



**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

FINANCIAL STATEMENTS

JUNE 30, 2020

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CONTENTS

Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-20

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Los Angeles Section
National Council of Jewish Women

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles Section National Council of Jewish Women (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 misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 policies 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Section National Council of Jewish Women 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited Los Angeles Section National Council of Jewish Women's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 21, 2020. In our opinion, 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.

Harrington Group

Pasadena, California
October 28, 2021

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

STATEMENT OF FINANCIAL POSITION

June 30, 2020

With comparative totals at June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
ASSETS				
Cash	\$ 355,361	\$ 194,684	\$ 550,045	\$ 429,676
Accounts receivable	150,920		150,920	25,785
Prepaid expenses and other assets (Note 4)	524,153		524,153	353,727
Investments (Note 5)	1,031,836		1,031,836	1,869,178
Property and equipment (Note 7)	744,445		744,445	942,640
TOTAL ASSETS	\$ 2,806,715	\$ 194,684	\$ 3,001,399	\$ 3,621,006
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses (Note 8)	\$ 629,218	\$ -	\$ 629,218	\$ 748,130
Accrued unemployment liability (Note 9)	75,090		75,090	75,090
Paycheck protection program (Note 11)	1,055,700		1,055,700	-
TOTAL LIABILITIES	1,760,008	-	1,760,008	823,220
COMMITMENTS AND CONTINGENCIES (Notes 9, 12, and 15)				
NET ASSETS				
Without donor restrictions				
General (Note 2)	121,707		121,707	759,759
Board-designated reserves (Note 2 and 12)	925,000		925,000	1,800,000
With donor restrictions (Note 13)		194,684	194,684	238,027
TOTAL NET ASSETS	1,046,707	194,684	1,241,391	2,797,786
TOTAL LIABILITIES AND NET ASSETS	\$ 2,806,715	\$ 194,684	\$ 3,001,399	\$ 3,621,006

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

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

STATEMENT OF ACTIVITIES
For the year ended June 30, 2020
With comparative totals for the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
PUBLIC SUPPORT AND REVENUE				
Council thrift shops				
Thrift shop sales	\$ 6,017,275	\$ -	\$ 6,017,275	\$ 8,796,400
Less: thrift shop operating costs	(6,929,622)		(6,929,622)	(8,595,375)
Contributions - in-kind services			-	5,177
Net council thrift shops (loss) income	(912,347)	-	(912,347)	206,202
Grants - government	594,532		594,532	69,954
Other income	550,000		550,000	-
Contributions	189,482	37,600	227,082	188,297
Rental income, net of expenses of \$8,879	86,811		86,811	75,867
Donated goods to program (Note 14)	51,078		51,078	418,982
Grants - other	50,000		50,000	36,530
Special events less expenses of \$1,000	7,950		7,950	4,215
Program service revenue	6,179		6,179	5,385
In-kind contributions of services	1,318		1,318	3,444
Membership dues	21		21	2,646
Net assets released from restrictions (Note 13)	80,943	(80,943)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	705,967	(43,343)	662,624	1,011,522
EXPENSES				
Program services				
Critical Response	640,989		640,989	-
Community Mental Health and Supportive Services			-	929,847
Communication and Outreach	151,136		151,136	212,264
Youth Educational Programs and Services				312,301
Enrichment	205,189		205,189	-
Advocacy and Legislative Community Engagement	232,666		232,666	387,069
Change The Talk	456,395		456,395	-
	1,686,375	-	1,686,375	1,841,481
Support services				
Management and general	340,969		340,969	343,588
Fundraising	234,280		234,280	173,628
	575,249	-	575,249	517,216
TOTAL EXPENSES	2,261,624	-	2,261,624	2,358,697
CHANGE IN NET ASSETS FROM OPERATIONS	(1,555,657)	(43,343)	(1,599,000)	(1,347,175)
INVESTMENT INCOME, NET OF FEES	42,605		42,605	60,542
CHANGE IN NET ASSETS	(1,513,052)	(43,343)	(1,556,395)	(1,286,633)
NET ASSETS, BEGINNING OF YEAR	2,559,759	238,027	2,797,786	4,084,419
NET ASSETS, END OF YEAR	\$ 1,046,707	\$ 194,684	\$ 1,241,391	\$ 2,797,786

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

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020
With comparative totals for the year ended June 30, 2019

	Program Services							Total Program Services	Support Services		Total Support Services	Total Expenses	
	Critical Response	Community Mental Health and Supportive Services	Communication and Outreach	Youth Educational Programs and Services	Enrichment	Advocacy and Legislative Community Engagement	Change the Talk		Management and General	Fundraising		2020	2019
Salaries and wages	\$ 118,080	\$ -	\$ 79,442	\$ -	\$ 113,406	\$ 134,683	\$ 219,324	\$ 664,935	\$ 112,554	\$ 158,213	\$ 270,767	\$ 935,702	\$ 1,006,133
Employee benefits and payroll taxes	25,000		17,987		25,390	25,749	40,598	134,724	29,152	32,722	61,874	196,598	198,662
Total personnel expenses	143,080		97,429		138,796	160,432	259,922	799,659	141,706	190,935	332,641	1,132,300	1,204,795
Programs - direct expenditures	388,942		124		1,028	10,578	21,833	422,505	160	1,833	1,993	424,498	176,939
Office expense	15,748		17,319		18,147	16,104	15,619	82,937	29,310	15,284	44,594	127,531	48,705
Depreciation and amortization	13,134		7,931		10,215	10,215	15,322	56,817	47,420	3,965	51,385	108,202	153,704
Awards/stipends	250				250		100,000	100,500	1,346		1,346	101,846	7,636
Insurance	6,067		5,624		5,907	6,978	8,599	33,175	26,523	6,718	33,241	66,416	65,762
Scholarship awarded					57,300			57,300			-	57,300	19,349
Equipment/computer support	4,411		2,885		4,080	4,141	5,637	21,154	30,794	1,541	32,335	53,489	81,276
Donated goods to program (Note 14)	51,078							51,078			-	51,078	418,982
Occupancy/repairs and maintenance	2,814		2,463		2,814	2,814	4,252	15,157	22,772	1,056	23,828	38,985	63,713
Utilities	3,410		3,070		3,410	3,815	5,017	18,722	9,794	1,195	10,989	29,711	37,366
Human resource services	3,301		1,061		3,293	3,329	6,877	17,861	1,492	3,016	4,508	22,369	14,449
Printing and publications	1,731		1,306		1,305	1,309	1,638	7,289	2,110	3,652	5,762	13,051	8,053
Interest expense								-	12,172		12,172	12,172	-
Professional development	913		952		911	1,547	2,784	7,107	3,793	831	4,624	11,731	18,152
Advertising/communications and marketing	283		378		283	283	1,766	2,993	283	283	566	3,559	5,200
Professional services - other	4,955		10,390		(43,283)	10,501	5,909	(11,528)	10,847	3,559	14,406	2,878	15,200
Travel and business meals	172		98		136	484	871	1,761	236	114	350	2,111	13,368
Professional services - in-kind	593				593	132		1,318			-	1,318	3,444
Postage and shipping	107		106		4	4	349	570	211	298	509	1,079	2,604
Program support - national organization								-			-	-	-
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 640,989	\$ -	\$ 151,136	\$ -	\$ 205,189	\$ 232,666	\$ 456,395	\$ 1,686,375	\$ 340,969	\$ 234,280	\$ 575,249	\$ 2,261,624	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ -	\$ 929,847	\$ 212,264	\$ 312,301	\$ -	\$ 387,069	\$ -	\$ 1,841,481	\$ 343,588	\$ 173,628	\$ 517,216		\$ 2,358,697

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

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,556,395)	\$ (1,286,633)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation and amortization	198,195	224,554
Reinvested dividends and interest	(25,070)	(44,171)
(Gain) on investments, net of fees	(7,639)	(16,371)
(Increase) decrease in operating assets:		
Accounts receivable	(125,135)	(19,935)
Prepaid expenses and other assets	(170,426)	64,521
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(118,912)	(57,065)
NET CASH (USED) BY OPERATING ACTIVITIES	(1,805,382)	(1,135,100)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	875,000	685,000
Purchase of investments	(4,949)	(5,201)
Purchase of property and equipment	-	(205,425)
NET CASH PROVIDED BY INVESTING ACTIVITIES	870,051	474,374
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program	1,055,700	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,055,700	-
NET INCREASE (DECREASE) IN CASH	120,369	(660,726)
CASH, BEGINNING OF YEAR	429,676	1,090,402
CASH, END OF YEAR	\$ 550,045	\$ 429,676

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

LOS ANGELES SECTION NATIONAL COUNCIL OF JEWISH WOMEN

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Los Angeles Section National Council of Jewish Women (“NCJW|LA”) is a 501(c)(3) organization founded in 1909. NCJW|LA is dedicated to addressing economic justice issues for working women and their families.

The following is an overview of the 2019-2020 programs, services, and operations:

Critical Response Services

In 2019-2020, our Rental Assistance Program was expanded to provide up to three months of rental assistance combined with educational support programs that covered both tenant’s rights and understanding/improving credit. Additionally, a special pilot Rental Assistance project was launched for single, female, heads-of-household with dependents living in Los Angeles.

Enrichment Services

The Scholarship Program assisted people struggling financially to return to school and complete their degrees, preparing them to enter and/or re-enter the workforce. The program was expanded to include two new scholarships in the 2019-2020 year.

Advocacy & Community Engagement (ACE)

NCJW|LA works toward creating a just society and supports the needs of women, children, and families by training people to become effective advocates. Members and volunteers participate in an annual Lobby Day on behalf of important bills around issues that range from economic justice, gender-related violence, human trafficking, immigration rights, gun violence prevention, children’s rights, and reproductive justice. In 2019-2020, Lobby Day was virtual. The ACE program raises awareness about the impact of these issues through campaigns, special events, and educational outreach programs. ACE is also home to our Advocacy Training Project, which is a six-week training program to empower self-advocacy. In 2019-2020, we had about 30 participants.

Change the Talk

Change the Talk is a peer-to-peer education program designed to transform the conversation around the topics of sexual violence and consent. In the 2019-2020 year, Change the Talk reached more than 3,000 students and engaged Peer Educators in more than 3,000 hours of trainings and workshops. All of the content and curriculum was updated and digitized into online modules. It was determined by the Board of Directors that the program would be handed off prior to the 2020-2021 fiscal year as the scope of work was outside of the new strategic focus on economic justice for women. After a lengthy process and in-depth review, the program was granted to SafeBAE, a national youth-driven organization dedicated to healthy relationships for youth. The program was granted along with funds to support the success of the transition, which occurred in June 2020.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

1. Organization, continued

Council Thrift Shops

Operated by NCJW|LA for more than 90 years, The Council Shops generate a substantial portion of NCJW|LA's unrestricted operating budget. As a direct community service, The Council Shops supports the Retail Voucher Program which provides clothing and home goods to people in need through partnerships with Los Angeles-based organizations and agencies, including shelters and workforce programs among others.

COVID Response

In March 2020, when Los Angeles County and the State of California locked down, NCJW|LA was determined to continue supporting its community. In partnership with private and public funding sources, NCJW|LA retooled its Rental Assistance Program into an Emergency Rental Assistance Program and provided \$306,000 in direct assistance to 196 households between March and June 2020.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Without Donor Restrictions – Board Designated Reserves. These are comprised of resources that the Board of Directors has established as being designated for operating reserves. The without donor restrictions board designated reserves for the year ended June 30, 2020 was \$1,800,000 (see Note 12).

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable are stated at an amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Contributions and Pledges Receivable

Contributions consist primarily of donations from foundations, businesses, and the general public. Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenues in the period committed. NCJW|LA reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Investments

NCJW|LA's investments are monitored by the Finance Committee of the Board of Directors. NCJW|LA values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain on investments. Short-term highly liquid money market funds that are not used for operations are treated as investments.

NCJW|LA holds investments in the form of short-term money market investments, exchange traded funds, and fixed income securities. The Finance Committee routinely reviews market values of such investments.

NCJW|LA invests in companies whose business conduct is consistent with its values, goals, and beliefs.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

NCJW|LA is required to measure certain investments and non-cash contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relates to each element.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the lease term. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year. Useful lives of the related assets are as follows:

Building and improvements	10-30 years
Furniture and equipment	5-10 years
Software	5 years

Impairment of Long-lived Assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, at least annually. If an impairment event exists due to the projected inability to recover the carrying value of an asset or asset group, an impairment loss is recognized to the extent that the carrying value exceeds estimated fair value. No impairment provision was recorded by the NCJW|LA during the year ended June 30, 2020.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

A significant portion of NCJW|LA's revenue is derived from point-of-purchase sales at its Council Thrift Shops and via online sales. NCJW|LA records this revenue at the time of purchase by the consumer.

A portion of NCJW|LA's revenue is also derived from cost-reimbursable contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when NCJW|LA has incurred expenditures in compliance with specific contract or grant provisions and/or meet the performance requirements.

NCJW|LA recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Membership dues are recognized as earned revenue in the period to which they relate.

Concentration of Credit Risks

NCJW|LA places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. NCJW|LA has not incurred losses related to these investments.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are measured on a non-recurring basis, and recorded at fair value in the period received.

Donated materials and services of \$52,396 (\$51,078 for donated goods to program and \$1,318 for donated services) have been recorded on the accompanying financial statements, of which no amount is included in the in-kind services for the Council Thrift Shops for the year ended June 30, 2020.

NCJW|LA records the value of goods donated for thrift shop sales when the goods are sold. Management believes that it is not possible to develop a reasonable estimate for the value of the inventory at the time of contribution. Accordingly, NCJW|LA does not record an inventory balance for goods held in stock within the thrift stores. Donated materials provided to needy families and individuals are recorded as donated revenues and expenses, when distributed, at the estimated fair value of similar clothing sold in the thrift shops (see Note 14).

continued

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Certain NCJW|LA programs rely upon the extensive use of volunteer time which has not been recognized in these financial statements because the activities do not meet the criteria for recognition (as described above). During the 2020 fiscal year, NCJW|LA received the services of 267 volunteers providing approximately 421 hours of service. Management has estimated the value of these services to be approximately \$12,609 using the Independent Sector Volunteer Rate for California of \$29.95.

Sales Tax

All applicable sales taxes are calculated based on the totals sales price for the qualifying goods sold. All sales taxes are presented on the net basis and as such are excluded from revenues and costs.

Income Taxes

NCJW|LA is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). In addition, NCJW|LA has been determined by the Internal Revenue Service and the Franchise Tax Board not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code and Section 23709 of the Taxation Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by NCJW|LA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. NCJW|LA’s returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing NCJW|LA’s programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. NCJW|LA uses square footage, time studies, and percentage of use estimates to allocate indirect costs.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes, or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expanded disclosures about revenue. NCJW|LA has implemented ASC Topic 606 and has adjusted the presentation in these financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The ASU is effective for fiscal years beginning after December 15, 2018. Retrospective application is permitted. NCJW|LA has implemented the provisions of ASU 2018-08 applicable to both contributions received to contributions made in the accompanying financial statements for the year ended June 30, 2020, under a modified prospective basis, as management believes the standard improves the usefulness and the understandability of the entity’s financial reporting. Accordingly, there is no effect on net assets in connection with NCJW|LA’s implementation of ASU 2018-08.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NCJW|LA’s financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Reclassification

For comparability, certain June 30, 2019 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at June 30, 2020.

3. Liquidity and Availability of Resources

NCJW|LA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of liquidity management, NCJW|LA has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. NCJW|LA has various sources of liquidity at its disposal, including cash, cash equivalents and marketable investments.

continued

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

For purposes of analyzing resources available to meet general expenditures over a 12-month period, NCJW|LA considers all expenditures related to its ongoing activities and the pattern of income from Thrift Stores, grants, fundraising, and investments. The Finance Committee of the Board of Directors meets quarterly to review all financial aspects of the organization and with NCJW|LA's financial advisors to review investment results, assess risk, and make recommendations for changes as needed.

As of June 30, 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and money market funds	\$ 570,269
Accounts receivable	150,920
Investments	<u>1,011,612</u>
	1,732,801
Less: unemployment trust cash reserve	<u>(76,954)</u>
	<u>\$1,655,847</u>

4. Prepaid Expenses and Other Assets

Prepaid expenses and other assets at June 30, 2020 consist of the following:

Prepaid rent and insurance	\$379,950
Thrift store rental deposits and other	<u>144,203</u>
	<u>\$524,153</u>

5. Investments

Investments at June 30, 2020 consist of the following:

Exchange traded funds (ETF)	\$ 735,009
Fixed income	276,603
Money market funds	<u>20,224</u>
	<u>\$1,031,836</u>

continued

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

5. Investments, continued

Investment activity during the year ended June 30, 2020 was as follows:

Balance, beginning of year	\$1,869,178
Reinvested dividends and interest	37,900
Investment fees	(12,830)
Deposits/transfers	4,949
Withdrawals	(875,000)
Realized gain on investments	<u>7,639</u>
	<u>\$1,031,836</u>

6. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2020 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ETF's	\$735,009	\$ -	\$ -	\$ 735,009
Corporate and government bonds		276,603		276,603
Money market funds	<u>20,224</u>			<u>20,224</u>
	<u>\$755,233</u>	<u>\$276,603</u>	<u>\$ -</u>	<u>\$1,031,836</u>

The fair value of ETF's and money market funds within the Level 1 inputs are based on quoted market prices as of the closing of the last business day of the fiscal year.

The fair value of corporate and government bonds within the Level 2 inputs are based on quoted prices in active or inactive markets for the same or similar assets.

7. Property and Equipment

Property and equipment at June 30, 2020 consist of the following:

Land	\$ 90,750
Buildings	1,697,588
Furniture, fixtures, and equipment	642,091
Computer software and hardware	183,257
Leasehold improvements	<u>704,297</u>
	3,317,983
Less: accumulated depreciation and amortization	<u>(2,573,538)</u>
	<u>\$ 744,445</u>

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

7. Property and Equipment, continued

Depreciation and amortization expense for the year ended June 30, 2020 was \$198,195, of which \$89,993 is included in the Thrift Shops operating costs shown net of revenues. As such, depreciation and amortization expense for the year ended June 30, 2020 on the Statement of Functional Expense is \$108,202, which excludes the Thrift Shops portion.

Included above, in land and buildings,

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2020 consist of the following:

Accrued vacation	\$217,016
Accounts payable	155,782
Accrued payroll	134,418
Sales tax payable	82,692
Accrued straight-line rent	27,748
Other accrued liabilities	<u>11,562</u>
	<u>\$629,218</u>

9. Accrued Unemployment Liability

NCJW|LA has elected to be self-insured for purposes of California State Unemployment Insurance. Under this method, NCJW|LA does not make contributions to the State Unemployment Insurance Fund. It currently uses an unemployment trust to handle its claims for unemployment benefits paid to eligible ex-employees. Under this election, NCJW|LA has established a provision for future claims, the accrued unemployment liability, of \$75,090 at June 30, 2020. NCJW|LA makes quarterly deposits to the trust based on an estimated, expected value of future benefits. Cash held by the trust on behalf of NCJW|LA in the amount of \$76,954 is included in cash at June 30, 2020. Unemployment claims for the year ended June 30, 2020 were \$59,294.

10. Line of Credit

NCJW|LA has a revolving line of credit in the amount of \$100,000 with a bank, at an initial interest rate of the bank reference rate plus three percentage points. There is no outstanding balance on the line of credit at June 30, 2020.

continued

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

11. Paycheck Protection Program

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), signed into law on March 27, 2020, provided additional avenues of relief to small businesses and nonprofits through programs administered by the Small Business Administration (“SBA”). The CARES Act established a Paycheck Protection Program (“PPP”), whereby certain small businesses and nonprofits were eligible for a loan to fund payroll expenses, rent, and related costs. The loan may be forgiven partially or in total if the funds are used for payroll and other qualified expenses.

On April 30, 2020, NCJW|LA received a PPP loan of \$1,055,700 the proceeds of which would be used to support payroll and operations during the shutdown and as NCJW|LA moved into the resumption of its business activities under new COVID-19 guidelines. In order to comply with the terms of the PPP loan, NCJW|LA is required to submit an application for loan forgiveness after 24 weeks (the covered period) from initial receipt of the funds on April 30, 2020.

Any unforgiven portion of the PPP funding is payable over two years at an interest rate of 1%, with a deferral period for loan payments of either (1) the date that the SBA remits the borrower’s loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness covered period (see Note 17).

12. Operating Reserve Fund Policy

NCJW|LA’s Finance Committee adopted an Operating Reserve Policy that requires NCJW|LA to maintain designated reserves to financially support NCJW|LA during times of severe economic loss resulting from the impact of natural disasters on the thrift stores operations, and a building and capital asset reserve for long-term capital projects. The current operating reserve policy designates a total reserve of \$1,800,000 (\$1,700,000 for store operations and \$100,000 for capital assets). Both reserves are included in investments. The operating reserve funds are invested in accordance with the Investment Policy adopted by the Board of Directors. Withdrawals from the reserves to solve temporary cash flow problems must be approved by the Executive Director in consultation with the Treasurer. Withdrawals from the reserves that are in accordance with the purposes of the reserves must be submitted by the Finance Committee and approved by the Board of Directors. Given the impact of COVID-19 on the store operations during the fiscal year ended June 30, 2020, there was a necessity to withdraw \$875,000 from the store reserves, which was approved by the Board. As such, as of June 30, 2020, the amount included in investments for the reserves was \$925,000 (\$825,000 for the store reserves and \$100,000 for the capital asset reserve.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

13. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 consist of the following:

S. Teller and R. Holton Television and Cinema Scholarship	\$ 50,100
Sherman and Frances Teller Teachers' Scholarship	49,953
I. Lawrence/Mr. Bauer Scholarship Fund	35,539
Rental Assistance	17,848
Susan Schulman Begley Scholarship	11,420
Samuel Schulman Scholarship	9,692
Advocacy - CA PAN	9,146
S. Teller & R Holton - LGBTQ	9,000
Other	<u>1,986</u>
	<u>\$194,684</u>

For the year ended June 30, 2020, net assets released from restrictions were \$80,943 all of which were released from purpose restrictions.

14. Donated Goods to Program

During the year, NCJW|LA received donated goods at its stores/donation centers. These goods are available to be used by clients of the Critical Response program. The goods, although not sold, are valued and recorded at the average thrift store values of similar items sold at NCJW|LA's thrift stores to reflect their use by the Critical Response program. For the year ended June 30, 2020, a total of \$51,078 was recognized as Donated Goods to Program revenue and expense.

15. Commitments and Contingencies

Operating Leases

NCJW|LA leases eight thrift shop stores under operating leases expiring in August 2022. Some of these leases are subject to escalation clauses that will increase the lease payment by the percentage increase in the Consumer Price Index ("CPI"). Some of the leases contain options at the end of the lease term to extend the lease for an additional period of time as negotiated. Increases in future lease payments due to annual CPI changes are not reflected in the minimum future payments.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

15. Commitments and Contingencies, continued

Future minimum rentals under non-cancellable operating leases are as follows:

<u>Year ending June 30,</u>	
2021	\$1,533,714
2022	1,465,096
2023	653,339
2024	<u>12,860</u>
	<u>\$3,665,009</u>

Rent expense under operating leases for the year ended June 30, 2020 was \$1,566,043.

Contracts

NCJW|LA's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, NCJW|LA has no provisions for the possible disallowance of program costs on its financial statements.

Impact of COVID-19 Virus

Following the State "Safer at Home" orders, NCJW|LA has continued to conduct its business activities under Safer at Home isolation protocols.

Due to COVID-19 NCJW|LA closed all of its seven thrift stores on March 15, 2020, with six stores re-opening on July 16, 2020, and the remaining store in the next fiscal year on November 1, 2020. This contributed to a significant decrease in thrift store sales of more than \$2.8 million for the year ended June 30, 2020, when compared to amount recorded in 2019.

The current store reserve of \$1.7 million (see Note 12) was determined based on the historic performance of the Council's thrift stores. However, with the occurrence of COVID-19 the reserve for the Council's thrift stores will be reviewed for its future applicability.

The overall, long-term financial impact of the COVID-19 virus on NCJW|LA cannot be foreseen at this time and is not reflected in these financial statements.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN**

NOTES TO FINANCIAL STATEMENTS

16. Employee Benefit Plan

NCJW|LA has a deferred tax compensation plan available to all employees with one or more years of service and who have reached age twenty-one. Employees may contribute any whole percentage of annual compensation provided that it does not exceed maximum amounts as permitted by law. On an annual basis, the Board of Directors of NCJW|LA determines whether NCJW|LA will match employee contributions based on the financial performance of the agency for the year then ended. NCJW|LA did not make matching contributions during the year ended June 30, 2020. As such, there was no pension expense under this plan for the year ended June 30, 2020.

17. Subsequent Events

During the fiscal year, NCJW|LA entered into an agreement to sell its property located at 543 N. Fairfax Ave, Los Angeles. During the fiscal year, a \$550,000 non-refundable deposit, related to the sale, was received. However, the sale of the building and closing of escrow was not finalized until December 2020. As such, the removal of the assets and the recording of the gain was not done until the fiscal year ended June 30, 2021. The building sold for a total price of \$10,045,947.

In July 2020, NCJW|LA laid off a total of sixty-eight staff resulting in a total severance payout of \$217,397.

NCJW|LA's PPP loan of \$1,055,700 was forgiven in full by the SBA in the fiscal year ended June 30, 2021. The revenue related to this debt forgiveness will be recorded in the fiscal year in which the debt was forgiven, as release of debt is deemed satisfaction of a condition/barrier.

Management has evaluated subsequent events through October 28, 2021, the date which the financial statements were available for issue. Except for those indicated above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.