cash and cash equivalents, end of year	\$ 1,458,433	\$ 5,392,717
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 301,981	\$ 750,415

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

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' 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.

JEWISH FAMILY AND CHILDREN'S SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – 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, 2020, from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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 consists of noninterest-bearing amounts. JFCS determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. As of June 30, 2021, the allowance for doubtful accounts totaled \$177,614.

Grants and Contributions Receivable

JFCS 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 statement of activities. JFCS determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

JEWISH FAMILY AND CHILDREN'S SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes Receivable

Notes receivable consist of low interest individual assistance and student financial aid loans. The student 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%. JFCS also makes non-interest-bearing emergency assistance loans. The allowance for uncollectible notes receivable is estimated from historical performance and projections of trends and amounted to \$213,947 at June 30, 2021.

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' 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.

Donor Advised Funds

Individuals may establish donor advised funds, whereby each fund and its related earnings may be distributed to charities recommended by the donor, subject to the approval of the Board of Directors. Donor advised funds are classified as net assets without donor restrictions.

Investments

JFCS 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 statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses, less investment expenses.

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.

JEWISH FAMILY AND CHILDREN'S SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-lived Assets

JFCS reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of June 30, 2021, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

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, 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. 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. Also included in net assets without donor restrictions are donor advised funds.

- *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 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, conditional contributions, and appropriated endowment earnings received and expended in the same reporting period are recorded as net assets without donor restrictions.

Gain on Extinguishment of Debt

On April 16, 2020, JFCS qualified for and received a loan pursuant to the Paycheck Protection Program, under the CARES Act. During the year ended June 30, 2021, JFCS met the criteria for forgiveness by incurring eligible expenses and applied for and was notified by the bank that their PPP loan was approved for forgiveness. JFCS recorded this forgiveness as a gain on extinguishment of debt in the statement of activities.

JEWISH FAMILY AND CHILDREN'S SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

JFCS recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. At June 30, 2021, there were no conditional contributions.

A portion of JFCS' revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when JFCS incurs the expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

JFCS recognizes revenue from program service fees when the performance obligations of transferring the products or providing the services are met.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. JFCS recognizes special events revenue when the special event takes place.

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, 2021, JFCS recognized \$509,919 of donated occupancy rights, \$575 of professional services and \$139,700 of donated advertising.

Functional Allocation of Expenses

The costs of providing JFCS' various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel, professional fees, and occupancy costs have been allocated based on time spent on each activity.

Change in Accounting Principle

JFCS adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), on July 1, 2020, using the modified retrospective approach. As a result, JFCS updated its revenue recognition policies.

Analysis of various provisions of this standard resulted in no significant changes in the way JFCS recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

JEWISH FAMILY AND CHILDREN'S SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the 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.

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.

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 amendment should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. JFCS is currently evaluating the impact of the adoption of this guidance on its financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES
NOTES TO 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	\$ 1,458,433
Accounts receivable	1,498,906
Grants and contribution receivable, current portion	3,057,101
Notes Receivable, current portion	297,446
Undesignated Investments	6,036,350
Budgeted endowment draws per spending rate policy	<u>1,368,214</u>

Net financial assets available to meet cash needs for general expenditures	<u>\$ 13,716,450</u>
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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 \$3,000,000 line of credit, which was fully available at June 30, 2021, 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' 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' 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.

JEWISH FAMILY AND CHILDREN'S SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FINANCIAL INSTRUMENTS AND CREDIT RISK (Continued)

Approximately 79% of grants and contribution receivable is from three donors and 50% of grants and contribution revenue, including contributions designated for donor advised funds are from three donors as of and for the year ended June 30, 2021.

NOTE 5 – GRANTS AND CONTRIBUTIONS RECEIVABLE

As of June 30, 2021, grants and contributions receivable consisted of the following:

Receivable in less than one year	\$ 3,057,101
Receivable in one to four years (net of accumulated Present value discount of \$16,258)	<u>4,951,533</u>
Total grants and contributions receivable, net	<u>\$ 8,008,634</u>

Long-term grants and contributions receivable are discounted with rates ranging from 0.08% to 2.90%.

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.

JEWISH FAMILY AND CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes JFCS' investments by the fair value hierarchy at June 30, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>
<i>Investments</i>				
Cash and cash equivalents	\$ 179,917	\$ 179,917	\$ -	\$ -
Money market	2,600,071	2,600,071	-	-
Certificates of deposit	155,652	-	155,652	-
Equity securities	27,961,052	27,961,052	-	-
Fixed income	24,725,316	12,741	24,712,575	-
Fund of funds	<u>7,626,353</u>	<u>-</u>	<u>-</u>	<u>7,626,353</u>
	<u>63,248,361</u>	<u>30,753,781</u>	<u>24,868,227</u>	<u>7,626,353</u>
<i>Split-interest agreements</i>				
Money market	286,516	286,516	-	-
Certificates of deposit	254,720	-	254,720	-
Equity securities	4,993,053	4,993,053	-	-
Fixed income	<u>2,403,463</u>	<u>838,171</u>	<u>1,565,292</u>	<u>-</u>
	<u>7,937,752</u>	<u>6,117,740</u>	<u>1,820,012</u>	<u>-</u>
	<u>\$71,186,113</u>	<u>\$36,871,521</u>	<u>\$26,688,239</u>	<u>\$ 7,626,353</u>

For the year ended June 30, 2021, net investment return consists of the following:

Interest and dividend income	\$ 968,424
Realized gains	7,324,445
Unrealized gains	1,254,088
Investment management fees	<u>(221,145)</u>
Net investment return	<u>\$ 9,325,812</u>

At June 30, 2021, JFCS held a total of \$7,626,353 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.

JEWISH FAMILY AND CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS

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 in fund of funds as of June 30, 2021, are as follows:

Fair value	\$ 7,626,353
Unfunded commitments	\$ -
Redemption frequency	June 30 th and December 31 st
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, 2021, property and equipment consisted of the following:

Buildings	\$ 23,241,592
Land	7,676,355
Furniture and equipment	4,121,934
Leasehold improvements	2,308,301
Computer equipment	1,262,913
Vehicles	1,134,779
Website	113,943
Construction in progress	<u>30,442</u>
	39,890,259
Less accumulated depreciation	<u>(18,760,410)</u>
Total property and equipment, net	<u>\$ 21,129,849</u>

JEWISH FAMILY AND CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – LINE OF CREDIT

JFCS has a \$3,000,000 line of credit with a Bank, secured by property. Borrowings under the line bear interest at the bank's prime rate plus 0.25% (3.50% at June 30, 2021). Accrued interest and principal are due at maturity (September 30, 2021).

NOTE 9 – NOTES PAYABLE

As of June 30, 2021, notes payable consisted of the following:

First Republic Bank, secured by real property, monthly payments of \$29,773 including interest at 3.20%, matures August 2030	\$ 5,990,902
Margin loan, secured by investments in securities held by investment firm, interest at 0.63%	3,761,490
Jewish Community Federation, unsecured, monthly payments of \$16,820 including interest at 4.35%, matures January 2031	<u>1,585,897</u>
Total notes payable	<u>\$ 11,338,289</u>

Maturities of notes payable at June 30, 2021 are as follows:

2022	\$ 299,918
2023	311,419
2024	322,728
2025	335,773
2026	348,685
Thereafter	<u>9,719,766</u>
Total notes payable	<u>\$ 11,338,289</u>

JEWISH FAMILY AND CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

<i>Subject to expenditure for specified purpose</i>	
Older adults	\$ 2,198,958
Children and families	5,404,914
Adults	373,976
Financial Aid	122,950
Split interest agreements	1,879,378
Loan and grant funds	<u>1,322,113</u>
	11,302,289
 <i>Perpetual in nature, not subject to spending policy or appropriation</i>	
Beneficial interests in perpetual trusts	148,616
 Endowment funds (Note 11)	 <u>48,370,384</u>
Total net assets with donor restrictions	<u>\$ 59,821,289</u>

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 as follows for the year ended June 30, 2021:

<i>Satisfaction of purpose restrictions</i>	
Older adults	\$ 1,184,892
Children and families	329,601
Adults	63,909
Émigré	20,000
Facilities use	46,011
Loan and grant funds	<u>231,670</u>
	1,876,083
 <i>Satisfaction to time</i>	 90,377
Endowment earnings appropriated	<u>321,083</u>
Total net assets with donor restrictions	<u>\$ 2,287,543</u>

JEWISH FAMILY AND CHILDREN'S SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – ENDOWMENT

For the year ended June 30, 2021, JFS's endowment consists of 396 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' Board of Directors has interpreted the California enacted 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.

Endowment Spending Policy

In accordance with UPMIFA, JFCS' 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' 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' 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 of Directors 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.

JEWISH FAMILY AND CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – ENDOWMENTS (Continued)

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' 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, 2021.

As of June 30, 2021, endowment net assets with donor restrictions composition by type of fund are as follows:

Original donor-restricted gift	\$ 40,470,100
Accumulated investment gains	7,409,571
Promises to give	<u>490,713</u>
	<u>\$ 48,370,384</u>

Changes in endowment net assets with donor restrictions for the years ended June 30, 2021, are as follows:

Balance, Beginning of year	\$ 39,507,905
Net investment return	8,642,042
Endowment Contributions	1,773,991
Apportionment of Endowment asset pursuant to spending rate policy	<u>(1,553,554)</u>
	<u>\$ 48,370,384</u>

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 \$1,014,042 for the year ended June 30, 2021.

JEWISH FAMILY AND CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – DONOR-ADVISED FUNDS

During the year ended June 30, 2021, donor-advised funds activity was as follows:

Balance, beginning of year	\$ 1,286,726
Contributions to donor-advised funds	11,229,520
Grants from donor-advised funds	<u>(565,900)</u>
Balance, end of year	<u>\$ 11,950,346</u>

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, 2021 was \$218,897. At June 30, 2021, future minimum lease commitments are as follows:

2022	\$ 205,381
2023	195,110
2024	195,110
2025	195,110
2026	195,110
Thereafter	<u>3,162,798</u>
Total	<u>\$ 4,148,619</u>

NOTE 15 – RELATED PARTY TRANSACTIONS

Taube Foundation for Jewish Life and Culture made unconditional grants for \$10,000 during the year ended June 30, 2020 to support JFCS operations. The entire amount was received as of June 30, 2021.

The Board members donated approximately \$638,000 donation to JFCS operations. The funds were not restricted and unconditional.

NOTE 16 – RISKS AND UNCERTAINTIES

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may have an impact on JFCS' operations. JFCS expects uncertainties to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. JFCS is closely monitoring its liquidity and actively working to minimize the impact of the pandemic on its operations.

JEWISH FAMILY AND CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 17 – SUBSEQUENT EVENTS

In the preparation of these financial statements, JFCS considered subsequent events through December 6, 2021 which is the date these financial statements were available for issuance.