

**LAWRENCE FAMILY JEWISH
COMMUNITY CENTERS OF
SAN DIEGO COUNTY**

**CONSOLIDATED FINANCIAL
STATEMENTS**

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lawrence Family Jewish Community Centers of San Diego County
La Jolla, California

We have audited the accompanying consolidated financial statements of Lawrence Family Jewish Community Centers of San Diego County ("LFJCC") and the Center for Jewish Culture ("CJC"), (Collectively the "Organization") (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2018, the related consolidated statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, and the changes in its consolidated net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Supplemental Information

Our audit as of and for the year ended June 30, 2018, was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating schedule of activities and schedules of functional expenses on pages 23-25 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 15, 2017. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Haskell & White LLP". The signature is written in a cursive, flowing style.

HASKELL & WHITE LLP

San Diego, California
October 18, 2018

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Consolidated Statements of Financial Position
As of June 30, 2018
(With Comparative Totals As Of June 30, 2017)**

	ASSETS	
	2018	2017
Current assets:		
Cash and cash equivalents	\$ 2,119,532	\$ 2,198,478
Investments	167,372	206,297
Accounts receivable, net	49,581	133,161
Contributions receivable, net	485,299	377,871
Prepaid expenses and other current assets	662,599	801,381
Total current assets	3,484,383	3,717,188
Noncurrent Assets:		
Contributions receivable, net	110,000	48,500
Investments	5,857,558	6,689,276
Property and equipment, net	7,528,080	6,696,642
Total noncurrent assets	13,495,638	13,434,418
Total assets	\$ 16,980,021	\$ 17,151,606
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 387,010	\$ 397,065
Accrued payroll liabilities	694,457	817,261
Deferred revenue	2,004,064	1,972,045
Total current liabilities	3,085,531	3,186,371
Total liabilities	3,085,531	3,186,371
Commitments (Note 6)		
Net Assets:		
Unrestricted:		
Undesignated	6,765,119	5,208,024
Board-designated endowment funds	1,175,944	2,165,628
Board-designated recovery of diverted assets	-	591,485
Total unrestricted	7,941,063	7,965,137
Temporarily restricted	1,800,702	1,847,373
Permanently restricted	4,152,725	4,152,725
Total net assets	13,894,490	13,965,235
Total liabilities and net assets	\$ 16,980,021	\$ 17,151,606

The accompanying notes are integral part of the consolidated financial statements.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Consolidated Statements of Activities
For the Year Ended June 30, 2018
(With Comparative Totals For The Year Ended June 30, 2017)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Revenue and Support:					
Program fees	\$ 6,271,602	\$ -	\$ -	\$ 6,271,602	\$ 6,437,179
Contributions and grants	3,779,780	1,279,183	-	5,058,963	4,516,722
Membership fees	1,061,987	-	-	1,061,987	1,144,583
Rental income	618,474	-	-	618,474	505,213
Investment income (loss)	147,933	320,860	-	468,793	682,222
Special events	132,211	-	-	132,211	568,318
Miscellaneous income	519,620	-	-	519,620	444,423
Net assets released from restriction	1,646,714	(1,646,714)	-	-	(25,000)
Total revenue and support	14,178,321	(46,671)	-	14,131,650	14,273,660
Expenses:					
Program Services:					
LFJCC programs	6,634,889	-	-	6,634,889	6,811,400
CJC programs	1,701,909	-	-	1,701,909	1,724,921
Facilities	2,753,927	-	-	2,753,927	2,947,367
Total program services	11,090,725	-	-	11,090,725	11,483,688
Supporting Services:					
General and administrative	2,545,373	-	-	2,545,373	2,251,130
Fundraising	390,139	-	-	390,139	499,562
Total supporting services	2,935,512	-	-	2,935,512	2,750,692
Total program and supporting services	14,026,237	-	-	14,026,237	14,234,380
Special events	176,158	-	-	176,158	106,587
Total expenses	14,202,395	-	-	14,202,395	14,340,967
Change in net assets	(24,074)	(46,671)	-	(70,745)	(67,307)
Net assets at beginning of year	7,965,137	1,847,373	4,152,725	13,965,235	14,032,542
Net assets at end of year	<u>\$ 7,941,063</u>	<u>\$ 1,800,702</u>	<u>\$ 4,152,725</u>	<u>\$ 13,894,490</u>	<u>\$ 13,965,235</u>

The accompanying notes are integral part of the consolidated financial statements.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Consolidated Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017**

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (70,745)	\$ (67,307)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,082,453	1,056,281
Disposal of property and equipment	-	-
Bad debt write-offs	43,825	144,768
Net realized and unrealized (gains) losses on investments	(487,275)	(795,975)
Permanently restricted (contributions) releases	-	(1,025,000)
Increase (decrease) in cash from changes in:		
Accounts receivable	56,365	(135,543)
Contributions receivable	(185,538)	310,329
Prepaid expenses	138,782	(217,089)
Accounts payable and accrued expenses	(10,055)	(353,410)
Accrued payroll liabilities	(122,804)	95,258
Deferred revenue	32,019	(391,495)
Net cash provided by (used in) operating activities	477,027	(1,379,183)
Cash flows from investing activities:		
Investment (purchases) sales, net	1,357,918	354,549
Purchases of property and equipment	(1,913,891)	(256,267)
Net cash used in investing activities	(555,973)	98,282
Net decrease in cash and cash equivalents	(78,946)	(1,280,901)
Cash and cash equivalents at beginning of year	2,198,478	3,479,379
Cash and cash equivalents at end of year	\$ 2,119,532	\$ 2,198,478
Supplemental disclosures:		
Cash paid for interest	\$ -	\$ -

The accompanying notes are integral part of the consolidated financial statements.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements
June 30, 2018 and 2017**

1. Organization and Significant Accounting Policies

Organization

The consolidated financial statements of the Organization include the following entities:

Lawrence Family Jewish Community Centers of San Diego County

Lawrence Family Jewish Community Centers of San Diego County (“LFJCC”) is a California 501(c)(3) Not-For-Profit organization that was incorporated in November 1945. The mission of LFJCC is to connect the community to Jewish heritage, identity, experiences and values to ensure the continuity and vibrancy of the Jewish community. This mission is accomplished by promoting the physical and mental well-being of the community and offering a rich array of stimulating and innovative social, cultural, educational, and recreational programs and services. LFJCC is committed to providing a welcoming and inclusive environment for San Diego’s diverse Jewish community and the greater general community.

San Diego Center for Jewish Culture

San Diego Center for Jewish Culture (“CJC”) is a California 501(c)(3) Not-For-Profit organization that was incorporated in January 1999. CJC is housed at LFJCC. CJC provides a wide array of multi-disciplined offerings, and is the largest local institution solely dedicated to exploring the Jewish experience through the arts. CJC’s mission is to expand and enrich cultural life in San Diego by presenting the finest in Jewish artistic expressions, encouraging the preservation of Jewish culture and heritage and nurturing new creativity in the arts.

Programs

LFJCC operates the following programs:

Qualcomm Sports, Fitness & Aquatics Complex

The facility consists of the following activity centers:

- Jacobs Fitness Center is a 3,000 square foot facility with state-of-the-art cardiovascular equipment. In addition, The Jacobs Fitness Center includes certified personal trainers, massage therapy, full range of fitness classes, aerobic and dance studios, wellness and meditation center, sauna and steam room.
- Albert A. Huntler Tennis Center consists of four lighted, hard surface courts. In addition, there is a resident teaching pro, adult and junior group clinics, individual lessons, tournaments and socials and summer camps.

See independent auditors’ report.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

1. Organization and Significant Accounting Policies (continued)

Programs (continued)

Qualcomm Sports, Fitness & Aquatics Complex (continued)

- Friedenberg Olympic Pool is an outdoor heated pool. In addition, there is a Jacuzzi, wading pool for children, masters swim program and youth swim team and swim lessons.
- Jacobs Family Gymnasium consists of two NBA regulation basketball courts.
- Mandell Weiss Eastgate Park is a professionally lit multi-purpose field with an outdoor play area and a picnic and barbecue area. The field is used for softball leagues, soccer and flag-football leagues and general recreation.

Early Childhood Education

Lawrence Family Jewish Community Center Early Childhood Education program is designed to develop the social, emotional, physical, and intellectual well-being of each child through a developmental milestone curriculum. The focus is on creating a safe and nurturing environment which offers opportunities for exploration and discovery. The program has been structured to develop curiosity, imagination, self-esteem, caring for others, and the ability to play both cooperatively and independently. The program is committed to expanding community access to recreational and social programs for children with disabilities.

Youth Department

The Youth Department at The LFJCC provides a nurturing and safe environment, a caring and professional staff, and enriching and quality programs for youth K-6. The department offers a wide variety of programs to ensure that the perfect activity is available to meet the child's interests and parent's schedule. Programs consist of:

- J-Team After School Enrichment Program
- Summer and year round camps
- Youth Activities
- Enrichment Classes
- Sports programs

Teen Department

The LFJCC Teen Department hosts a variety of enriching events and leadership opportunities while bringing together teens of diverse backgrounds from all over San Diego. The programming establishes a strong Jewish community for teens and focuses on programs that develop emotionally well-rounded leaders of the future.

See independent auditors' report.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

1. Organization and Significant Accounting Policies (continued)

Programs (continued)

Senior Adult Department

The Senior Adult Department at the LFJCC promotes Jewish cultural heritage and values by providing social, educational, and recreational programs. Through these programs participants strengthen their connections to their community and keep alive history and traditions. The Senior Adult Department encourages participants to learn, grow and enrich their lives among others who share their values.

CJC operates the following programs:

Center for Jewish Culture

The Center for Jewish Culture offers a wide variety of multi-disciplinary artistic programs that explore cultural identities and perspectives, promote cross cultural understanding and highlight human themes of family, tolerance, compassion and hope. These programs, include the San Diego Jewish Film Festival, Arts and Ideas, J-Learn, Gotthelf Art Gallery and the J*Company Youth Theatre, fostering and highlighting ideas of Jewish culture and cultural appreciation and respect.

Approximately 40,000 tickets are sold or provided annually to residents, visitors, and students for San Diego Center for Jewish Culture events hosted at the J and in the broader San Diego Community. CJC facilities feature the 500-seat David & Dorothea Garfield Theatre, Samuel & Rebecca Astor Judaica library, the Gotthelf Art Gallery, and a community Holocaust Memorial Garden and other uses of the building and campus to promote Arts and Ideas to the Jewish and broader San Diego Community.

J*Company Youth Theatre is a leading youth theatre program in San Diego, garnering local and national attention with its award winning productions. The program provides a foundation for young artists to train and develop their creative potential, giving them the opportunity to express themselves through the dramatic arts.

Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements include the accounts of the LFJCC and CJC. All material intercompany balances and transactions have been eliminated in consolidation.

See independent auditors' report.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Method of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The consolidated financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets - Net assets not subject to donor imposed stipulations. From time to time, the Board of Directors may designate a portion of these funds to be used for specific purposes.
- Temporarily restricted net assets - Net assets subject to donor imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets - Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the Organization. The income from these assets is available for either general operations or specific programs as specified by the donor.

The Financial Accounting Standards Board (“FASB”) has issued reporting standards for endowments of not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

See independent auditors’ report.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The LFJCC invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

See independent auditors' report.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Fair Value Measurements (continued)

The Organization's consolidated statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Most investments at Jewish Community Foundation are considered Level 1 assets and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund manager, Jewish Community Foundation, while some of these funds are considered Level 2 assets which are valued by the fund manager and are not traded in an active market. Others investments held by the Jewish Community Foundation are considered Level 3 assets and are also valued by the fund manager.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. The allowance for doubtful accounts was \$25,000 at both June 30, 2018 and 2017.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Uncollectible contributions receivable are recognized on the allowance method based on historical experience and management's evaluation of outstanding contributions receivable. The allowance for uncollectible contributions receivable was approximately \$40,000 at both June 30, 2018 and 2017.

See independent auditors' report.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, while donations of property and equipment are recorded as support at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Land improvements	15 years
Buildings and improvements	5 - 25 years
Equipment and furnishings	5 - 10 years
Computer equipment	3 - 5 years
Vehicles	5 years

Depreciation totaled \$1,082,453 and \$1,056,281 for the years ended June 30, 2018 and 2017, respectively.

The Organization's policy is to periodically review the estimated useful lives of its property and equipment. During the year ended June 30, 2018, there were no changes to the useful lives of assets and no effects to operations as a result.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as other income or expense.

See independent auditors' report.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Impairment of Long Lived Assets

The Organization reviews its investment in long lived assets for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the long lived assets to the future undiscounted net cash flows expected to be generated by the assets and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the long-lived assets exceeds the fair value of such assets. There were no impairment losses recognized in 2018 and 2017.

Compensated Absences

Vested and accumulated vacation is recorded as an expense and liability as benefits accrue to employees. The accrued vacation liability totaled \$195,288 and \$212,961 at June 30, 2018 and 2017, respectively, and is included in accrued payroll liabilities.

Revenue and Expense Recognition

Revenue from memberships is recognized on a pro-rata basis over the period the memberships are valid. Deferred revenue totaled \$271,290 and \$343,823 at June 30, 2018 and 2017, respectively.

Program fees and expenses are recognized in the period services are provided and consist of advance payments and cost for classes, Maccabi games, preschool and camp fees. Deferred revenue totaled \$1,732,774 and \$1,628,222 at June 30, 2018 and 2017, respectively.

Prepaid program expenses totaled \$560,390 and \$495,432 at June 30, 2018 and 2017, respectively, and are included in prepaid expenses.

Donated Services

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2018 and 2017 did not meet the requirements above, therefore no amounts were recognized in the consolidated financial statements.

See independent auditors' report.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Allocated Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized and estimates made by the Organization's management.

Income Taxes

The LFJCC and CJC are public charities and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The LFJCC and CJC believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements. The LFJCC and CJC are not private foundations.

The LFJCC and CJC's tax returns for the years ended June 30, 2018, 2017, 2016 and thereafter are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of the maturity.

See independent auditors' report.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

The following is a composition of the combined amounts appearing in the consolidated statements of cash flows at June 30:

	<u>2018</u>	<u>2017</u>
Cash and money market funds	\$ 2,119,532	\$ 2,069,941
Certificates of deposit	-	128,537
Total cash and cash equivalents	<u>\$ 2,119,532</u>	<u>\$ 2,198,478</u>

2. Contributions Receivable

Contributions receivable consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Receivables due in less than one year	\$ 525,349	\$ 417,921
Less: Allowance for uncollectible contributions	(40,050)	(40,050)
Receivables due in less than one year, net	485,299	377,871
Receivables due in one to four years	110,000	48,500
Contributions Receivable, Net	<u>\$ 595,299</u>	<u>\$ 426,371</u>

Contributions receivable consist of the following categories as of June 30:

	<u>2018</u>	<u>2017</u>
Multi-year program contributions	\$ 262,233	\$ 93,582
Pillars contributions	50,000	76,739
Retirement campaign	35,000	72,000
Capital campaign	1,000	1,000
Program contributions	247,066	173,050
Maccabi campaign	-	10,000
	<u>\$ 595,299</u>	<u>\$ 426,371</u>

See independent auditors' report.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

3. Investments

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of June 30:

	2018				
	Quoted in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value Inputs	Balance as of June 30, 2018
Investments at Jewish Community Foundation	\$ 5,636,036	\$ 24,852	\$ -	\$ 364,042	\$ 6,024,930
	<u>\$ 5,636,036</u>	<u>\$ 24,852</u>	<u>\$ -</u>	<u>\$ 364,042</u>	<u>\$ 6,024,930</u>
	2017				
	Quoted in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value Inputs	Balance as of June 30, 2017
Investments at Jewish Community Foundation	\$ 6,514,943	\$ 84,776	\$ 295,854	\$ -	\$ 6,895,573
	<u>\$ 6,514,943</u>	<u>\$ 84,776</u>	<u>\$ 295,854</u>	<u>\$ -</u>	<u>\$ 6,895,573</u>

The LFJCC maintains its investments at Jewish Community Foundation. These funds are classified as permanently restricted if the investments must be maintained in perpetuity. The funds held at Jewish Community Foundation are invested in investment pools or are held as cash until invested in an investment pool. The Short Term Pool is a cash equivalent pool that seeks principal preservation by investing in certificates of deposit, securities issued or guaranteed by the U.S. government and other cash equivalents.

As of June 30, 2018:

- The Long Term Pool invests 58.7% in domestic and international equities, 37.8% in fixed income and 3.5% in real assets consisting of REITS and/or commodities.
- The Long Term Index Pool invests 65.2% in domestic and international equities and 34.8% in fixed income.
- The Endowment Pool invests 56.6% in domestic and international equities, 10.4% in fixed income, 4.4% in real assets consisting of REITS and/or commodities, and 28.6% in alternative investments consisting of commodities and hedge funds.

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**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

3. Investments (continued)

Investments consist of the following at June 30:

	2018	2017
Investments - current		
Short-term pool	\$ 167,372	\$ 206,297
Investments - noncurrent		
Long-term pool	2,414,392	2,756,503
Long-term index pool	2,407,988	2,762,820
Endowment pool	1,035,178	1,169,953
Total-long term pool	5,857,558	6,689,276
Total investments	\$ 6,024,930	\$ 6,895,573

The LFJCC investments consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The LFJCC has interpreted the enacted version of the 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, the LFJCC classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment (2) the original value of subsequent gifts donated to the permanent endowment (3) 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 The LFJCC in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, LFJCC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of LFJCC 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 LFJCC
7. The investment policies of LFJCC

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**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

3. Investments (continued)

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires LFJCC to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2018 and 2017.

LFJCC has adopted investment and spending policies for endowment funds that:

1. Protect the invested assets
2. Preserve spending capacity of the fund income
3. Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a minimal level
4. Comply with applicable laws

LFJCC endowment funds are invested at Jewish Community Foundation in a portfolio of equity and debt securities, which is structured for long-term total return.

LFJCC's spending policy is to disburse funds available in accordance with donor restrictions to meet the current program needs of LFJCC and is based on a three year average of the investment balances at a 5% payout rate.

LFJCC investments composition by type of fund as of June 30:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ 696,261	\$ 4,152,725	\$ 4,848,986
Board-Designated Funds:				
Other Funds	(989,684)	-	-	(989,684)
Shulman Funds	2,165,628	-	-	2,165,628
Investments	<u>\$ 1,175,944</u>	<u>\$ 696,261</u>	<u>\$ 4,152,725</u>	<u>\$ 6,024,930</u>
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 577,220	\$ 4,152,725	\$ 4,729,945
Board-Designated Funds:				
Other funds	331,199	-	-	331,199
Shulman Funds	1,834,429	-	-	1,834,429
Investments	<u>\$ 2,165,628</u>	<u>\$ 577,220</u>	<u>\$ 4,152,725</u>	<u>\$ 6,895,573</u>

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**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

3. Investments (continued)

Funds invested by type for the years ended June 30, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investments at June 30, 2016	\$ 2,051,388	\$ 276,350	\$ 3,127,725	\$ 5,455,463
Contributions	-	-	1,025,000	1,025,000
Investment return:				
Interest and dividends	38,866	91,301	-	130,167
Net realized and unrealized gains/(losses)	169,009	406,541	-	575,550
Investment expenses	<u>(7,059)</u>	<u>(16,436)</u>	<u>-</u>	<u>(23,495)</u>
Total Investment Return	<u>200,816</u>	<u>481,406</u>	<u>-</u>	<u>682,222</u>
Appropriation of endowment assets for expenditure	<u>(86,577)</u>	<u>(180,535)</u>	<u>-</u>	<u>(267,112)</u>
Investments at June 30, 2017	2,165,627	577,221	4,152,725	6,895,573
Contributions	-	-	-	-
Investment return:				
Interest and dividends	75,964	182,285	-	258,249
Net realized and unrealized gains/(losses)	73,963	143,612	-	217,575
Investment expenses	<u>(1,994)</u>	<u>(5,037)</u>	<u>-</u>	<u>(7,031)</u>
Total Investment Return	<u>147,933</u>	<u>320,860</u>	<u>-</u>	<u>468,793</u>
Appropriation of endowment assets for expenditure	<u>(1,137,616)</u>	<u>(201,820)</u>	<u>-</u>	<u>(1,339,436)</u>
Investments at June 30, 2018	<u>\$ 1,175,944</u>	<u>\$ 696,261</u>	<u>\$ 4,152,725</u>	<u>\$ 6,024,930</u>

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**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

4. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land improvements	\$ 523,188	\$ 511,423
Buildings and improvements	20,481,857	18,696,688
Equipment and furnishings	861,217	955,831
Computer equipment	529,683	476,184
Vehicles	<u>160,949</u>	<u>121,717</u>
Subtotal	22,556,894	20,761,843
Less: accumulated depreciation	<u>(15,028,814)</u>	<u>(14,065,201)</u>
Property and equipment, net	<u><u>\$ 7,528,080</u></u>	<u><u>\$ 6,696,642</u></u>

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Grants and contributions with time and purpose restrictions	\$ 966,957	\$ 1,088,668
Unappropriated endowment earnings	696,261	577,221
Retirement campaign contributions receivable and cash	136,484	170,484
Capital campaign contributions receivable	1,000	1,000
Maccabi campaign contributions receivable and cash	<u>-</u>	<u>10,000</u>
Total temporarily restricted net assets	<u><u>\$ 1,800,702</u></u>	<u><u>\$ 1,847,373</u></u>

Net assets in the amount of \$1,646,714 and \$872,958 were released from donor restrictions by incurring expenses and events satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2018 and 2017, respectively.

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**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

6. Commitments

Retirement Plan

The Organization has established a 403(b) retirement plan (the “Plan”) covering all employees. The Plan allows for employee contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code if they wish beginning on their hire date. The Organization makes a matching contribution equal to the lesser of 50% of employee contributions or 3% of compensation received during the plan year (December 31) for employees after one year of service. Historically employees that have been employed for twelve (12) consecutive months, have completed 1,000 hours of service, and are employed on the last day of the Plan year were eligible to receive an allocation of the Organization’s annual employer base contribution. The base contribution ranged from \$750 to \$1,500 per eligible employee based on the number of years of service. The Plan’s provision was amended effective December 1, 2017 which states that base contributions shall be provided under this plan, accordingly no base contributions were paid for the plan year ended December 31, 2017. LFJCC contributed \$40,124 and \$223,602 to the plan for the years ended June 30, 2018 and 2017, respectively.

Lease Agreement

The land on which the LFJCC is located is owned by the City of San Diego. On July 27, 1981, LFJCC entered into a land lease agreement with the City of San Diego. The premises are leased only for the purposes of construction, operation and maintenance of the premises and buildings as a community center for park, recreation, cultural and educational activities for the benefit of the Jewish Community Center members and the residents of the City of San Diego, without discrimination, as to race, color, creed, sexual orientation, or religion and for such other related or incidental purposes as may first be approved in writing by the City of San Diego and for no other purposes. The term of the agreement is fifty (50) years commencing on January 1, 1998. The total rent is \$1 for the entire term of the lease.

Operating Agreement

On July 1, 1999, CJC entered into an agreement with LFJCC to administer the cultural arts programs and complex for the CJC. The initial term of the agreement was for ten (10) years with an automatic extension of ten (10) years and for consecutive ten (10) year terms unless either party notifies the other in writing to the contrary at least one (1) year prior to the end of the term then in effect. In accordance with the agreement, LFJCC performs all necessary advisory, management and administrative services described in the agreement. LFJCC (the J) is entitled to retain any positive results from operations and is responsible for any negative results from operations. LFJCC absorbed \$240,000 of CJC’s operations for the year ended June 30, 2018.

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**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2018 and 2017**

7. Subsequent Events

The Organization has evaluated subsequent events through October 18, 2018, which is the date the consolidated financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

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SUPPLEMENTAL INFORMATION

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Supplementary Consolidating Schedule of Activities
For the Year Ended June 30, 2018**

	LFJCC	CJC	Consolidated
Unrestricted net assets:			
Revenue and Support:			
Program fees	\$ 5,532,812	\$ 738,790	\$ 6,271,602
Contributions and grants	2,828,039	951,741	3,779,780
Membership fees	1,061,987	-	1,061,987
Rental income	402,677	215,797	618,474
Investment income	147,933	-	147,933
Special event	132,211	-	132,211
Miscellaneous income	422,585	97,035	519,620
Net assets released from restriction, net	1,477,653	169,061	1,646,714
Total revenue and support	<u>12,005,897</u>	<u>2,172,424</u>	<u>14,178,321</u>
Expenses:			
Program services	<u>9,388,816</u>	<u>1,701,909</u>	<u>11,090,725</u>
Supporting services:			
General and administrative	2,149,858	395,515	2,545,373
Fundraising	315,139	75,000	390,139
Total supporting services	<u>2,464,997</u>	<u>470,515</u>	<u>2,935,512</u>
Total program and supporting services	11,853,813	2,172,424	14,026,237
Special events	<u>176,158</u>	-	<u>176,158</u>
Total expenses	<u>12,029,971</u>	<u>2,172,424</u>	<u>14,202,395</u>
Change in unrestricted net assets	<u>(24,074)</u>	-	<u>(24,074)</u>
Temporarily restricted net assets:			
Contributions and grants	1,279,183	-	1,279,183
Investment income	320,860	-	320,860
Net assets released from restriction	<u>(1,646,714)</u>	-	<u>(1,646,714)</u>
Change in temporarily restricted net assets	<u>(46,671)</u>	-	<u>(46,671)</u>
Permanently restricted net assets:			
Contributions and grants	1,025,000	-	1,025,000
Released from permanent restriction	<u>(1,025,000)</u>	-	<u>(1,025,000)</u>
Change in permanently restricted net assets	<u>-</u>	-	<u>-</u>
Change in net assets	(70,745)	-	(70,745)
Net assets at beginning of year	<u>13,965,235</u>	-	<u>13,965,235</u>
Net assets at end of year	<u><u>\$ 13,894,490</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,894,490</u></u>

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**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Supplementary Schedule of Functional Expenses – LFJCC
For The Year Ended June 30, 2018
(With Comparative Totals For The Year Ended June 30, 2017)**

	Program Services		Supporting Services			Special Events	2018 Total Expenses	2017 Total Expenses	
	LFJCC Program Services	Facilities	Total Program Services	General and Administrative	Fundraising				Total Supporting Services
Salaries	\$4,357,877	\$ 186,552	\$ 4,544,429	\$ 1,282,074	\$ 182,080	\$ 1,464,154	\$ -	\$ 6,079,370	
Payroll taxes and employee benefits	654,801	33,972	688,773	87,096	29,116	116,212	-	1,078,244	
Depreciation	-	1,082,453	1,082,453	-	-	-	-	1,056,281	
Contract labor	297,441	687,852	985,293	22,039	500	22,539	96,027	832,995	
Maintenance service	27,918	121,948	149,866	2,927	-	2,927	-	518,306	
Utilities	33,979	443,555	477,534	-	-	-	-	448,451	
Program supplies	338,484	10,863	349,347	70,769	19,379	90,148	19,287	386,850	
Administration	138,303	-	138,303	164,188	435	164,623	-	358,888	
Admissions	138,106	21,102	159,208	3,227	53,288	56,515	-	270,902	
Food and beverage	104,030	5,544	109,574	62,276	2,014	64,290	48,713	209,683	
Insurance	-	-	-	180,253	-	180,253	-	186,703	
Maintenance supplies	114,454	85,899	200,353	-	-	-	-	167,245	
Bad debt	27,215	-	27,215	-	16,610	16,610	-	144,768	
Dues	11,056	86	11,142	112,149	-	112,149	-	122,691	
Transportation and travel	112,680	379	113,059	25,849	1,462	27,311	-	105,743	
Repairs, maintenance and replacements	52,554	68,324	120,878	1,860	-	1,860	-	95,795	
Printing and publications	75,127	2,670	77,797	33,848	2,980	36,828	4,827	82,810	
Telephone	6,562	1,257	7,819	42,297	-	42,297	-	48,268	
Staff training	19,527	48	19,575	6,393	176	6,569	-	44,432	
Grants/Awards	75,894	-	75,894	-	-	-	-	30,134	
Office supplies	20,362	990	21,352	25,915	3,425	29,340	-	27,869	
Postage	22,403	433	22,836	3,863	984	4,847	1,304	22,803	
Rent expense	2,833	-	2,833	8,033	-	8,033	6,000	13,881	
Conference	3,283	-	3,283	14,802	2,690	17,492	-	4,480	
Investment expense	-	-	-	-	-	-	-	-	
Total expenses	\$6,634,889	\$ 2,753,927	\$ 9,388,816	\$ 2,149,858	\$ 315,139	\$ 2,464,997	\$ 176,158	\$ 12,029,971	\$12,337,592

See independent auditors report.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Supplementary Schedule of Functional Expenses – CJC
For The Year Ended June 30, 2018
(With Comparative Totals For The Year Ended June 30, 2017)**

	<u>Program Services</u>	<u>Supporting Services</u>			2018	2017
	Center for Jewish Culture	General and Administrative	Fundraising	Total Supporting	Total Expenses	Total Expenses
Salaries	\$ 762,891	\$ 293,174	\$ 69,670	\$ 362,844	\$ 1,125,735	\$ 999,771
Payroll taxes and employee benefits	107,815	77,120	5,330	82,450	190,265	181,327
Contract labor	143,308	-	-	-	143,308	175,525
Administration	129,487	10,547	-	10,547	140,034	143,056
Program supplies	154,744	732	-	732	155,476	122,048
Rent expense	61,338	-	-	-	61,338	84,682
Printing and publicity	59,643	5,152	-	5,152	64,795	76,875
Food and beverage	42,750	3,161	-	3,161	45,911	57,927
Transportation and travel	32,313	2,051	-	2,051	34,364	44,350
Maintenance service	22,052	120	-	120	22,172	32,916
Management services	74,698	-	-	-	74,698	-
Postage	25,181	89	-	89	25,270	28,394
Admissions	22,145	-	-	-	22,145	26,675
Maintenance supplies	24,817	-	-	-	24,817	10,160
Office supplies	2,594	778	-	778	3,372	5,551
Repairs, maintenance and replacements	29,862	-	-	-	29,862	5,149
Dues	1,488	774	-	774	2,262	2,989
Conference	1,080	1,591	-	1,591	2,671	1,942
Telephone	840	167	-	167	1,007	1,930
Grants/Awards	450	-	-	-	450	1,575
Staff training	2,413	59	-	59	2,472	533
	<u>\$ 1,701,909</u>	<u>\$ 395,515</u>	<u>\$ 75,000</u>	<u>\$ 470,515</u>	<u>\$ 2,172,424</u>	<u>\$ 2,003,375</u>
Total expenses	<u>\$ 1,701,909</u>	<u>\$ 395,515</u>	<u>\$ 75,000</u>	<u>\$ 470,515</u>	<u>\$ 2,172,424</u>	<u>\$ 2,003,375</u>

See independent auditors report.