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

Report of Independent Auditors and Financial Statements

June 30, 2023
(Summarized Comparative Information for June 30, 2022)

MOSSADAMS

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Report of Independent Auditors

The Board of Directors
Jewish Family and Children's Services

Report on the Audit of the Financial Statements

Opinion

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, 2023, and 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 Jewish Family and Children's Services as of June 30, 2023, 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 ("U.S. 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.

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, as of July 1, 2022, JFCS adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. The ASU has been applied using the modified retrospective approach. Our opinion is not modified with respect to this matter.

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 to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. 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.

Other Matter

Report on Summarized Comparative Information

The summarized financial statements as of and for the year ended June 30, 2022, were audited by other auditors whose report thereon dated December 7, 2022, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss Adams LLP

San Francisco, California
December 8, 2023

Financial Statements

Jewish Family and Children's Services
Statement of Financial Position
June 30, 2023
(with Summarized Comparative Information as of June 30, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 1,315,475	$ 1,526,748
Accounts receivable, net	2,213,167	2,170,471
Contributions receivable, net	30,178,214	9,137,590
Notes receivable, net	651,951	492,310
Prepaid expenses and deposits	810,897	743,516
Assets held in split-interest agreements	7,447,988	7,149,085
Investments	70,678,923	62,135,118
Property and equipment, net	31,885,590	21,423,711
Right-of-use assets - operating	1,933,741	-
Right-of-use assets - finance	252,012	-
Total assets	$ 147,367,958	$ 104,778,549
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 7,244,620	$ 7,355,498
Notes payable	9,871,364	10,583,718
Liabilities under split-interest agreements, net	4,719,129	4,785,896
Lease liabilities - operating	1,933,741	-
Lease liabilities - finance	261,240	-
Total liabilities	24,030,094	22,725,112
NET ASSETS		
Without donor restrictions	33,344,374	21,650,239
With donor restrictions	89,993,490	60,403,198
Total net assets	123,337,864	82,053,437
Total liabilities and net assets	$ 147,367,958	$ 104,778,549

See accompanying notes.

Jewish Family and Children's Services
Statement of Activities
Year Ended June 30, 2023
(with Summarized Comparative Information for the Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
REVENUE, SUPPORT, AND GAINS				
Program service fees	$ 10,931,855	$ -	$ 10,931,855	$ 11,994,799
Grants and contributions	26,060,776	44,432,009	70,492,785	35,900,506
Contributions designated for donor advised funds	1,806,629	-	1,806,629	1,982,379
In-kind contributions	757,803	-	757,803	628,900
Change in value of split-interest agreements	131,307	174,456	305,763	(361,468)
Net investment return (loss)	746,267	3,376,893	4,123,160	(7,483,265)
Other revenues	126,790	-	126,790	318,079
Net assets released from restrictions	18,393,066	(18,393,066)	-	-
Total revenue, support, and gains	58,954,493	29,590,292	88,544,785	42,979,930
EXPENSES				
Program services	39,897,440	-	39,897,440	35,280,754
Supporting services:				
Management and general	4,387,485	-	4,387,485	3,520,485
Development	2,975,433	-	2,975,433	2,943,311
Total supporting services	7,362,918	-	7,362,918	6,463,796
Total expenses	47,260,358	-	47,260,358	41,744,550
CHANGE IN NET ASSETS	11,694,135	29,590,292	41,284,427	1,235,380
NET ASSETS, beginning of year	21,650,239	60,403,198	82,053,437	80,818,057
NET ASSETS, end of year	$ 33,344,374	$ 89,993,490	$ 123,337,864	$ 82,053,437

See accompanying notes.

Jewish Family and Children's Services

Statement of Functional Expenses

Year Ended June 30, 2023

(with Summarized Comparative Information for Year Ended June 30, 2022)

	Program Services					Supporting Services				
	Older Adults	Children and Families	Emigres	Adults	Total	Management and General	Development	Total	Total 2023	Total 2022
Salaries and wages	$ 12,451,161	$ 4,878,824	$ 1,770,684	$ 1,913,730	$ 21,014,399	$ 2,150,387	$ 1,754,953	$ 3,905,340	$ 24,919,739	$ 23,398,463
Payroll taxes and benefits	3,246,052	950,521	514,608	411,434	5,122,615	396,761	416,534	813,295	5,935,910	5,386,122
Assistance to individuals	3,588,651	108,068	851,299	113,293	4,661,311	139,881	21	139,902	4,801,213	3,574,538
Professional fees	1,178,496	842,864	229,626	198,333	2,449,319	545,856	371,627	917,483	3,366,802	2,642,415
Occupancy	620,109	543,328	141,554	207,722	1,512,713	137,323	151,601	288,924	1,801,637	1,949,413
Depreciation and amortization	363,879	446,808	299,705	248,485	1,358,877	40,934	51,499	92,433	1,451,310	1,106,682
Publicity	326,926	391,423	675	1,980	721,004	2,609	36,204	38,813	759,817	644,504
Conferences and meetings	252,832	13,218	4,176	32,105	302,331	298,110	8,587	306,697	609,028	324,089
Bad debt	376,244	830	-	7,105	384,179	150,000	-	150,000	534,179	134,998
Transportation	95,185	21,411	358,681	6,251	481,528	2,603	2,015	4,618	486,146	447,582
Supplies	122,015	98,934	77,867	69,943	368,759	25,356	50,545	75,901	444,660	504,303
Donor-advised grants	-	371,565	-	-	371,565	-	-	-	371,565	264,510
Telephone	130,887	113,241	34,505	29,398	308,031	29,631	22,063	51,694	359,725	325,357
Insurance	85,428	46,920	36,680	24,927	193,955	100,938	8,062	109,000	302,955	288,934
Interest	-	-	-	-	-	281,478	-	281,478	281,478	121,755
Equipment rental and maintenance	72,469	81,456	57,463	36,226	247,614	4,975	6,244	11,219	258,833	204,922
Recruitment	100,817	59,245	6,422	29,589	196,073	3,694	9,473	13,167	209,240	158,390
Printing and publications	28,597	24,182	8,046	5,410	66,235	28,390	60,677	89,067	155,302	157,600
Other expenses	31,497	37,177	18,684	2,583	89,941	19,671	2,166	21,837	111,778	-
Postage and shipping	12,878	16,793	1,181	1,958	32,810	3,206	22,215	25,421	58,231	60,271
Dues	7,696	2,331	2,335	1,819	14,181	25,682	947	26,629	40,810	49,702
Total expenses by function	$ 23,091,819	$ 9,049,139	$ 4,414,191	$ 3,342,291	$ 39,897,440	$ 4,387,485	$ 2,975,433	$ 7,362,918	$ 47,260,358	$ 41,744,550

See accompanying notes.

Jewish Family and Children's Services
Statement of Cash Flows
Year Ended June 30, 2023
(with Summarized Comparative Information for Year Ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 41,284,427	$ 1,235,380
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,513,436	1,158,833
Loss on uncollectable accounts, notes and contributions receivables	534,179	134,998
Realized and unrealized (gain) loss on investments	(2,391,322)	8,982,755
Loss on sale of property and equipment	2,733	9,998
Change in value of split-interest agreements	(305,763)	361,468
Contributions restricted for endowment	(7,385,794)	(1,695,805)
Contributions restricted to building project	(29,483,671)	(7,200,000)
Change in discount on contributions and grants receivable	2,975,487	(640)
Change in operating assets and liabilities:		
Accounts receivable	(426,875)	(894,013)
Grants and contributions receivable	(24,166,111)	(910,312)
Prepaid expense and deposits	(67,381)	(424,125)
Accounts payable and accrued expenses	(110,878)	811,505
Lease liabilities - operating	(92,694)	-
Net cash (used in) provided by operating activities	(18,120,227)	1,570,042
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	63,839,479	3,259,889
Purchases of investments	(70,072,494)	(11,129,401)
Purchases of property and equipment	(11,803,727)	(1,462,693)
Issuance of notes receivable	(334,375)	(527,725)
Proceeds from payments of notes receivable	174,734	212,911
Payments to beneficiaries of split-interest agreements	(414,717)	(415,043)
Withdrawal from assets held under split-interest agreements	435,342	429,705
Net cash (used in) provided by investing activities	(18,175,758)	(9,632,357)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted to endowment	7,385,794	1,685,201
Collections of contributions restricted to investments in buildings	29,483,671	7,200,000
Principal paid on notes payable	(712,354)	(754,571)
Payments of lease liability - finance	(72,399)	-
Net cash provided by financing activities	36,084,712	8,130,630
NET CHANGE IN CASH AND CASH EQUIVALENTS	(211,273)	68,315
CASH AND CASH EQUIVALENTS, beginning of year	1,526,748	1,458,433
CASH AND CASH EQUIVALENTS, end of year	$ 1,315,475	$ 1,526,748
NONCASH DISCLOSURE OF INVESTING AND FINANCING ACTIVITIES		
Right-of-use operating lease assets obtained in exchange for operating lease liabilities	$ 2,206,435	$ -
Right-of-use finance lease assets obtained in exchange for finance lease liabilities	$ 333,639	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 441,874	$ 293,259

See accompanying notes.

Note 1 – Nature of Organization

Jewish Family and Children's Services ("JFCS"), a nonprofit 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 one of the oldest and 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 accounting principles generally accepted 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, 2022, 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 to estimate appropriate and sufficient implicit and explicit price concessions. Accounts receivable are written off when deemed uncollectible. As of June 30, 2023, the allowance for doubtful accounts totaled $438,048.

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 grants and 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.

Notes receivable – Notes receivable consist of low interest individual assistance and student financial aid loans. All student loans are subsidized and can be repaid at any time before graduation without interest. The loan period following graduation is typically three years with annual interest rates ranging between 1.95% to 6.75%. Students also have a nine-month grace period with no interest after their graduation. JFCS also makes noninterest-bearing emergency assistance loans. The total allowance for all uncollectible notes receivable is estimated from historical performance and projections of trends and amounted to $333,897 at June 30, 2023.

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 6.0%, 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.

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, 2023, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

Leases – In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASC 842"), replacing the previous leasing Accounting Standard Codification 840, *Leases* ("ASC 840"), which requires an entity that is a lessee to recognize the assets and liabilities arising from leases with terms longer than 12 months on the statement of financial position. Leases are to be classified as either operating or finance, with classification affecting the pattern of expense recognition in the statement of activities.

JFCS recognizes a lease liability and right-of-use ("ROU") asset for all leases, including leases with an expected term greater than 12 months on its statement of financial position. Lease ROU assets and liabilities are recognized on the statement of financial position at commencement date, which is the date JFCS gains access to the property or underlying asset. The lease liability is determined based on the present value of the minimum lease payments using a risk-free incremental borrowing rate in effect at the time of the lease commencement or the rate implicit in the lease. The ROU asset is determined based on the lease liability adjusted for lease incentives received. Lease expense is recognized on a straight-line basis over the lease term in the statement of activities. Certain optional renewal periods were not included in the determination of the lease liability and ROU asset if management determined it was not reasonably certain that the lease would be extended.

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, 2023, 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. As of June 30, 2023, there were no board-designated net assets.

- *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.

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.

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, that amounted to $506,560 for the year ended June 30, 2023. Contributed advertising and contributed legal services are valued at estimated fair value based on current rates for similar services and amounted to $121,243 and $130,000, respectively, for the year ended June 30, 2023. In-kind contributions 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.

Accounting pronouncements recently adopted – Effective July 1, 2022, JFCS adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), using the modified retrospective approach. JFCS has elected the package of practical expedients permitted in ASU 2016-02, which among other things, allowed JFCS to carryforward the historical lease classification. In addition, JFCS made an accounting policy election to keep leases with an initial term of twelve months or less off the statement of financial position. JFCS will continue to recognize those lease payments for short-term leases in the statement of activities on a straight-line basis over the lease term. As a result of the adoption of ASU 2016-02, JFCS recognized on July 1, 2022 (the adoption date) (a) an operating lease liability of $2,026,435, which represents the present value of the remaining lease payments, discounted using JFCS' incremental borrowing rate, (b) a right-of-use operating lease asset of $2,026,435, which represents the operating lease liability adjusted for deferred rent (c) a finance lease liability of $333,639, which represents the present value of the remaining lease payments, discounted using the rate implicit in the lease, and (d) a right-of-use finance lease asset of $333,639, which represents the finance lease liability adjusted for deferred rent (see Note 13).

Recent accounting pronouncements – 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 activities 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 – Liquidity and Funds Available

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

Cash and cash equivalents	$ 1,315,475
Accounts receivable, net	2,213,167
Grants and contribution receivable, current, without donor restrictions	10,818,538
Undesignated investments	5,585,161
Net financial assets available to meet cash needs for general expenditures	$ 19,932,341

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, 2023, 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 nonmembers 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 74% of grants and contribution receivable is from three donors and 41% grants and contribution revenue, including contributions designated for donor-advised funds are from three donors as of and for the year ended June 30, 2023.

Note 5 – Contributions Receivable, Net

Contributions receivable consists of the following at June 30, 2023:

Grants	$ 3,398,921
Contributions	23,045,826
Endowment promises to give	375,240
Contracts	6,563,091
Gross contributions receivable	33,383,078
Less: discount on net present value (0.45% to 4.52%)	(2,992,125)
Less: allowance for uncollectable promises to give	(212,739)
Total contributions receivable, net	$ 30,178,214

As of June 30, 2023, contributions receivable are estimated to be collected as follows:

Within one year	$ 14,032,768
Within one to five years	19,350,310
	$ 33,383,078

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.

At June 30, 2023, JFCS held funds of $2,331,142 and $8,178,880 in 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, 2023:

	Total	Level 1	Level 2	Level 3	NAV
Investments:					
Highly liquid investments	$ 11,318,564	$ 11,318,564	$ -	$ -	$ -
Equity securities	26,212,296	26,212,296	-	-	-
Fixed income	22,638,041	11,035	22,627,006	-	-
Private equity funds	2,331,142	-	-	-	2,331,142
Fund of funds	8,178,880	-	-	-	8,178,880
	70,678,923	37,541,895	22,627,006	-	10,510,022
Split-interest agreements:					
Money market	290,962	290,962	-	-	-
Certificates of deposit	158,694	-	158,694	-	-
Equity securities	4,713,936	4,713,936	-	-	-
Fixed income	2,284,396	278,938	2,005,458	-	-
	7,447,988	5,283,836	2,164,152	-	-
	$ 78,126,911	$ 42,825,731	$ 24,791,158	$ -	$ 10,510,022

For the year ended June 30, 2023, net investment return consists of the following:

Interest and dividend income	$ 1,843,189
Realized gains	28,225
Unrealized gains	2,505,778
Investment management fees	(254,032)
Net investment return	$ 4,123,160

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, 2023, are as follows:

Private equity funds:	
Fair value	$ 2,331,142
Unfunded commitments	$ 384,000
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	$ 8,178,880
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 nontraditional 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, Net

As of June 30, 2023, property and equipment, net consisted of the following:

Buildings	$ 30,815,616
Land	11,146,983
Furniture and equipment	4,450,007
Leasehold improvements	2,632,001
Computer equipment	1,605,142
Vehicles	1,174,043
Website/software in development	109,443
Construction in progress	1,125,514
	53,058,749
Less: Accumulated depreciation/amortization	(21,173,159)
	$ 31,885,590

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% (8.50% at June 30, 2023). At June 30, 2023, there were no borrowings on the line of credit.

Note 9 – Notes Payable

As of June 30, 2023, 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.	$ 5,632,450
Margin loan, secured by investments in securities held by investment firm, interest at 5.61%.	2,952,705
Jewish Community Federation, unsecured, monthly payments of $16,820 including interest at 3.0%, matures August 2030.	1,286,209
	$ 9,871,364

Maturities of notes payable are as follows:

Years Ending June 30,	
2024	$ 340,804
2025	352,278
2026	363,524
2027	375,130
2028	386,638
Thereafter	8,052,990
	$ 9,871,364

Note 10 – Net Assets with Donor Restrictions

As of June 30, 2023, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:	
Older adults	$ 6,772,824
Children and families	572,208
Adults	10,868,004
Holocaust center project	17,914,524
Émigré	808,008
Split interest agreements	1,885,843
	38,821,411
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	228,387
Perpetual in nature, not subject to spending policy or appropriation:	
Beneficial interests in perpetual trusts	148,764
Endowment funds (Note 11)	50,794,928
Total net assets with donor restrictions	$ 89,993,490

All net assets with donor restrictions, not perpetual in nature, are expected to be released from restriction by June 30, 2029.

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, 2023:

Satisfaction of purpose restrictions:	
Older adults	$ 4,664,186
Children and families	3,351,625
Adults	7,071,220
Émigré	419,334
	15,506,365
Satisfaction of time restrictions	95,387
Endowment earnings appropriated	2,791,314
Total net assets releases from donor restrictions	$ 18,393,066

Note 11 – Endowment

For the year ended June 30, 2023, JFCS' endowment consists of 408 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.

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 JFCS to retain as a fund of perpetual duration. There are no deficiencies of this nature reported in net assets as of June 30, 2023.

As of June 30, 2023, assets restricted for endowment consist of the following:

Investments	$ 50,121,315
Promises to give	375,240
Notes receivable	298,373
	$ 50,794,928

As of June 30, 2023, endowment net assets with donor restrictions composition by type of fund are as follows:

Original donor-restricted gift	$ 49,885,967
Accumulated investment gains	908,961
	$ 50,794,928

Changes in endowment net assets with donor restrictions for the year ended June 30, 2023, are as follows:

Balance, beginning of year	$ 42,823,555
Net investment gain	3,376,893
Endowment contributions	7,385,794
Apportionment of endowment assets pursuant to spending rate policy	(2,791,314)
Balance, end of year	$ 50,794,928

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 $1,174,549 for the year ended June 30, 2023.

Note 13 – Lease Commitments

JFCS leases program facilities under operating lease agreements expiring on various dates through July 2040. As of June 30, 2023, future minimum lease payments under operating leases obligations are summarized as follows:

Years Ending June 30,	
2024	$ 135,110
2025	135,110
2026	135,110
2027	135,110
2028	135,110
Thereafter	1,632,581
Total lease payments	2,308,131
Less: Present value discount	(374,390)
Opearting lease liability	$ 1,933,741

Rental expense under the operating leases for the year ended June 30, 2023, was approximately $135,110.

The following table includes supplemental operating lease information as of and for the year ended June 30, 2023:

Weighted average remaining lease term (in years)	17.08
Weighted average discount rate	2.15%

JFCS also leases computer equipment under finance lease agreements expiring on various dates through May 2028. As of June 30, 2023, future minimum lease payments under finance lease obligations are summarized as follows:

Years Ending June 30,	
2024	$ 93,621
2025	93,621
2026	79,146
2027	33,781
2028	10,490
Total lease payments	310,659
Less: Present value discount	(49,419)
Finance lease liability	$ 261,240

Right-of-use asset amortization and interest expense for the year ended June 30, 2023, were $81,627 and $22,401, respectively.

The following table includes supplemental finance lease information as of and for the year ended June 30, 2023:

Weighted average remaining lease term (in years)	3.41
Weighted average discount rate	10.35%

Note 14 – Related-Party Transactions

During the year ended June 30, 2023, the Board members donated approximately $887,912 to JFCS. $505,870 is included in contributions without donor restrictions and $382,040 with donor restrictions in the statement of activities.

Note 15 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued. JFCS recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including estimates inherent in the process of preparing financial statements. JFCS' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date before the financial statements were available to be issued.

In September 2023, pursuant to votes of approval by the Boards of Directors of JFCS and Scott Street Senior Housing Complex, Inc. (dba Rhoda Goldman Plaza) ("RGP"), JFCS entered into a Merger Agreement with RGP (the "Merger"). Under the terms of the Merger, RGP will be merged with and into JFCS leaving JFCS as the surviving corporation, RGP will cease to exist as an independent entity, and JFCS will succeed to all of the assets of RGP and assume all of its liabilities. JFCS anticipates that the Merger will close on or about January 1, 2024.

In the preparation of these financial statements, JFCS considered subsequent events December 8, 2023, which is the date these financial statements were available for issuance.