HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2021 (AUDITED) AND 2020 (REVIEWED)

GILBERT
Relax. We got this.℠

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hebrew Free Loan Association
San Francisco, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hebrew Free Loan Association of San Francisco and Affiliate (the Agency), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

2880 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833
Phone 916.646.6464 • Fax 916.929.6836 • GilbertCPA.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hebrew Free Loan Association of San Francisco and Affiliate as of June 30, 2021 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2020 consolidated financial statements were reviewed by us and our report thereon, dated December 15, 2020 stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the consolidated financial statements.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

December 1, 2021

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 (AUDITED) AND 2020 (REVIEWED)

	2021	2020
ASSETS:		
Cash and cash equivalents	$ 3,658,364	$ 4,342,515
Contributions and bequests receivable	448,727	1,047,631
Loans receivable, net	18,624,126	18,310,756
Loan collateral deposits	47,965	47,722
Prepaid expenses	54,064	55,966
Charitable remainder trust asset	26,500	24,549
Beneficial interest in assets held by Jewish Community Federation	647,912	521,638
Investments	4,685,284	2,881,182
Property and equipment, net	19,188	17,062
TOTAL ASSETS	$ 28,212,130	$ 27,249,021
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 59,725	$ 43,159
Accrued vacation	74,230	53,856
Loan collateral deposits	154,565	139,037
Recoverable grants	8,691,660	8,597,500
Other post-retirement obligations	72,582	78,422
Total liabilities	9,052,762	8,911,974
NET ASSETS:		
Without donor restrictions	9,339,622	8,375,840
With donor restrictions	9,819,746	9,961,207
Total net assets	19,159,368	18,337,047
TOTAL LIABILITIES AND NET ASSETS	$ 28,212,130	$ 27,249,021

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 (AUDITED) AND 2020 (REVIEWED)

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Contributions	$ 1,398,624	$ 2,156,525
Investment income	800,590	102,362
Bequests	171,697	850,500
Special events		5,352
Change in value of beneficial interest in assets held by Jewish Community Federation	126,940	8,092
Other income	16,218	12,095
Net assets released from restrictions	172,752	27,543
Interfund transfer	223,064	245,016
Total revenues	2,909,885	3,407,485
EXPENSES:		
Program services	958,374	821,339
Supporting services:		
Fundraising	560,561	533,990
General and administrative	427,168	255,787
Total supporting services	987,729	789,777
Total expenses	1,946,103	1,611,116
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	963,782	1,796,369
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	252,404	746,972
Change in value of charitable remainder trusts	1,951	(16,971)
Bequests		1,000
Net assets released from restrictions	(172,752)	(27,543)
Interfund transfer	(223,064)	(245,016)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(141,461)	458,442
CHANGE IN NET ASSETS	822,321	2,254,811
NET ASSETS, Beginning of Year	18,337,047	16,082,236
NET ASSETS, End of Year	$ 19,159,368	$ 18,337,047

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021 (AUDITED)

	Program Services	Fundraising	General and Administrative	Total
Salaries	$ 581,494	$ 351,750	$ 163,728	$ 1,096,972
Benefits and payroll taxes	178,931	86,784	54,539	320,254
Consultants	10,720	16,106	121,099	147,925
Rent	44,373	18,410	24,895	87,678
Maintenance and repairs	30,594	12,830	6,747	50,171
Grants	40,697			40,697
Software and support	29,603	3,322	272	33,197
Accounting	952	399	27,742	29,093
Printing	3,655	23,827	86	27,568
Publicity and public relations	10,343	15,265	863	26,471
Telephone and internet	11,066	6,833	1,438	19,337
Insurance	9,004	3,776	4,893	17,673
Office supplies	1,595	2,489	9,719	13,803
Postage	2,956	8,368	456	11,780
Dues and conferences		1,969	3,028	4,997
Depreciation	575	206	3,462	4,243
Bad debt expense	1,816			1,816
Other		8,227	4,201	12,428
Total	$ 958,374	$ 560,561	$ 427,168	$ 1,946,103

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020 (REVIEWED)

	Program Services	Fundraising	General and Administrative	Total
Salaries	$ 497,687	$ 293,229	$ 148,606	$ 939,522
Benefits and payroll taxes	147,348	86,324	28,164	261,836
Consultants	4,288	6,550	11,909	22,747
Rent	44,022	25,374	14,455	83,851
Maintenance and repairs	17,709	10,166	19,611	47,486
Software and support	26,804	426	206	27,436
Accounting	8,546	4,906	10,861	24,313
Printing	4,753	30,042	231	35,026
Publicity and public relations	21,772	26,271	1,389	49,432
Telephone and internet	6,539	4,206	2,475	13,220
Insurance	8,102	4,651	6,120	18,873
Office supplies	5,041	2,645	2,620	10,306
Postage	2,957	6,121	893	9,971
Dues and conferences	547	3,057	4,240	7,844
Depreciation	15,580	509	1,193	17,282
Bad debt expense	8,467			8,467
Special events	191	23,072	265	23,528
Other	986	6,441	2,549	9,976
Total	$ 821,339	$ 533,990	$ 255,787	$ 1,611,116

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 (AUDITED) AND 2020 (REVIEWED)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 822,321	$ 2,254,811
Reconciliation to net cash provided (used) by operating activities:		
Principal receipts on loans receivable	5,307,073	4,174,363
Loans receivable funding	(5,622,259)	(11,647,421)
Recoverable grants forgiven	(33,258)	
Net realized and unrealized loss (gain) on investments	(635,611)	29,439
Change in value of beneficial interest in assets held by Jewish Community Federation	(126,940)	(8,092)
Change in value of charitable remainder trusts	(1,951)	16,971
Bad debt expense	1,816	8,467
Donated property and equipment		(15,724)
Depreciation	4,243	17,282
Donor restricted contributions and bequests to be held in perpetuity	(186,362)	(575,495)
Changes in:		
Contributions and bequests receivable	598,904	(140,401)
Loan collateral deposits	15,285	16,122
Prepaid expenses	1,902	(4,791)
Accounts payable	16,566	(1,421)
Accrued vacation	20,374	6,578
Other post-retirement obligations	(5,840)	(15,431)
Net cash provided (used) by operating activities	176,263	(5,884,743)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,168,491)	(144,055)
Proceeds from sale of investments		450,000
Purchases of property and equipment	(6,369)	
Distribution from beneficial interest in assets held by Jewish Community Federation	666	32,764
Net cash provided (used) by investing activities	(1,174,194)	338,709
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from recoverable grants	1,000,000	8,597,500
Repayments on recoverable grants	(872,582)	
Donor restricted contributions and bequests to be held in perpetuity	186,362	575,495
Net cash provided by financing activities	313,780	9,172,995
NET CHANGE IN CASH AND CASH EQUIVALENTS	(684,151)	3,626,961
CASH AND CASH EQUIVALENTS, Beginning of Year	4,342,515	715,554
CASH AND CASH EQUIVALENTS, End of Year	$ 3,658,364	$ 4,342,515

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of activities – Hebrew Free Loan Association of San Francisco (HFLA) is a nonprofit corporation organized to provide interest-free loans to Jewish individuals and families in Northern California for tuition and education-related costs, emergencies, personal financial challenges, first-time home purchases, debt consolidation, starting or expanding small businesses, adopting a child, and special medical needs. HFLA also makes loans to Jewish organizations and synagogues. Loans, made only to those exhibiting a need for financial assistance, are made after application and approval of board or board committees and a minimum of two officers. In addition, HFLA created the Pollak Community Loan Program, which provides interest-free student loans to lower-income, mostly first-generation college students, regardless of their religious affiliation. Funded entirely through donations made exclusively for this purpose, the Pollak Program serves as an interfaith bridge to the greater San Francisco Bay Area community.

Principles of consolidation – HFLA acts as trustee for the Charles Miller Charitable Trust (the Trust), a nonprofit organization established to provide interest-free loans to Jewish students. Although the Trust is a separate legal entity, it is controlled by HFLA through common board membership. The accompanying consolidated financial statements include the accounts of HFLA and the Trust (collectively, the Agency). All significant inter-entity transactions and account balances have been eliminated in the consolidation.

Basis of presentation – The consolidated financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Agency reports information regarding its financial position and activities according to two classes of net assets: Net assets without donor restrictions, and net assets with donor restrictions.

Funding – The Agency receives the majority of its revenue through contributions and bequests from individuals, as well as grants from foundations. A significant portion of its income is also derived from the Agency’s investments.

Revenue recognition – Contributions, grants, and bequests are recognized in full when received or unconditionally promised, in accordance with professional standards. 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 met.

All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets subject to donor restrictions for time or purpose become unrestricted and are reported in the consolidated statements of activities as net assets released from restrictions, when the time restrictions expire or the contributions are used for the restricted purposes. Net assets with perpetual donor restrictions are those whose use by the Agency are restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Agency and consist of contributions to the Agency’s endowment funds.

Cash and cash equivalents – For financial statement purposes, the Agency considers all investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term investing purposes.

The Agency minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Agency's deposits held with financial institutions in excess of federal depository insurance limits totaled $3,201,090 and $4,949,787 as of June 30, 2021 and 2020, respectively. The Agency has not experienced any losses in such accounts. Management believes the Agency is not exposed to any significant credit risk related to cash.

Investments are stated at fair value.

Contributions and bequests receivable – Amounts receivable from donors and their estates are generally expected to be collected within one year. As management believes that all donation and bequests receivable are fully collectible, there is no allowance for uncollectible amounts. Contributions and bequests receivable include amounts that are subject to estimation by the Agency based on information provided to the Agency by the donors' representatives. A reasonable possibility exists that amounts ultimately received upon settlement of the estates may differ from the amount initially recorded. However, the amount of the difference cannot be determined.

Loans receivable – Loans receivable represent loans made in accordance with the Agency's mission. Loans are made from unrestricted Agency funds as well as restricted funds donated with the stipulation that funds be used in perpetuity for lending purposes. Although the Agency has the right to call the loans at any time, they are generally repaid within two to ten years. All loans are interest-free. Loans are periodically reviewed for collectability by management, who records an allowance for uncollectible loans. This allowance is based on prior collection experience. Loans are written off as a charge to bad debt expense when, in the Agency's estimation, it is probable that the loan balance will not be collected.

Loan collateral deposits include collateral for loans receivable held by the Agency. Deposits are returned upon repayment of the related loan. Each deposit is held in a separate bank account maintained by the Agency. The liability for loan collateral deposits includes the loan collateral deposits and additional cash collateral that is maintained with the Agency's funds.

Property and equipment is stated at cost. The Agency capitalizes all expenditures for property and equipment in excess of $1,000. Depreciation is computed using the straight-line method over estimated useful lives of the assets, ranging from five to seven years.

Recoverable grants are considered conditional contributions under the accounting standards for not-for-profit organizations as the related agreements contain terms under which the Agency would not be required to repay any amount not received from their loan recipients. The recoverable grants are reported as liabilities in the consolidated statements of financial position until repaid or forgiven. See Note 10 for additional information.

Functional expenses – The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Special event expenses, bad debt and other expenses that can be identified with a specific program or supporting service are allocated directly. Salaries, benefits and payroll taxes are allocated based on the relative amount of staff time spent on the respective functions. Other operating expenses are allocated based on salaries.

The annual funds disbursed in making interest free loans to borrowers are not included in the Agency's expenses because they remain the assets of the Agency. For the purpose of evaluating the percentage of outgoing funds utilized in program activities for a given year, the Agency adds the loans made during that year to program expenses. For the year ended June 30, 2021, interest free loans made to borrowers totaled $5,622,259. Using this methodology, the Agency utilized approximately 87% of its outgoing funds for program activities during the year ended June 30, 2021 and approximately 13% for supporting activities.

Income taxes – HFLA and the Trust are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code but are subject to income taxes from activities unrelated to their tax-exempt purposes. The Agency has implemented the amended accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Agency is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2017.

Use of estimates –The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates included in these financial statements include the value of contributions and bequests receivable, allowance for uncollectible loans, fair value of the charitable remainder trust asset, and the useful lives of property and equipment. Accordingly, actual results could differ from those estimates.

Subsequent events have been reviewed through December 1, 2021, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2021 that require recognition or disclosure in the consolidated financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Agency's financial assets available for general expenditure within one year of the June 30 statement of financial position are as follows:

	2021	2020
Cash and cash equivalents	$ 3,658,364	$ 4,342,515
Contributions and bequests receivable	448,727	1,047,631
Loans receivable, net	18,624,126	18,310,756
Loan collateral deposits	47,965	47,722
Charitable remainder trust asset	26,500	24,549
Beneficial interest in assets held by Jewish Community Federation	647,912	521,638
Investments	4,685,284	2,881,182
Total financial assets	28,138,878	27,175,993
Less amounts unavailable for general expenditures within one year:		
Liability for loan collateral deposits	(154,565)	(139,037)
Recoverable grant liabilities	(8,691,660)	(8,597,500)
Loans receivable funded by net assets without donor restrictions	(2,209,101)	(2,553,089)
Net assets restricted by donors (see Note 9)	(9,819,746)	(9,961,207)
Total financial assets available for general expenditure within one year	$ 7,263,806	$ 5,925,160

For the purpose of determining financial assets available for general expenditure within one year, the Agency has excluded the portion of its loans funded by net assets without donor restrictions. Although a portion of these receivables are expected to be repaid in the following fiscal year and could be used to fund general operations, the Agency intends to continue providing new loans with these funds as they are repaid by borrowers.

The Agency structures its financial assets to ensure sufficient liquid assets are available as its general expenditures, liabilities, and other obligations come due.

3. INVESTMENTS

Investments consist of the following:

	2021	2020
Israel bonds (Maturing November 2021 through June 2024)	$ 151,500	$ 151,500
Fixed income mutual funds	1,829,698	1,467,402
Large blend mutual funds	2,704,086	1,262,280
Total	$ 4,685,284	$ 2,881,182

4. LOANS RECEIVABLE

Loans receivable consist of the following types of loans:

	2021	2020
Student loans	$ 6,215,227	$ 6,547,433
Jewish organization loans	4,169,900	4,192,000
Debt consolidation loans	2,509,190	2,133,854
General needs loans	2,398,327	2,060,055
Business loans	1,655,775	2,038,350
First-time home buyer loans	693,760	409,990
Pollak Community – Student loans	531,222	498,482
Health care loans	167,401	159,472
Unemployment loans	118,695	104,940
Disaster relief fund	90,207	33,496
Special needs fund	59,255	50,985
Jewish Women's Loan Fund	47,895	113,600
Emergency loans	14,456	27,353
Adoption loans	14,020	1,950
Total	18,685,330	18,371,960
Less allowance for uncollectible loans	(61,204)	(61,204)
Loans receivable, net	$ 18,624,126	$ 18,310,756

5. BENEFICIAL INTEREST IN ASSETS HELD BY JEWISH COMMUNITY FEDERATION

Certain assets of the Agency are held by the Jewish Community Federation (Federation) for investment purposes, with the understanding that the income and principal pertaining to these assets will be distributed to the Agency upon their request. Although the Agency's Board of Directors recommends distributions from the fund, the trustees of the Federation maintain variance power over these funds and have final discretion. However, because the assets are for the exclusive use of supporting the charitable purposes of the Agency, the Agency includes these assets in its consolidated statements of financial position.

6. CHARITABLE REMAINDER TRUST ASSET

The Charitable remainder trust asset reflects the estimated fair value of an irrevocable charitable trust, held by a third-party trustee, for which the Agency is named as a remainder beneficiary. The fair value of the charitable remainder trust asset is measured on a recurring basis and was determined using an investment return consistent with the composition of the asset portfolio, life expectancy of the lead beneficiary, and a discount rate of 8% at June 30, 2021 and 2020.

7. FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

The Agency's assets subject to recurring fair value measurements are classified as follows:

Year ended June 30, 2021:	**Level 1**	**Level 2**	**Level 3**
Investments	$ 4,533,784	$ 151,500	
Beneficial interest in assets held by Jewish Community Federation		647,912	
Charitable remainder trust asset			$ 26,500
Total	$ 4,533,784	$ 799,412	$ 26,500

Year ended June 30, 2020:	**Level 1**	**Level 2**	**Level 3**
Investments	$ 2,729,682	$ 151,500	
Beneficial interest in assets held by Jewish Community Federation		521,638	
Charitable remainder trust asset			$ 24,549
Total	$ 2,729,682	$ 673,138	$ 24,549

The Agency's investments in mutual funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The Agency's investments in Israel bonds are classified within Level 2 of the fair value hierarchy because they are valued using alternative pricing methods using observable information inputs, such as current interest rates.

Beneficial interest in assets held by the Jewish Community Federation are valued within Level 2 of the fair value hierarchy because it is valued based on its share of the underlying value of investments held by the Federation, which are primarily based on quoted market prices within active markets.

The Agency's charitable remainder trust asset is classified within Level 3 of the hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions. Changes in Level 3 inputs for the years ended June 30, 2021 and 2020 consist of unrealized changes in the value of the charitable remainder trust asset.

8. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	2021	2020
Computer and software	$ 307,935	$ 301,566
Furniture and equipment	40,962	40,962
Website	9,947	9,947
Leasehold improvements	5,385	5,385
Total	364,229	357,860
Less accumulated depreciation	(345,041)	(340,798)
Property and equipment, net	$ 19,188	$ 17,062

9. NET ASSETS

Net assets with donor restrictions represent unexpended funds restricted by donors as follows:

	2021	2020
Purpose and time restrictions:		
Endorsement funds (to be used to guarantee loans with fewer than required guarantors)	$ 214,597	$ 214,597
Charitable remainder trusts – time restricted	26,500	24,549
Archive project	25,352	101,477
Staff and Board retreat	23,500	
Office and systems improvement	12,000	10,458
Becker award fund	6,961	6,961
Time restricted	6,000	16,000
Young leadership program	4,077	4,077
Staff appreciation	2,172	5,000
Financial fitness	2,058	2,058
Book purchase	1,798	5,000
San Francisco Jewish Women's Fund		40,000
Other	1,649	1,246
Total purpose and time restrictions	326,664	431,423
Restricted into perpetuity:		
Loan funds	9,354,186	9,393,346
Endowment	138,896	136,438
Total perpetual restrictions	9,493,082	9,529,784
Total	$ 9,819,746	$ 9,961,207

Net assets with donor restrictions to be held in perpetuity consist of the donor-restricted net funds received for the Agency's interest-free loan program and those received for its endowment. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Agency classifies donor-restricted net assets as the original value of all gifts donated to the permanent endowments.

It is the understanding of the Board of Directors that all funds that are received from a donor with specific stipulations that they be treated as endowment funds, are to be held for investment by the Agency and the income derived from the initial donation (also referred to as corpus) be available to the Agency to pay for operating costs associated with the Agency. In some instances, the donor may specifically stipulate a further restriction as to the income derived from endowment funds. When this is the case, those donor stipulations would also be legally enforceable to the Agency and adhered to by the Board of Directors. Donor-restricted endowment funds would be commingled with other Agency invested funds, unless the donor has explicitly stipulated their segregation.

Spending Policy: The Agency charges a 3% annual program management fee to the net asset balance for all outstanding loan balances that were funded with donor-restricted contributions to be held in perpetuity. These management fees are recorded as interfund transfers.

Investment earnings on net assets with perpetual donor restrictions are recorded as increases to net assets without donor restrictions and are used to help support the operating costs of the Agency.

Investment Policy: The Agency's investment objectives are to achieve a balanced portfolio that has a reasonable return without being subject to the full extent of market fluctuations that would occur by investing in aggressive asset classes. The Agency's policy prohibits investment in hedge funds or derivative instruments. In general, the Agency achieves its diversification through investing in mutual funds with diversified holdings. These differences (stock vs. bond; domestic vs. international) serve to diversify the portfolio.

Changes in endowment net assets are as follows:

Year ended June 30, 2021:	**Restricted into Perpetuity (Investment)**	**Restricted into Perpetuity (Loans)**
Endowment net assets, beginning of year	$ 136,438	$ 9,393,346
Contributions	3,194	183,168
Distributions	(736)	
Management fee		(222,328)
Endowment net assets, end of year	$ 138,896	$ 9,354,186

Year ended June 30, 2020:	**Restricted into Perpetuity (Investment)**	**Restricted into Perpetuity (Loans)**
Endowment net assets, beginning of year	$ 136,859	$ 9,062,446
Contributions	226	575,269
Distributions	(647)	
Management fee		(244,369)
Endowment net assets, end of year	$ 136,438	$ 9,393,346

10. RECOVERABLE GRANTS

Effective November 18, 2019, the Agency entered into a recoverable grant agreement with the Federation. Under the terms of this agreement, the Agency received a $4,000,000 grant to be utilized in its Jewish organization loan fund. The grant proceeds were provided through a donor advised fund held by the Federation. The grant does not bear interest and is required to be repaid in full by January 30, 2023. Although the grant is expected to be repaid, the Agency is not required to repay: 1) any portion of the grant that the Agency has been unable to collect from the borrowers of these funds as of the maturity date; or 2) any portion of the grant for which the Donor of the donor advised fund instructs the Federation that it wishes to be forgiven. Effective November 20, 2019, the Agency utilized this grant to make a Jewish organization loan to one borrower for $4,000,000. The loan does not bear interest and is due in full on December 31, 2022. The loan agreement provides the option to extend the maturity date if agreed to by both the Agency and the borrower. The balance of this loan is $4,000,000 as of June 30, 2021 and 2020, and is included in loans receivable in the consolidated statements of financial position.

The Agency entered into additional recoverable grant agreements with the Federation totaling $1,000,000 and $4,597,500 during the years ended June 30, 2021 and 2020, respectively. The grants were received for the purpose of making additional loans under the Agency's interest-free loan program. The grants do not bear interest and are required to be repaid in full by May 1, 2025. Any portion of the grants that the Agency has been unable to collect from the borrowers of these funds is not required to be repaid to the Federation. The grant agreements each have additional repayment terms which vary from either requiring quarterly repayment or allowing the Federation to request annual repayment of principal collected on loans funded by the recoverable grants.

The recoverable grants are included as a liability in the consolidated statements of financial position totaling $8,691,660 and $8,597,500 at June 30, 2021 and 2020, respectively.

11. EMPLOYEE RETIREMENT PLANS

Defined Contribution Plan

The Agency sponsors a section 403(b) plan for employees who normally work at least 20 hours per week. After one year of employment, the Agency contributes 4% of each participant's salary and provides matching contributions of up to 4% of each participant's salary. Employer contributions vest according to a set schedule with 0% vested under 2 years of service and 100% vested after 6 years of service. Total employer contributions were $77,515 and $55,618 for the years ended June 30, 2021 and 2020, respectively.

Other post-retirement obligations

The Agency has obligations under a post-retirement agreement with a former Executive Director of the Agency. These obligations remain through the life of the beneficiaries named in the related agreement. The Agency has a liability of $72,582 and $78,422 as of June 30, 2021 and 2020, respectively, representing the present value of the Agency's estimated future payouts. The Agency made payments under this agreement totaling $6,030 and $5,299 during the years ended June 30, 2021 and 2020, respectively.

12. OPERATING LEASES

The Agency leases its office under a non-cancelable operating lease expiring in January 2022. The Agency also leases office equipment under non-cancelable operating leases expiring through January 2025. Rental expense under all operating leases was $86,890 and $89,437 for the years ended June 30, 2021 and 2020, respectively. Future minimum lease payments under these leases are as follows:

Year ending June 30:	
2022	$ 53,464
2023	4,597
2024	4,597
2025	2,682
Total	$ 65,340

13. PAYCHECK PROTECTION PROGAM LOAN

In May 2020, the Agency received a Paycheck Protection Program (PPP) loan under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling $153,396. Under the CARES Act, a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying payroll and other expenditures in the qualifying period following the loan and provided certain other criteria regarding full-time equivalent employee and payroll levels are maintained.

The Agency accounted for the loan as a conditional contribution in accordance with professional standards for revenue recognition for not-for profit entities. As of June 30, 2020, the Agency determined it met the criteria for forgiveness through incurring qualifying expenses and included the entire loan of $153,396 as contribution revenue in the statement of activities for the year then ended. The loan was formally forgiven on March 10, 2021.