

Financial Report
Hillel of San Diego
June 30, 2020



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hillel of San Diego

We have audited the accompanying financial statements of Hillel of San Diego (a nonprofit organization) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hillel of San Diego as of June 30, 2020, 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.

Report on Summarized Comparative Information

Other auditors have previously audited Hillel of San Diego's June 30, 2019 financial statements and expressed an unmodified opinion on those audited financial statements. The summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

West Rhode & Roberts

WEST RHODE & ROBERTS

San Diego, California
February 21, 2021

HILLEL OF SAN DIEGO

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

(With summarized financial information for June 30, 2019)

	2020	2019 (Note 16)
ASSETS		
Cash and cash equivalents	\$ 594,328	\$ 596,902
Pledges receivable, net	608,168	798,639
Other receivables	-	15,103
Investments	2,114,585	2,156,627
Prepaid expenses and deposits	2,740	2,740
Property and equipment, net	9,614,136	9,403,580
Total assets	<u>\$ 12,933,957</u>	<u>\$ 12,973,591</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 106,677	\$ 225,782
Refundable advance	134,700	-
Long-term debt	781,888	753,420
Total liabilities	<u>1,023,265</u>	<u>979,202</u>
Commitments (Note 14)		
Net assets:		
Without donor restrictions		
Board designated	1,084,383	1,074,194
Undesignated	8,198,548	8,201,345
Total without donor restrictions	9,282,931	9,275,539
With donor restrictions	2,627,761	2,718,850
Total net assets	11,910,692	11,994,389
Total liabilities and net assets	<u>\$ 12,933,957</u>	<u>\$ 12,973,591</u>

HILLEL OF SAN DIEGO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

(With summarized financial information for the year ended June 30, 2019)

	Without donor restrictions	With donor restrictions	Total	2019 (Note 16)
<u>Operating activities:</u>				
SUPPORT AND REVENUE				
Contributions and grants	497,749	924,432	1,422,181	1,909,218
In-kind contribution	319,806	-	319,806	564,653
Program revenue	24,595	-	24,595	33,850
Other Income	-	-	-	1,956
Net assets released from restriction	1,015,521	(1,015,521)	-	-
Total operating support and revenue	<u>1,857,671</u>	<u>(91,089)</u>	<u>1,766,582</u>	<u>2,509,677</u>
EXPENSES				
Program services				
Program	1,007,812	-	1,007,812	1,062,097
Total program services	1,007,812	-	1,007,812	1,062,097
Supporting services:				
Management	562,087	-	562,087	785,643
Fundraising	290,747	-	290,747	271,726
Total supporting services	852,834	-	852,834	1,057,369
Total expenses	<u>1,860,646</u>	<u>-</u>	<u>1,860,646</u>	<u>2,119,466</u>
Operating revenues and support in excess of expenses	<u>(2,975)</u>	<u>(91,089)</u>	<u>(94,064)</u>	<u>390,211</u>
<u>Non-Operating activities:</u>				
Investment income	31,914	-	31,914	55,255
Realized and unrealized (loss) gain	(21,547)	-	(21,547)	25,364
Total non-operating activities	<u>10,367</u>	<u>-</u>	<u>10,367</u>	<u>80,619</u>
Change in net assets	7,392	(91,089)	(83,697)	470,830
NET ASSETS AT BEGINNING OF YEAR	9,275,539	2,718,850	11,994,389	11,523,559
NET ASSETS AT END OF YEAR	<u>\$ 9,282,931</u>	<u>\$ 2,627,761</u>	<u>\$ 11,910,692</u>	<u>\$ 11,994,389</u>

HILLEL OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With summarized financial information for the year ended June 30, 2019)

	<u>Supporting Services</u>			<u>2020</u>	<u>2019 (Note 16)</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Personnel					
Salaries & wages	\$ 320,019	\$ 98,915	\$ 162,919	\$ 581,853	\$ 676,068
Payroll taxes and benefits	61,329	18,956	31,222	111,507	108,623
Total personnel	<u>381,348</u>	<u>117,871</u>	<u>194,141</u>	<u>693,360</u>	<u>784,691</u>
Program costs	461,558	-	-	461,558	323,194
In-kind legal		312,806	-	312,806	550,113
Depreciation	98,539	30,458	50,165	179,162	180,000
Occupancy	38,535	11,911	19,618	70,064	106,789
Office expenses	13,664	11,058	20,472	45,194	51,101
Interest	-	32,215	-	32,215	29,666
Professional fees	-	25,331	-	25,331	54,930
Insurance	9,546	2,951	4,860	17,357	22,152
Administration	-	16,176	-	16,176	6,640
Information technology	2,929	1,310	1,491	5,730	5,437
Travel	1,693	-	-	1,693	4,753
Total expenditures	<u>\$ 1,007,812</u>	<u>\$ 562,087</u>	<u>\$ 290,747</u>	<u>\$ 1,860,646</u>	<u>\$ 2,119,466</u>

HILLEL OF SAN DIEGO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With summarized financial information for the year ended June 30, 2019)

	2020	2019 (Note 16)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (83,697)	\$ 470,830
Adjustment to reconcile change in net assets to net cash from operating activities		
Depreciation	179,162	180,000
Amortization of debt issuance cost included as interest expense	2,468	-
Realized and unrealized loss (gain)	21,547	(25,364)
Change in provision for uncollectible pledges	110,000	-
Changes in operating assets and liabilities		
Pledges receivable	80,471	(452,015)
Other receivable	15,103	(3,814)
Prepaid expenses and deposits	-	(1,376)
Accounts payable and accrued expenses	(119,105)	59,246
Refundable Advance	134,700	-
Net cash provided by operating activities	340,649	227,507
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(389,718)	(35,774)
Net sale (purchases) of investments	9,207	(35,706)
Net cash used in investing activities	(380,511)	(71,480)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term debt	26,000	-
Net cash provided by financing activities	26,000	-
Change in cash and cash equivalents	(13,862)	156,027
Cash and cash equivalents at beginning of year	612,786	456,759
Cash and cash equivalents at end of year	\$ 598,924	\$ 612,786
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash and cash equivalents	\$ 594,328	\$ 596,902
Cash and cash equivalents included in investments	4,596	15,884
	\$ 598,924	\$ 612,786
SUPPLEMENTAL SCHEDULES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 29,748	\$ 29,666

Note 1. Organization and Significant Accounting Policies

Organization and Activities

Hillel of San Diego (Hillel) is a private, non-profit 501(c)(3) organization founded in 1977 as the Jewish Campus Centers and incorporated in California in July 1992 as Hillel.

Hillel, accredited by Hillel: the Foundation for Jewish Campus Life, builds Jewish community on college campuses in San Diego for more than 2,500 Jewish students each year. Students from all backgrounds are invited to participate in Jewish life on campus. Social, cultural, educational, religious, and community service programs provide opportunities for students to build relationships with each other and develop Jewish community. Hillel's mission is to be a vibrant Jewish campus presence and to involve the maximum number of university-age Jews in way that foster a lasting commitment to Jewish life.

To further this mission, Hillel is committed to the following goals:

- Serving the needs of individual Jewish students.
- Creatively engaging and empowering Jewish students through personal interactions and compelling programs.
- Building a strong sense of belonging and Jewish identity.
- Nurturing intellectual and spiritual growth in a pluralistic community.
- Advocating for Jewish student needs on campus and in the community.
- Linking the campus community to the larger Jewish community, locally and globally.
- Helping students cultivate a closer connection to Israel.
- Developing a campus and organizational culture in which the quality of the relationships attracts involvement.

Significant Accounting Policies

Method of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation –The financial statements of Hillel have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Hillel to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Hillel. These net assets may be used at the discretion of Hillel's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Hillel or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Hillel's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition – Contributions are recognized as revenue when they are unconditionally pledged or when all conditions have been met.

Hillel reports contributions as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, revenues with donor restrictions are reclassified to revenues without donor restrictions and reported in the statement of activities as revenues released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as permanently restricted. The income earned from such assets is generally restricted to the purpose designated by the donor. Gifts not designated for a specific purpose are reported as increases in net assets without donor restrictions.

Contributions of service are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Hillel reports such contributions at their estimated fair value when received.

Cash and Cash Equivalents – Cash and cash equivalents include cash in the bank and highly liquid investments.

Pledges receivable – Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future periods are recorded at fair value when the promise is made based on a discounted cash flow model. In future periods, the discount to present value is computed using discount rates established in the periods in which those promises are received. Amortization of the discount is included in contributions. The allowance for doubtful accounts is estimated based on Hillel's historical losses, existing economic conditions, and the financial stability of its donors. Pledges receivable are written off against the allowance in the period deemed uncollectible. Management has determined that an allowance of \$110,000 is needed for the year ended June 30, 2020.

Other receivables – Other receivables arise in the normal course of operations that are due to Hillel at the end of the year. The allowance for doubtful accounts is based on past experience and on an analysis of current receivable balances. Accounts are written off against the allowance for doubtful accounts when deemed uncollectible. At June 30, 2020, there was no balance on other receivables.

Investments – The fair value of investments held at the Jewish Community Foundation (JCF) is based on the unit value of Hillel's interest in the pools in which it has invested. The unit value is based on the fair value of the underlying assets in the pool as reported to Hillel by JCF unless specific evidence indicates that the unit value should be adjusted. Investment income or loss (including interest and realized gains and losses) is included in unrestricted revenues unless restricted by donor or law. Donated investments are initially recorded at fair value at the date of the gift.

Furniture, Equipment and Depreciation Method – Hillel capitalizes property and equipment over \$500. Lessor amounts are expensed. Furniture and equipment are recorded at cost, except for donated items, which are recorded at fair market value as of the date received. Depreciation is provided on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	3 to 40 years
Furniture and equipment	3 to 7 years
Vehicle	5 years
Leasehold improvements	5 to 10 years

Hillel's depreciation expense was \$179,162 for the year ended June 30, 2020.

Refundable advance – In April 2020, Hillel received \$134,700 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan is forgivable if it is used for qualifying expenses as described in the CARES Act. Hillel believes the PPP loan

qualifies for forgiveness and has elected to account for the PPP loan under FASB ASC 958-605. Under this model, Hillel has recorded a refundable advance and will record revenue when the PPP loan is forgiven.

Functional Allocation of Expenses – The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of Hillel are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on time records, space utilized and estimates made by Hillel’s management.

Income Tax Status - Hillel of San Diego, a California not-for-profit corporation, is 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 Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, *Accounting for Uncertainties in Income Taxes*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Tax positions for the open tax years as of June 30, 2020, were reviewed, and it was determined that Hillel has no uncertain tax positions requiring accrual or disclosure.

Use of Estimates – The preparation of financial statements, in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Standards – In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (ASU 2016-18). This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

In June 2018, the FASB issued ASU 2018-08, Not-for-profit Entities, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, this update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The update assists in determining if transactions should be accounted for as exchange transaction or a contribution and determining if a contribution is conditional.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. Hillel recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. Hillel’s 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 that date and before the financial statements are available to be issued.

Hillel has evaluated subsequent events through February 21, 2021, which is the date the financial statements are available for issuance, and concluded that and concluded that there were no events or transactions that needed to be disclosed.

Note 2. Liquidity and Availability of Resources

Hillel's financial assets available for expenditure, that is without donor restrictions limiting their use within year of the statement of financial position date, are as follows:

Financial Assets	
Cash and cash equivalents	\$ 594,328
Pledges receivable	608,168
Investments	<u>2,114,585</u>
Total financial assets available within one year	<u>3,317,081</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	1,621,401
Restricted by donors in perpetuity	<u>1,006,360</u>
Total amounts unavailable for general expenditure within one year	<u>2,627,761</u>
Less: amounts unavailable to management without Board approval:	
Designated amounts from Board	<u>1,084,383</u>
Total financial assets available to management for general expenditure within one year	<u>\$ (395,063)</u>

Hillel maintains policies of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 3. Risks and Uncertainties

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

Investments – Hillel invests in various types of investment securities which are exposed to various risks such as interest rate, market, and credit risks. It is at least reasonably possible given the level of risk associated with investments that changes in the near term could materially affect the amounts reported in the financial statements. Consequently, the fair value of Hillel's investments is exposed to price volatility, which could result in a substantial reduction in the fair value of certain investments from the amounts reported at June 30, 2020.

In 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The ultimate disruption which may be caused by the pandemic is uncertain; however, while as of this date, it has not resulted in a material adverse impact on Hillel's financial position, operations, and cash flows, such disruptions or restrictions may occur in the future. Possible effects may include but are not limited to disruptions or restrictions on our employee's ability to work, decline in value of assets held, including property and equipment and marketable securities and changes to the current regulatory environment. Management is actively working to mitigate the impact of these and other unforeseen potential disruptions to our operations.

Note 4. Fair Value Measurements

Due to the short-term nature of Hillel’s assets and liabilities, fair value approximates carrying value. In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the price that Hillel would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs 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 developed 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 developed based on the best information available. The standard describes three-tier hierarchy of inputs that may be used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that Hillel has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect Hillel’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Hillel’s statement of financial position includes investments which have been considered Level I assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. All of Hillel’s investments are based upon the quoted market prices at June 30, 2020.

The management of Hillel is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of Hillel has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with U.S GAAP.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	<u>Fair Value Measurements at June 30, 2020, Using:</u>			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments	\$ 1,084,383	\$ -	\$ -	\$ 1,084,383
Funds held at Jewish Community Foundation	-	-	1,030,202	1,030,202
Total	<u>\$ 1,084,383</u>	<u>\$ -</u>	<u>\$ 1,030,202</u>	<u>\$ 2,114,585</u>

Hillel of San Diego
Notes to Financial Statements

The following table discloses the summary of changes in the fair value of Hillel's investments held at Jewish Community Foundation, which have been classified in the fair value hierarchy as a Level 3 asset due to significant unobservable inputs inherent in the valuation of the Hillel's interest for the year ended June 30, 2020.

Balance, June 30, 2019	\$ 1,082,432
Investment return, net	7,298
Appropriation of assets for expenditure	<u>(59,528)</u>
Balance, June 30, 2020	<u>\$ 1,030,202</u>

The management of Hillel is responsible for making fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of Hillel had established an accounting and financial reporting process for determining the fair value measurements and disclosures.

Note 5. Investments

Investments at June 30, 2020, stated at fair value, consist of the following:

Mutual funds	\$ 877,160
Exchange traded funds	202,627
Cash and cash equivalents	4,596
Funds held at Jewish Community Foundation	<u>1,030,202</u>
	<u>\$ 2,114,585</u>

Investment income at June 30, 2020 is made up of \$40,290 in interest and dividends, \$21,547 in realized and unrealized losses and \$8,376 in investment fees.

Note 6. Pledges receivable

Pledges receivable at June 30, 2020 consist of the following:

Pledges receivable due within one year	\$ 277,406
Pledges receivable due between one and five years	<u>478,891</u>
	756,297
Less discount to present value	(38,129)
Less allowance for uncollectible pledges	<u>(110,000)</u>
	<u>\$ 608,168</u>

Pledges receivable have been discounted to their present value using a discount rate of 5% at June 30, 2020.

Note 7. Property and Equipment

Property and equipment, as of June 30, 2020 is summarized as follows:

Land	\$ 3,205,061
Buildings	4,584,858
Furniture and equipment	635,706
Vehicles	3,320
Construction in progress	<u>2,308,749</u>
	10,737,694
Less accumulated depreciation	<u>(1,123,558)</u>
	<u>\$ 9,614,136</u>

Note 8. Long term debt

In February 2017, Hillel entered into a note payable agreement with First Republic Bank. The loan is secured by the Jewish Campus Center property located at UC San Diego Hillel and all business assets. The note requires monthly interest payments at a fixed interest rate of 3.85% and one principal payment of \$760,000 on February 24, 2022.

In April 2020, Hillel entered into a note payable agreement with Jewish Community Foundation of San Diego County (JCF) for an amount of \$26,000 to provide assistance due to damages caused by COVID-19. The note requires monthly principal only payments of \$433 and matures on May 1, 2026. The first payment is due on May 1, 2021. Interest accrues at 3% if Hillel defaults on its payments. As of June 30, 2020, balance outstanding on the loan was \$26,000.

Debt issuance costs are amortized over the life of the bonds using a straight-line method, which approximates the effective interest rate method. For the year ended June 30, 2020, \$2,748 of debt issuance cost amortization is included in interest expense.

Future minimum payments on long term debt are as follows:

Years ending June 30,	
2021	\$ 867
2022	765,200
2023	5,200
2024	5,200
2025	5,200
2026	4,333
	<u>\$ 786,000</u>
Less: unamortized financing costs	(4,112)
	<u>\$ 781,888</u>

Note 9. Net Assets without Donor Restrictions

Net assets without donor restrictions is comprised of undesignated and board designated amounts for the following purposes at June 30, 2020. Amounts designated by the board are quasi-endowment funds held for the purposes of long-term investments.

Board designated quasi endowment	\$ 1,084,383
Undesignated	<u>8,198,548</u>
	<u>\$ 9,282,931</u>

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions and other inflows received by Hillel, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions at June 30, 2020 are available for the following purposes or periods:

Subject to expenditure for specified purpose	
Capital campaign	\$ 1,345,525
Program services	190,845
Maccabee task force	85,031
	<u>1,621,401</u>

Donor restricted fund held in perpetuity subject to spending policy and appropriation at June 30, 2020 is as follows:

Restricted in perpetuity	
Funds held at the Jewish Community Foundation	1,006,360
	<u>\$ 1,006,360</u>

Total net assets with donor restrictions at June 30, 2020 is \$2,6,27,761.

Note 11. Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions consist of the following at June 30, 2020:

Capital campaign	\$ 389,718
Program services	343,211
Maccabee task force	282,592
	<u>\$ 1,015,521</u>

Note 12. Endowments

Hillel's endowments consist of endowment funds established for a variety of programs. As required by U.S. GAAP, net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Interpretation of Relevant Law – The Board of Directors of Hillel has interpreted the 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, Hillel classifies as net assets with donor restrictions (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 retained in perpetuity is subject to appropriation for expenditure by Hillel in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Investment and Spending Policies – Hillel has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Hillel expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually based on the fund's value on March 31, to be applied to the following fiscal year's operating budget; however, disbursements shall be limited to the extent it would reduce the fund balance below the amounts required to be held in perpetuity. Actual returns in any given year may vary from this amount.

Hillel's endowment funds are invested in a professionally managed portfolio of equity and debt securities, which is structured for long-term total return.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires Hillel to retain as a fund of perpetual duration. There were no funds with deficiencies at June 30, 2020.

Board Designated Quasi-Endowment net asset composition as of June 30, 2020, is as follows:

	<u>Without donor restrictions</u>
Board designated quasi endowment net assets, beginning of year	\$ 1,074,194
Investment return:	
Investment income, net	17,325
Net depreciation (realized and unrealized)	<u>(7,136)</u>
Total investment return	10,189
Board designated quasi endowment net assets, end of year	<u>\$ 1,084,383</u>

Note 13. Employee Benefit Plans

Hillel offers employees who have completed two years of service the opportunity to participate in a retirement plan. Employees may contribute to the plan up to the maximum amount allowed by the Internal Revenue Code. Hillel contributes 4% of employee contributions. Employees who contribute 2% of their salary to the pension plan will receive an additional 1% employer contribution. Hillel contributed \$8,518 to the plan for the year ended June 30, 2020.

Note 14. Commitments

Operating Leases – Hillel leases office equipment under operating leases, with monthly payments of \$296. The leases expire through July 2025.

The future minimum lease payments required under the operating leases are as follows:

Years ending June 30,	
2021	\$ 3,552
2022	3,552
2023	3,552
2024	3,552
2025	3,552
Thereafter	<u>592</u>
	<u>\$ 18,352</u>

Office rent and equipment lease expense for the year-ended June 30, 2020 was \$5,427.

Note 15. In-kind contributions

Hillel receives donated legal services and donated office space at its north county location. Donated services and rent are recorded as in kind contributions at their estimated fair value. The following in-kind expenses have been recognized in Hillel's financial statements as of June 30, 2020:

Legal services	\$ 312,806
Rent	<u>7,000</u>
	<u>\$ 319,806</u>

Note 16. June 30, 2019 Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. The prior year financial statements were audited by other auditors. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Hillel's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Certain prior-year amounts have been reclassified to conform to the current year's financial statement presentation. These reclassifications had no effect on the changes in net assets.