JFCS Jewish Family and Children's Services

OF SAN FRANCISCO, THE PENINSULA, MARIN AND SONOMA COUNTIES

FINANCIAL REPORT
JUNE 30, 2022

CONTENTS

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 financial statements of Jewish Family and Children's Services (JFCS), which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered

material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JFCS' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JFCS' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited JFCS' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

December 7, 2022

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF FINANCIAL POSITION

June 30, 2022

(Summarized Comparative Information as of June 30, 2021)

ASSETS

	2022	2021
Cash and cash equivalents	$ 1,526,748	$ 1,458,433
Accounts receivable, net	2,170,471	1,498,906
Contributions receivable, net	9,137,590	8,008,634
Notes receivable, net	492,310	297,446
Prepaid expenses and deposits	743,516	319,391
Assets held in split-interest agreements	7,149,085	7,937,752
Investments	62,135,118	63,248,361
Property and equipment, net	21,423,711	21,129,849
Total assets	**$ 104,778,549**	**$ 103,898,772**

LIABILITIES AND NET ASSETS

	2022	2021
Liabilities		
Accounts payable and accrued expenses	$ 7,355,498	$ 6,543,993
Notes payable	10,583,718	11,338,289
Liabilities under split-interest agreements, net	4,785,896	5,198,433
Total liabilities	22,725,112	23,080,715
Net assets		
Without donor restrictions	21,650,239	20,996,768
With donor restrictions	60,403,198	59,821,289
Total net assets	82,053,437	80,818,057
Total liabilities and net assets	**$ 104,778,549**	**$ 103,898,772**

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

(Summarized Comparative Information for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Revenue, support, and gains				
Program service fees	$ 11,994,799	$ -	$ 11,994,799	$ 12,682,963
Grants and contributions	21,584,324	14,316,182	35,900,506	33,077,382
Contributions designated for donor advised funds	1,982,379	-	1,982,379	11,229,520
In-kind contributions	628,900	-	628,900	650,192
Change in value of split-interest agreements	(193,625)	(167,843)	(361,468)	530,953
Net investment return (loss)	(1,743,870)	(5,739,395)	(7,483,265)	8,705,003
Other revenues	318,079	-	318,079	123,420
Gain on extinguishment of debt	-	-	-	4,879,000
Net assets released from restrictions	7,827,035	(7,827,035)	-	-
Total revenue, support, and gains	42,398,021	581,909	42,979,930	71,878,433
Expenses				
Program services	35,280,754	-	35,280,754	33,399,808
Supporting services				
Management and general	3,520,485	-	3,520,485	3,111,436
Development	2,943,311	-	2,943,311	2,852,100
Total supporting services	6,463,796	-	6,463,796	5,963,536
Total expenses	41,744,550	-	41,744,550	39,363,344
Change in net assets	653,471	581,909	1,235,380	32,515,089
Net assets, beginning of year	20,996,768	59,821,289	80,818,057	48,302,968
Net assets, end of year	**$ 21,650,239**	**$ 60,403,198**	**$ 82,053,437**	**$ 80,818,057**

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022
(Summarized Comparative Information for the Year Ended June 30, 2021)

	Program Services					Supporting Services				
	Older Adults	Children and Families	Émigrés	Adults	Total	Management and General	Development	Total	Total 2022	Total 2021
Salaries and wages	$ 12,065,823	$ 4,240,690	$ 1,696,751	$ 1,644,569	$ 19,647,833	$ 1,999,291	$ 1,751,339	$ 3,750,630	$ 23,398,463	$ 22,136,881
Payroll taxes and benefits	3,053,811	823,647	458,249	325,608	4,661,315	336,147	388,660	724,807	5,386,122	5,688,284
Professional fees	838,454	650,191	232,626	176,985	1,898,256	370,718	373,441	744,159	2,642,415	2,589,484
Occupancy	755,440	520,327	127,423	201,724	1,604,914	153,502	190,997	344,499	1,949,413	2,047,949
Assistance to individuals	2,276,158	211,158	814,853	272,369	3,574,538	-	-	-	3,574,538	2,285,376
Depreciation	224,185	407,601	264,933	159,912	1,056,631	16,494	33,557	50,051	1,106,682	1,088,336
Transportation	97,016	19,503	311,228	6,951	434,698	10,202	2,682	12,884	447,582	269,013
Publicity	320,330	307,773	600	2,274	630,977	100	13,427	13,527	644,504	596,014
Supplies	156,534	113,139	75,232	71,138	416,043	58,661	29,599	88,260	504,303	599,252
Donor-advised grants	-	264,510	-	-	264,510	-	-	-	264,510	565,900
Interest	-	-	-	-	-	121,755	-	121,755	121,755	115,530
Insurance	83,633	41,541	35,017	20,148	180,339	99,043	9,552	108,595	288,934	255,759
Telephone	118,573	99,001	29,577	28,305	275,456	24,192	25,709	49,901	325,357	419,315
Printing and publications	33,964	26,927	7,505	4,921	73,317	18,462	65,821	84,283	157,600	157,954
Conferences and meetings	14,225	11,735	3,431	7,805	37,196	262,478	24,415	286,893	324,089	40,162
Equipment rental and maintenance	56,803	76,161	25,930	28,102	186,996	7,602	10,324	17,926	204,922	134,310
Recruitment	61,811	45,934	12,648	29,179	149,572	4,116	4,702	8,818	158,390	107,655
Postage and shipping	13,667	18,779	1,190	2,270	35,906	5,699	18,666	24,365	60,271	87,756
Bad debt	9,340	1,299	-	124,359	134,998	-	-	-	134,998	98,010
Dues	8,672	5,680	705	2,202	17,259	32,023	420	32,443	49,702	80,404
Total expenses by function	**$ 20,188,439**	**$ 7,885,596**	**$ 4,097,898**	**$ 3,108,821**	**$ 35,280,754**	**$ 3,520,485**	**$ 2,943,311**	**$ 6,463,796**	**$ 41,744,550**	**$ 39,363,344**

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

(Summarized Comparative Information for the year ended 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 1,235,380	$ 32,515,089
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,158,833	1,140,756
Loss on uncollectable receivables	134,998	98,010
Realized and unrealized (gain) loss on investments	8,982,755	(8,578,533)
Loss on sale of property and equipment	9,998	-
Amortization of discount - occupancy rights	-	46,011
Change in value of split-interest agreements	361,468	(593,274)
Contributions restricted for endowment	(1,695,805)	(1,773,991)
Contributions restricted to building project	(7,200,000)	-
Gain on extinguishment of debt	-	(4,879,000)
Change in operating assets and liabilities		
Accounts receivable	(894,013)	624,228
Grants and contributions receivable	(910,952)	(4,439,211)
Prepaid expense and deposits	(424,125)	172,887
Accounts payable and accrued expenses	811,505	2,183,023
Net cash provided by operating activities	1,570,042	16,515,995
Cash flows from investing activities		
Proceeds from sales of investments	3,259,889	26,893,297
Purchases of investments	(11,129,401)	(42,541,230)
Purchases of property and equipment	(1,462,693)	(4,248,020)
Issuance of notes receivable	(527,725)	-
Proceeds from payments of notes receivable	212,911	70,688
Withdrawal from assets held under split-interest agreements	429,705	-
Net cash used in investing activities	(9,217,314)	(19,825,265)
Cash flows from financing activities		
Collections of contributions restricted to endowment	1,685,201	1,837,921
Collections of contributions restricted to investments in buildings	7,200,000	-
Payments to beneficiaries of split-interest agreements	(415,043)	-
Payments on line of credit	-	(550,000)
Principal paid on notes payable	(754,571)	(1,912,935)
Net cash provided by (used in) financing activities	7,715,587	(625,014)
Net increase (decrease) in cash and cash equivalents	68,315	(3,934,284)
Cash and cash equivalents, beginning of year	1,458,433	5,392,717
Cash and cash equivalents, end of year	**$ 1,526,748**	**$ 1,458,433**
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 293,259	$ 301,981

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 River and one of the largest family services organizations in the United States, serving over 120,000 people annually.

JFCS' mission is to provide professional and volunteer services for the purposes of developing, restoring, and maintaining the competency of families and individuals of all ages while emphasizing inter-generational ties and community responsibility.

In furtherance of its mission, JFCS provides high-quality, research-based social services, therapeutic resources, and educational programs for people of all ages, 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 in four core program areas.

Older Adults
JFCS helps older adults to live independently through its award-winning Seniors At Home program, which includes home care services, dementia care, palliative and end-of-life care, care management, healthcare advocacy, support for Holocaust survivors, counseling, adult day health care, meal delivery, fiduciary services, 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 by providing a range of clinical mental health services for children and teens, parent coaching 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.

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, 2021, 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 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, 2022, the allowance for doubtful accounts totaled $183,614.

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.

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 $333,897 at June 30, 2022.

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 the 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.

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, 2022, 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, 2022, 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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition (Continued)
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.

In-kind Contributions
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. JFCS recognizes contributed use of a building, based on comparable rents in the San Francisco Bay area, and that amounted to $506,560 for the year ended June 30, 2022. Contributed advertising is valued at estimated fair value based on current rates for similar services and amounted to $122,344 for the year ended June 30, 2022. In-kind contributions are included with grants and contributions revenue in the statement of activities and were fully utilized in program services.

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
On July 1, 2021, JFCS adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The adoption of ASU 2020-07 did not have a material impact on the 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 JFCS for reporting periods beginning on July, 1 2022. Management expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the statement of financial position 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 JFCS on July 1, 2023. JFCS is currently evaluating the impact of the adoption of this guidance on its 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	$ 1,526,748
Accounts receivable	2,170,471
Grants and contribution receivable, current portion	8,759,618
Undesignated Investments	4,715,097
Budgeted endowment draws per spending rate policy	2,754,066
Net financial assets available to meet cash needs for general expenditures	**$ 19,926,000**

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued)

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, 2022, 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 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.

Approximately 86% of grants and contribution receivable is from three donors and 48% 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, 2022.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following at June 30, 2022:

Grants	$ 3,399,217
Contributions, net	3,856,619
Endowment promises to give	153,089
Contracts	1,728,665
Total contributions receivable, net	**$ 9,137,590**

As of June 30, 2022, contributions receivable are estimated to be collected as follows:

Within one year	$ 8,759,618
Within one to five years	504,086
	9,263,704
Less discount on net present value (0.18% and 2.89%)	(16,582)
Less allowance for uncollectable promises to give	(109,532)
Total contributions receivable, net	**$ 9,137,590**

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.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, JFCS develop inputs using the best information available in the circumstances.

At June 30, 2022, JFCS held funds of $1,543,237 and $7,767,713 in a private equity funds and a fund of funds, respectively, which are 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.

The following table summarizes JFCS' investments by the fair value hierarchy at June 30, 2022:

	Total	Level 1	Level 2	NAV
Investments				
Highly liquid investments	$ 1,865,762	$ 1,865,762	$ -	$ -
U.S. Treasury bills	6,252,061	6,252,061	-	-
Certificates of deposit	82,000	-	82,000	-
Equity securities	21,857,840	21,857,840	-	-
Fixed income	22,766,504	10,498	22,756,006	-
Private Equity Funds	1,543,237	-	-	1,543,237
Fund of funds	7,767,714	-	-	7,767,714
	62,135,118	29,986,161	22,838,006	9,310,951
Split-interest agreements				
Money market	489,849	489,849	-	-
Certificates of deposit	78,891	-	78,891	-
Equity securities	4,166,763	4,166,763	-	-
Fixed income	2,413,582	449,715	1,963,867	-
	7,149,085	5,106,327	2,042,758	-
	$69,284,203	**$35,092,488**	**$24,880,764**	**$ 9,310,951**

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

For the year ended June 30, 2022, net investment loss consists of the following:

Interest and dividend income	$ 1,675,629
Realized gains	190,462
Unrealized losses	(9,173,217)
Investment management fees	(176,139)
Net investment loss	**$ (7,483,265)**

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, 2022, are as follows:

Private equity funds	
Fair value	$ 1,543,237
Unfunded commitments	$ 864,000
Redemption frequency	following 3-year investment period, annual liquidity on 12/31
Redemption notice period	90 calendar days' notice
Holdback	none
Fund of funds	
Fair value	$ 7,767,714
Unfunded commitments	$ -
Redemption frequency	June 30th and December 31st
Redemption notice period	95 days' prior written consent
Holdback	5% holdback for full redemption request

Private Equity Funds – This category includes one investment fund with an objective, through its investment in the Master Fund, to deliver risk adjusted returns with lower volatility and low correlation relative to the public credit markets by investing in directly-sourced and privately negotiated secured debt issued by North American-based middle market firms. The investment holdings for this Fund includes investments in senior-secured debts, junior-secured debts, and equity securities valued at NAV.

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, 2022, property and equipment consisted of the following:

Buildings	$ 23,794,489
Land	7,676,355
Furniture and equipment	4,394,322
Leasehold improvements	2,572,521
Computer equipment	1,214,787
Vehicles	1,134,429
Website/software in development	354,152
Construction in progress	117,824
	41,258,879
Less accumulated depreciation/amortization	(19,835,168)
Total property and equipment, net	**$ 21,423,711**

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% (5.00% at June 30, 2022). At June 30, 2022, there were no borrowings on the line of credit.

NOTE 9 – NOTES PAYABLE

As of June 30, 2022, 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	$ 5,825,568
Margin loan, secured by investments in securities held by investment firm, interest at 1.29%	3,306,836
Jewish Community Federation, unsecured, monthly payments of $16,820 including interest at 4.35%, matures January 2031	1,451,314
Total notes payable	**$ 10,583,718**

NOTE 9 – NOTES PAYABLE (Continued)

Maturities of notes payable at June 30, 2022 are as follows:

2023	$ 311,419
2024	322,728
2025	335,773
2026	348,685
2027	362,106
Thereafter	8,903,007
Total notes payable	**$ 10,583,718**

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to expenditure for specified purpose	
Older adults	$ 4,337,496
Children and families	2,979,307
Adults	7,105,060
Émigré	1,202,342
Split interest agreements	1,729,048
	17,353,253
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	95,287
Perpetual in nature, not subject to spending policy or appropriation	
Beneficial interests in perpetual trusts	131,103
Endowment funds (Note 11)	42,823,555
Total net assets with donor restrictions	**$ 60,403,198**

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 year ended June 30, 2022:

Satisfaction of purpose restrictions	
Older adults	$ 2,198,958
Children and families	2,630,608
Adults	49,167
Financial aid	122,950
Loan and grant funds	1,322,113
	6,323,796
Endowment earnings appropriated	1,503,239
Total net assets releases from donor restrictions	**$ 7,827,035**

NOTE 11 – ENDOWMENT

For the year ended June 30, 2022, 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 net assets with donor restrictions which consist of (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' 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.

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, 2022.

NOTE 11 – ENDOWMENTS (Continued)

As of June 30, 2022, assets restricted for endowment consist of the following:

Investments	$ 42,340,811
Promises to give	153,089
Notes receivable	329,655
	$ 42,823,555

As of June 30, 2022, endowment net assets with donor restrictions composition by type of fund are as follows:

Original donor-restricted gift	$ 42,656,618
Accumulated investment gains	166,937
	$ 42,823,555

Changes in endowment net assets with donor restrictions for the year ended June 30, 2022, are as follows:

Balance, beginning of year	$ 48,370,384
Net investment loss	(5,739,395)
Endowment contributions	1,695,805
Apportionment of endowment assets pursuant to spending rate policy	(1,503,239)
Balance, end of year	**$ 42,823,555**

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 $923,117 for the year ended June 30, 2022.

NOTE 13 – DONOR-ADVISED FUNDS

During the year ended June 30, 2022, donor-advised funds activity was as follows:

Balance, beginning of year	$ 11,950,346
Contributions to donor-advised funds	1,982,379
Net investment loss	(1,367,910)
Grants from donor-advised funds	(675,979)
Balance, end of year	**$ 11,888,836**

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, 2022 was $287,910. At June 30, 2022, future minimum lease commitments are as follows:

2023	$ 213,179
2024	205,650
2025	195,110
2026	195,110
2027	195,110
Thereafter	3,027,688
Total	**$ 4,031,847**

NOTE 15 – RELATED PARTY TRANSACTIONS

Taube Foundation for Jewish Life and Culture granted $10,000 during the year ended June 30, 2022 to support the Jewish Chaplaincy services.

During the year ended June 30, 2022, Board members donated approximately $505,800 to JFCS' operations which is included in contributions without donor restrictions in the statement of activities.

NOTE 16 – SUBSEQUENT EVENTS

In the preparation of these financial statements, JFCS considered subsequent events through December 7, 2022, which is the date these financial statements were available for issuance.