



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended December 31, 2018 and 2017

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2018 AND 2017

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-21

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Jewish Community Centers Association of North America

We have audited the accompanying financial statements of Jewish Community Centers Association of North America (the "Association"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 auditors consider 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 the Association as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2N to the financial statements, during the year ended December 31, 2018, the Association adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Marks Paneth LLP

New York, NY
May 14, 2019

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2D and 15)	\$ 1,106,340	\$ 896,381
Accounts receivable - net (Note 2F)	964,728	454,384
Contributions receivable - net (Notes 2E and 5)	1,794,530	2,585,819
Prepaid expenses and other assets (Notes 4 and 10)	550,432	433,332
Investments, at fair value (Notes 2H, 4, 13 and 14)	19,128,321	21,374,610
Property and equipment - net (Notes 2G and 6)	733,823	839,709
TOTAL ASSETS	\$ 24,278,174	\$ 26,584,235
LIABILITIES		
Accounts payable and accrued expenses (Note 7)	\$ 773,064	\$ 625,735
Accrued salaries and vacation (Note 2I)	533,534	203,891
Deferred revenue (Note 2I)	538,653	231,772
Deferred rent (Notes 2J and 11A)	999,836	1,053,451
Accrued pension benefits (Notes 2H, 2L and 8)	4,231,291	4,227,755
Accrued non-pension postretirement benefits (Notes 2H, 2L and 9)	1,016,499	1,388,697
Accrued supplemental pension and retirement benefits (Notes 2H and 10)	251,431	164,235
TOTAL LIABILITIES	8,344,308	7,895,536
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2C)		
Without donor restrictions:		
Deficit from operations (Note 16)	(2,457,879)	(3,575,244)
Net investment in property and equipment	733,823	839,709
Pension and non-pension postretirement component (Notes 2K, 8 and 9)	(5,247,790)	(5,616,452)
Total deficit without donor restrictions (Note 16)	(6,971,846)	(8,351,987)
With donor restrictions:		
Restricted for time and purpose	6,615,726	9,947,050
Perpetual in nature (Note 13)	16,289,986	17,093,636
Total with donor restrictions (Note 12)	22,905,712	27,040,686
TOTAL NET ASSETS	15,933,866	18,688,699
TOTAL LIABILITIES AND NET ASSETS	\$ 24,278,174	\$ 26,584,235

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

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total 2018	Without Donor Restrictions	With Donor Restrictions	Total 2017
OPERATING REVENUE AND SUPPORT						
Constituent center dues	\$ 5,248,994	\$ -	\$ 5,248,994	\$ 5,166,201	\$ -	\$ 5,166,201
Contributions, grants, and bequests (Note 2E)	580,150	1,319,262	1,899,412	22,935	3,900,118	3,923,053
Program and seminar fees, including contribution portion	3,669,000	-	3,669,000	2,655,640	-	2,655,640
Board and other annual giving	743,925	131,000	874,925	655,947	-	655,947
National Funding Council and federations support	789,085	201,248	990,333	1,057,501	208,663	1,266,164
In-kind contributions (Note 2E)	0	-	-	58,000	-	58,000
Investment income used for operations (Note 13)	17,707	856,141	873,848	12,413	1,083,564	1,095,977
Rent income (Note 11)	295,841	-	295,841	285,439	-	285,439
Sponsorship and other	544,822	24,336	569,158	444,881	94,263	539,144
Net assets released from restrictions (Notes 2B and 13)	4,528,131	(4,528,131)	-	2,757,837	(2,757,837)	-
TOTAL OPERATING REVENUE AND SUPPORT	16,417,655	(1,996,144)	14,421,511	13,116,794	2,528,771	15,645,565
OPERATING EXPENSES (Note 2L)						
Program services:						
Program enrichment	4,290,315	-	4,290,315	3,625,198	-	3,625,198
Community consultation	2,156,109	-	2,156,109	2,299,825	-	2,299,825
Personnel development	857,402	-	857,402	1,157,948	-	1,157,948
Direct service to the military	723,612	-	723,612	724,193	-	724,193
Jewish educational services	3,614,388	-	3,614,388	2,788,576	-	2,788,576
Total program services	11,641,826	-	11,641,826	10,595,740	-	10,595,740
Supporting services:						
Management and general	3,265,896	-	3,265,896	1,535,645	-	1,535,645
Fundraising	702,942	-	702,942	972,778	-	972,778
Total supporting services	3,968,838	-	3,968,838	2,508,423	-	2,508,423
TOTAL OPERATING EXPENSES	15,610,664	-	15,610,664	13,104,163	-	13,104,163
(DEFICIT) EXCESS OF OPERATING REVENUE AND SUPPORT OVER OPERATING EXPENSES (Note 2K)	806,991	(1,996,144)	(1,189,153)	12,631	2,528,771	2,541,402
NON-OPERATING ACTIVITY (Note 2K)						
Investment activity (Notes 4 and 13)	17,707	(1,282,689)	(1,264,982)	12,413	2,640,937	2,653,350
Less: amount used for operations (Note 4)	(17,707)	(856,141)	(873,848)	(12,413)	(1,083,564)	(1,095,977)
Investment activity over amounts used for operations	-	(2,138,830)	(2,138,830)	-	1,557,373	1,557,373
Contributions - permanently restricted (Note 13)	-	-	-	-	4,316	4,316
TOTAL NON-OPERATING ACTIVITY	-	(2,138,830)	(2,138,830)	-	1,561,689	1,561,689
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	806,991	(4,134,974)	(3,327,983)	12,631	4,090,460	4,103,091
Pension and post-retirement changes other than net periodic costs (Notes 8 and 9)	573,150	-	573,150	(259,761)	-	(259,761)
TOTAL CHANGE IN NET ASSETS	1,380,141	(4,134,974)	(2,754,833)	(247,130)	4,090,460	3,843,330
Net assets (deficit) - beginning of year	(8,351,987)	27,040,686	18,688,699	(8,104,857)	22,950,226	14,845,369
NET ASSETS (DEFICIT) - END OF YEAR (Note 17)	\$ (6,971,846)	\$ 22,905,712	\$ 15,933,866	\$ (8,351,987)	\$ 27,040,686	\$ 18,688,699

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

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Program Services					Supporting Services				Total 2018	Total 2017
	Program Enrichment	Community Consultation	Personnel Development	Direct Service to Military	Jewish Educational Services	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 1,631,972	\$ 1,212,231	\$ 384,580	\$ 357,113	\$ 747,982	\$ 4,333,878	\$ 1,358,626	\$ 443,388	\$ 1,802,014	\$ 6,135,892	\$ 5,327,390
Payroll taxes and employee benefits (Notes 8, 9, and 10)	532,913	404,877	129,895	120,618	263,456	1,451,759	428,512	164,646	593,158	2,044,917	1,811,421
Total Salaries and Related Costs	<u>2,164,885</u>	<u>1,617,108</u>	<u>514,475</u>	<u>477,731</u>	<u>1,011,438</u>	<u>5,785,637</u>	<u>1,787,138</u>	<u>608,034</u>	<u>2,395,172</u>	<u>8,180,809</u>	<u>7,138,811</u>
Supplies and program materials	152,766	20,647	20,996	24,331	32,628	251,368	19,734	10,099	29,833	281,201	262,314
Rent and maintenance (Notes 2J and 11A)	228,919	170,997	58,809	54,609	126,090	639,424	414,690	46,240	460,930	1,100,354	1,056,411
Staff transportation and travel	234,187	110,052	4,098	35,887	45,956	430,180	88,023	4,575	92,598	522,778	405,168
Telephone	7,715	4,733	1,013	1,131	6,540	21,132	13,317	156	13,473	34,605	33,041
Conference, conventions, meetings and project costs	1,037,437	10,413	164,304	69,518	1,992,090	3,273,762	110,248	-	110,248	3,384,010	1,932,282
Scholarships and grants	67,682	-	64,830	2,250	184,148	318,910	-	-	-	318,910	449,118
Postage and shipping	8,987	773	591	10,174	1,238	21,763	10,964	3,719	14,683	36,446	31,530
Computer expenses	52,915	12,018	628	556	5,409	71,526	87,681	2,159	89,840	161,366	172,051
Other	35,402	841	2,741	3,670	5,602	48,256	163,573	10,946	174,519	222,775	208,548
Consultants and other professional fees	246,402	176,352	13,498	15,078	161,597	612,927	246,622	8,490	255,112	868,039	1,090,769
Membership dues	4	452	1	2,581	906	3,944	48,840	1	48,841	52,785	46,729
Marketing	1,223	206	579	16,031	3,242	21,281	-	-	-	21,281	11,050
Insurance	18,505	13,823	4,754	4,414	15,329	56,825	33,522	3,738	37,260	94,085	95,779
Bad debt expense	-	-	-	-	-	-	198,632	-	198,632	198,632	44,971
Depreciation and amortization	33,286	17,694	6,085	5,651	22,175	84,891	42,912	4,785	47,697	132,588	125,591
TOTAL EXPENSES	<u>\$ 4,290,315</u>	<u>\$ 2,156,109</u>	<u>\$ 857,402</u>	<u>\$ 723,612</u>	<u>\$ 3,614,388</u>	<u>\$ 11,641,826</u>	<u>\$ 3,265,896</u>	<u>\$ 702,942</u>	<u>\$ 3,968,838</u>	<u>\$ 15,610,664</u>	<u>\$ 13,104,163</u>

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services					Supporting Services				Total
	Program Enrichment	Community Consultation	Personnel Development	Direct Service to Military	Jewish Educational Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,485,759	\$ 1,181,243	\$ 434,943	\$ 345,309	\$ 771,088	\$ 4,218,342	\$ 535,115	\$ 573,933	\$ 1,109,048	\$ 5,327,390
Payroll taxes and employee benefits (Notes 8, 9, and 10)	488,410	411,775	147,284	118,003	305,402	1,470,874	130,440	210,107	340,547	1,811,421
Total Salaries and Related Costs	1,974,169	1,593,018	582,227	463,312	1,076,490	5,689,216	665,555	784,040	1,449,595	7,138,811
Supplies and program materials	127,138	34,264	20,396	32,652	32,552	247,002	-	15,312	15,312	262,314
Rent and maintenance (Notes 2J and 11A)	220,817	203,967	70,912	58,119	103,443	657,258	272,989	126,164	399,153	1,056,411
Staff transportation and travel	216,096	84,729	4,409	35,376	45,845	386,455	15,343	3,370	18,713	405,168
Telephone	6,234	5,346	1,233	957	6,420	20,190	12,849	2	12,851	33,041
Conference, conventions, meetings and project costs	262,959	9,270	382,117	89,117	1,160,013	1,903,476	28,726	80	28,806	1,932,282
Scholarships and grants	263,119	-	54,820	3,613	127,566	449,118	-	-	-	449,118
Postage and shipping	7,925	481	302	8,051	1,181	17,940	9,053	4,537	13,590	31,530
Computer expenses	86,528	14,046	2,716	1,585	5,936	110,811	59,209	2,031	61,240	172,051
Other	1,975	3,234	1,410	1,453	9,484	17,556	183,859	7,133	190,992	208,548
Consultants and other professional fees	388,139	314,081	24,715	19,623	183,557	930,115	157,338	3,316	160,654	1,090,769
Membership dues	1,810	1,454	199	-	1,044	4,507	37,657	4,565	42,222	46,729
Marketing	10,352	-	-	96	602	11,050	-	-	-	11,050
Insurance	22,839	16,551	5,754	4,716	13,529	63,389	22,152	10,238	32,390	95,779
Bad debt expense	-	-	-	-	-	-	44,971	-	44,971	44,971
Depreciation and amortization	35,098	19,384	6,738	5,523	20,914	87,657	25,944	11,990	37,934	125,591
TOTAL EXPENSES	\$ 3,625,198	\$ 2,299,825	\$ 1,157,948	\$ 724,193	\$ 2,788,576	\$ 10,595,740	\$ 1,535,645	\$ 972,778	\$ 2,508,423	\$ 13,104,163

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

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,754,833)	\$ 3,843,330
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized loss (gain) on investments	2,108,956	(1,363,528)
Realized gain on investments	(469,282)	(930,298)
Depreciation and amortization	132,588	125,591
Bad debt	198,632	44,971
(Decrease) increase in discount on contributions receivable	(15,436)	21,903
Contributions restricted for permanent investment	-	(4,316)
Pension and non-pension changes other than net periodic costs	(573,150)	259,761
	(1,372,525)	1,997,414
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(708,976)	(167,070)
Contributions receivable	806,725	(1,745,240)
Prepaid expenses and other assets	(117,100)	88,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	147,329	(7,451)
Accrued salaries and vacation	329,643	38,675
Deferred revenue	306,881	(189,623)
Deferred rent	(53,615)	(38,357)
Accrued pension benefits	576,686	6,776
Accrued non-pension postretirement benefits	(372,198)	92,093
Accrued supplemental pension and retirement benefits	87,196	(34,453)
Net Cash (Used in) Provided by Operating Activities	(369,954)	40,764
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	758,681	996,432
Purchases of investments	(152,066)	(1,078,363)
Purchases of property and equipment	(26,702)	(23,487)
Net Cash Provided by (Used in) Investing Activities	579,913	(105,418)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent investment	-	4,316
Net Cash Provided by Financing Activities	-	4,316
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	209,959	(60,338)
Cash and cash equivalents - beginning of year	896,381	956,719
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,106,340	\$ 896,381

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

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Jewish Community Centers Association of North America (the “Association”) is a not-for-profit agency which provides leadership to the Jewish community center movement of North America, provides services to the North American Jewish community, and serves the social welfare and spiritual needs of Jewish men and women in the armed forces of the USA and veterans of these forces.

The Association is supported by local communities through Jewish Community Center (“JCC”) dues, National Federation/Agency Alliance of Jewish Federations of North America (“Alliance”), as well as grants and contributions.

The Association works to strengthen its affiliated JCCs and the entire Jewish center movement of North America through a variety of services as described below:

Program Enrichment Services – This program provides developing signature programs for member JCCs and provides consulting on the programming needs of the JCCs.

Community Consultation Services – This program provides consulting services to JCCs in the area of general management, financial management and governance. In addition, the Mandel Center for Excellence in Leadership and Management has been involved in developing operational benchmarks for JCCs.

Personnel Services – This program deals with all matters related to several thousand professionals working in Jewish Community Centers throughout North America. The program includes recruiting quality professionals to fill vacancies in JCCs; enhancing a JCC’s staff retention potential; monitoring and leading changes in personnel practice; studying and publication of trends, including salaries.

Direct Services to the Military – This program works with all branches of the US Military to endorse Jewish Chaplains and to provide services to active duty personnel, their families and those in veterans hospitals.

Jewish Educational Services – This program develops programs for JCCs to operate that have significant Jewish content. In addition, seminars in Israel for professional staff and lay leaders of JCCs are performed through this program.

The Association is a Section 501(c)(3) not-for-profit organization exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the “Code”) and is a publicly supported organization as described in Section 509(a)(1) of the Code. The Association is also exempt from state and local income taxes.

The Association’s main office is located in New York, New York. In 1973, the Association established the Israel office as an expression of its commitment to strengthen ties between North American Jewry and Israel, and to serve as a link connecting JCCs and Jewish communities throughout the world. The Israel office sponsors Jewish educational seminars, special programs for JCC leadership and for JCC professionals, and operates JCC membership programs to Israel, continental or community programs for members in a variety of themes. In compliance with the local laws and ordinances in Israel, the office was formally registered in March 1999 as “The Israel Amuta of the Jewish Community Centers Association of North America” (the “Amuta”) and is classified as a non-profit organization. The Israel office receives funding allocations from the Association in support of its activities and general operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Association’s financial statements have been prepared on the accrual basis of accounting. The Association adheres to accounting principles generally accepted in the United States of America. (“GAAP”).
- B. The Association reports gifts of cash and other assets as increases in net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- C. 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 – These represent resources received that have not been restricted by the donor and that have no time restrictions. Such resources are available for support of the Association's operations over which the Board of Directors has discretionary control. This also includes the Association's net investment in property and equipment and the Association's funded status of pension and non-pension postretirement benefits.
 - With donor restrictions – These consist of funds that are restricted by donors for a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. These also include those resources received subject to donor-imposed stipulations that they be maintained intact and invested in perpetuity by the Association. The income provided is in support of scholarships, program development, Jewish education, general operations, and Israel office operations.
- D. The Association considers cash equivalents to be all liquid investments acquired with original maturities of 90 days or less when acquired, except money market funds held in its investment portfolio.
- E. Contributions receivable (pledges) are recorded as revenue when the Association is formally notified of the grants or contributions by the respective donors. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. When material, the discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received; amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Bequests are recognized as revenue when the will has gone through probate and the sum is certain. Historically, the Association has not experienced significant bad debt losses. The Association bases its allowance for doubtful contributions on its historical loss experience considering the age of the receivable. The Association has determined that an allowance of \$239,250 and \$96,150 was necessary as of December 31, 2018 and 2017, respectively.
- The Association receives certain contributed goods and services, including professional services. Donated goods are recognized at fair value when received. Donated services are recognized at fair value as revenue if the services enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided through donation.
- F. Accounts receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. As of December 31, 2018 and 2017, the Association determined that an allowance for doubtful accounts should be provided for accounts receivable in the amount of \$235,219 and \$151,298, respectively. Such estimate is based on management's estimate of the aged basis of its receivables, the creditworthiness of its Jewish Community Centers as well as current economic conditions and historical information.
- G. Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. The Association capitalizes property and equipment with a cost of \$2,000 or more and a useful life of greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining term of the lease.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- H. The Association carries its investments at fair value as explained in Note 4. Unrealized and realized gains and losses and investment income are reported in the statements of activities in investment activity as increases or decreases in net assets without donor restrictions, unless there are donor restrictions for the use of investment income.

It is the Association's policy to make an annual investment allocation for the support of operations of a percentage of the average fair value of investments for the preceding twelve quarters. Amounts allocated to the net assets with donor restrictions are based on donor stipulations.

Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 14.

- I. Deferred revenue represents amounts received by the Association for which the Association has not met the conditions or fulfilled a service.
- J. The Association leases real property under operating leases. Since the rent payments increase over time, the Association records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as a deferred rent obligation in the accompanying statements of financial position.
- K. The Association includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including an authorized interest income allocation and all contributions except for those that are restricted for capital expenditures or have been endowed by donors. Investment income, including net realized and unrealized gains and losses, earned in excess of (or less than) the Association's aggregate authorized spending amount, contributions for capital expenditures, pension changes other than net periodic costs and contributions to net assets with donor restrictions are recognized as nonoperating activities.
- L. The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated (on both an actual and an estimated basis) among the programs and supporting services benefited. The expenses that are allocated include salaries, payroll taxes and employee benefits, occupancy, repairs and maintenance, insurance, equipment lease, depreciation and marketing costs. Salaries and payroll taxes and employee benefits are allocated based on an estimate of time and effort. All other expenses are allocated on the basis of payroll consumed by each functional program area as an indicator of space and support resources usage.
- M. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- N. Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities" was adopted for the year ended December 31, 2018. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. The changes were adopted retrospectively and had no impact on the change in net assets for the year ended December 31, 2017. Net assets as of December 31, 2017 were renamed to conform to the new presentation.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES

The Association strives to maintain adequate liquid financial assets that, in line with expected operating cash flow, will allow for uninterrupted processing of operating activity throughout the year. Financial assets that are earmarked for restricted activity are kept in separate accounts and reconciled quarterly. Funds are used for operations after each quarterly reconciliation or may be used in advance if cash flow projections indicate that other working capital will not cover these needs. Grant advances, other net assets with donor restrictions for specific purposes, as well as board appropriations from the endowment based on the agency spending policy are invested in a short-term bond program to provide some income with a nominal level of risk. Endowment funds are invested in a mixed equity and fixed income portfolio to provide for operating draws and long-term growth, as more fully described in Notes 4 and 13. The Association also has access to a line of credit for \$400,000 as more fully described in Note 11C.

The following table reflects the Association's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions. Amounts not available are mainly the corpus of endowment gifts. The Association's Board of Directors has authorized the borrowing of up to \$4 million from endowment funds for use in operations through the 2019 calendar year. The approval was given to recognize the need to invest in the stabilization of the operating budget as the Association re-structures to deliver services to affiliated JCCs and camps in a new way.

The Association's financial assets available to meet cash needs for general expenditures within one year are as follows:

Cash and cash equivalents	\$ 1,106,340
Accounts receivable – net	964,728
Contributions receivable - net	1,794,530
Investments	<u>19,128,321</u>
Total financial assets	22,993,919
Less: Contributions receivable due in more than one year (net)	(419,921)
Less: Donor-restricted endowment funds	(16,451,546)
Plus: Endowment spending-rate distributions and appropriations	<u>564,280</u>
	<u>\$ 6,686,732</u>

NOTE 4 – INVESTMENTS

Investments consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 649,241	\$ 628,392
Mutual funds	17,538,028	19,849,335
Alternative investments	<u>941,052</u>	<u>896,883</u>
	<u>\$ 19,128,321</u>	<u>\$ 21,374,610</u>

Alternative investments, which consist of an interest in a limited partnership, are stated at fair value in an unquoted market. Individual investment holdings within the alternative investments include primarily market-traded securities, as well as other nonmarketable securities. Fair values of the alternative investments are determined by the investment manager or general partners. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Because of the inherent uncertainty of valuations of alternative investments, values for these investments may differ significantly from values that would have been used had a ready market for the investments existed.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 – INVESTMENTS (Continued)

Quarterly, the Association can redeem its investment in the limited partnership with 90 days prior notice. Pursuant to the investment agreement, the limited partnership may limit the aggregate amount redeemable in each quarter by all of the investors. The limited partnership investment objective is to achieve absolute returns with minimal risk rather than outperform a given benchmark or asset class. As such, the limited partnership pursues a multi-strategy approach to investing, exploiting marketing inefficiencies and engaging in financial arbitrage.

The following summarizes the Association's total investment return for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 420,280	\$ 421,762
Realized gain	469,282	930,298
Unrealized (loss) gain	(2,108,956)	1,363,528
Investment fees	<u>(45,588)</u>	<u>(62,238)</u>
Total return on investments	<u>\$ (1,264,982)</u>	<u>\$ 2,653,350</u>

Designation of investment activity:

	<u>2018</u>	<u>2017</u>
Amounts used for operations	\$ 873,848	\$ 1,095,977
Amount considered non-operating	<u>(2,138,830)</u>	<u>1,557,373</u>
	<u>\$ (1,264,982)</u>	<u>\$ 2,653,350</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are scheduled to be received as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Amounts due in less than one year	\$ 1,588,859	\$ 1,873,914
Amounts due in one to five years	<u>453,441</u>	<u>832,010</u>
	2,042,300	2,705,924
Allowance for doubtful accounts	(239,250)	(96,150)
Discount (at 1.31% – 5.00%)	<u>(8,520)</u>	<u>(23,955)</u>
	<u>\$ 1,794,530</u>	<u>\$ 2,585,819</u>

The amortization of the discount is reflected as additional contribution revenue in the accompanying statements of activities.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Building and improvements	\$ 343,740	\$ 343,740	29 years
Leasehold improvements	1,696,548	1,687,175	11-20 years
Furniture, equipment and vehicles	<u>1,255,419</u>	<u>1,238,090</u>	3-10 years
Total	3,295,707	3,269,005	
Less accumulated depreciation and amortization	<u>(2,561,884)</u>	<u>(2,429,296)</u>	
Total net	<u>\$ 733,823</u>	<u>\$ 839,709</u>	

Depreciation and amortization expense amounted to \$132,588 and \$125,591 for the years ended December 31, 2018 and 2017, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Florence G. Heller – JCC Association Research Center, Inc. (“Research Center”) conducts research projects to help Jewish Community Centers and other Jewish communal agencies improve their services to the Jewish community. A number of Board members of the Research Center are also on the Board of the Association. The Association acts as an agent for the Research Center providing investment and other management services. The value of services contributed to the Research Center is not considered material to the accompanying financial statements. As of both December 31, 2018 and 2017, the Association held \$24,698 for the Research Center for use in the Research Center’s future operations.

NOTE 8 – PENSION PLANS

Effective September 1, 2005, the Association froze all benefit accruals, discontinued employee contributions and fully vested plan participants who were employed by a participating employer on that date. The frozen plan was a contributory defined benefit pension plan, administered by an insurance company, which was available to all employees of a participating employer who had reached the age of 21 and who had completed one year of service.

	<u>2018</u>	<u>2017</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 8,896,974	\$ 8,343,596
Interest cost	289,836	297,737
Actuarial (gain) loss	(362,103)	904,511
Benefits paid	<u>(637,011)</u>	<u>(648,870)</u>
Benefit obligation at end of year	8,187,696	8,896,974
Fair value of plan assets	<u>(3,956,405)</u>	<u>(4,669,219)</u>
Unfunded status	<u>\$ (4,231,291)</u>	<u>\$ (4,227,755)</u>
Amounts recognized in the statements of financial position:		
Net pension liability	<u>\$ 4,231,291</u>	<u>\$ 4,227,755</u>
Employer contribution	<u>\$ 290,273</u>	<u>\$ 345,395</u>

As of December 31, 2018 and 2017, the accumulated benefit obligation for the pension plan was \$8,187,696 and 8,896,974, respectively.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 – PENSION PLANS (Continued)

GAAP requires an employer to: (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur.

The components of net periodic benefit cost are as follows for the pension plan for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest cost	\$ 289,836	\$ 297,737
Expected return on assets	(339,345)	(321,670)
Amortization of net loss	<u>594,738</u>	<u>520,869</u>
Net periodic pension cost	<u>\$ 545,229</u>	<u>\$ 496,936</u>

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions are as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Net loss	\$ 343,318	\$ 635,865
Amortization of net loss	<u>(594,738)</u>	<u>(520,869)</u>
	<u>\$ (251,420)</u>	<u>\$ 114,996</u>

Amounts that have not been recognized as component of net periodic benefit costs but included in net assets without donor restrictions to date as the effect of ASC 715 are as follows:

	<u>2018</u>	<u>2017</u>
Net actuarial loss	<u>\$ 4,253,662</u>	<u>\$ 4,505,082</u>

The estimated net loss for the pension plan that will be amortized from the net assets without donor restrictions balance into net periodic benefit cost over the next year is \$654,265.

The weighted-average assumptions used to determine the benefit obligation and net periodic benefit cost for the pension plan are as follows as of and for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Discount rate used for net periodic benefit cost	3.38%	3.73%
Discount rate used for pension obligation	4.04%	3.38%
Expected return on plan assets	7.50%	7.50%
Mortality table	RP18C	RP17C

The pension plan's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 – PENSION PLANS (Continued)

The following schedule of benefit payments for the pension plan, which are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

2019	\$ 669,465
2020	710,341
2021	718,208
2022	719,071
2023	699,261
2024-2028	3,212,715

It is the Association's policy to contribute to the plan each year at least the minimum amount determined by actuarial valuation to meet Employee Retirement Income Security Act of 1974 Funding Standards, which may be based on assumptions different from those used to determine net periodic pension cost.

Employer contributions expected to be contributed to the pension plan in 2019 is approximately \$591,362. Employees are not required or permitted to contribute to the pension plan effective September 1, 2005.

The assets for the pension plan consist of the following as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
AXA Equitable Life Insurance Company			
Guarantee account	\$ -	\$ 75,706	\$ 75,706
Money market funds	150,352	-	150,352
Mutual funds	3,730,347	-	3,730,347
	<u>\$ 3,880,699</u>	<u>\$ 75,706</u>	<u>\$ 3,956,405</u>

The assets for the pension plan consist of the following as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
AXA Equitable Life Insurance Company			
Guarantee account	\$ -	\$ 58,100	\$ 58,100
Money market funds	161,514	-	161,514
Mutual funds	4,449,605	-	4,449,605
	<u>\$ 4,611,119</u>	<u>\$ 58,100</u>	<u>\$ 4,669,219</u>

Effective September 1, 2005, the Association established a defined contribution profit sharing retirement plan for eligible employees. All employees who have completed one year of service are eligible for the Plan. During the years ended December 31, 2018 and 2017, the Association incurred expenses amounting to \$253,424 and \$223,025 for contributions to the Plan, respectively.

NOTE 9 – NON-PENSION POSTRETIREMENT BENEFITS

The Association provides health care benefits to certain retirees. Active employees who joined the Association prior to October 1, 2003 are entitled to health care benefits if they leave the Association after they have reached the age of 62 and have provided 15 years of service. The Association will pay 50% of the premiums for these employees. A frozen amount of life insurance is provided to a closed group of retirees. Except for certain participants covered under a prior plan, no insurance is provided to future retirees.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 – NON-PENSION POSTRETIREMENT BENEFITS (Continued)

The funded status of the plan is as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,388,697	\$ 1,296,604
Service cost	18,903	21,964
Interest cost	46,385	49,260
Actuarial (gain) loss	(362,473)	89,818
Benefits paid	<u>(75,013)</u>	<u>(68,949)</u>
Unfunded status	<u>\$ (1,016,499)</u>	<u>\$ (1,388,697)</u>
Amounts recognized in the statements of financial position:		
Accrued non-pension postretirement benefits	<u>\$ 1,016,499</u>	<u>\$ 1,388,697</u>
Employer contributions	<u>\$ 75,013</u>	<u>\$ 68,949</u>

Amounts that have not been recognized as components of net periodic benefit costs but included in net assets without donor restrictions were as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Unamortized prior service cost	\$ (86,845)	\$ (100,329)
Gain	<u>869,404</u>	<u>561,158</u>
	<u>\$ 782,559</u>	<u>\$ 460,829</u>

The periodic postretirement benefit costs are as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Service cost	\$ 18,903	\$ 21,964
Interest cost	46,385	49,260
Amortization of prior service cost	13,484	13,484
Amortization of gain	<u>(54,227)</u>	<u>(68,431)</u>
Net postretirement benefit cost	<u>\$ 24,545</u>	<u>\$ 16,277</u>

Other changes in postretirement plan assets and benefit obligations recognized in the change in net assets without donor restrictions are as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Net actuarial (gain) loss	\$ (362,473)	\$ 89,818
Amortization of actuarial gain	54,227	68,431
Amortization of prior service cost	<u>(13,484)</u>	<u>(13,484)</u>
	<u>\$ (321,730)</u>	<u>\$ 144,765</u>

The weighted-average assumptions to determine the benefit obligation and net periodic benefit cost are as follows as of and for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Discount rate used to determine benefit obligations	4.04%	3.45%
Discount rate used to determine net periodic benefit cost	3.45%	3.93%

**JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 9 – NON-PENSION POSTRETIREMENT BENEFITS (Continued)

The following schedule of benefit payments (net of expected participant contributions), which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

2019	\$	83,197
2020		79,865
2021		76,001
2022		72,899
2023		69,568
2024 - 2028		311,098

The following table presents the health care cost trend rate assumed for next year, the ultimate trend rate, and the year in which the rate reaches the ultimate rate:

Health care cost trend rate assumed for next year	5.000%
Ultimate trend rate to which the cost trend rate is expected to decline	3.784%
Year that the rate reaches the ultimate trend rate	2075

The actuarial present value of accumulated benefit obligations and the amounts recognized in the accompanying statements of financial position are as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Accumulated postretirement benefit obligation	\$ 1,016,499	\$ 1,388,697
Unrecognized transition obligation	(869,404)	(561,158)
Liability for postretirement benefits	<u>869,404</u>	<u>561,158</u>
Accrued postretirement benefit obligation	<u>\$ 1,016,499</u>	<u>\$ 1,388,697</u>

If the health care cost trend were increased (decreased) by 1% for the year ended December 31, 2018, the accumulated benefit obligation would correspondingly increase (decrease) by \$113,786 or (\$94,839) and the service and interest costs by \$11,531 or (\$8,948), respectively.

If the health care cost trend were increased (decreased) by 1% for the year ended December 31, 2017, the accumulated benefit obligation would correspondingly increase (decrease) by \$188,484 or (\$153,185) and the service and interest costs by \$9,387 or (\$13,844), respectively.

NOTE 10 – SUPPLEMENTAL PENSION AND RETIREMENT BENEFITS

The Association established a 457(b) deferred compensation plan (the "Plan"). The Plan is maintained primarily for the purpose of providing deferred compensation benefits for a select group of the Association's management. The assets in the Plan amounted to \$251,431 and \$154,985 and as of December 31, 2018 and 2017, respectively, and are included under prepaid expenses and other assets on the accompanying statements of financial position. Such assets are self-directed by the individuals and consist of a variety of investments. Liabilities under the Plan amounted to \$251,431 and \$164,235 as of December 31, 2018 and 2017, respectively, and are reflected as accrued supplemental pension and retirement benefits on the accompanying statements of financial position.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Effective December 30, 2005, the Association entered into a twenty-year-and-four-month operating lease agreement for office space located at 520 Eighth Avenue, New York City. This lease commenced on July 10, 2006. The lease includes an annual rental escalation of 2% per year commencing in the second year of the lease and continuing in succeeding years thereafter for the term of the lease. On January 22, 2010, the Association entered into a temporary reduced payment deferral agreement effective January 1, 2010 and ending December 31, 2012. Under this agreement, the rental payments for three years were reduced by \$450,000, of which \$150,000 may be waived by the landlord if the timely payments of rent obligations were made by the Association and the remaining \$300,000 shall be paid to the landlord commencing January 1, 2013 through November 30, 2026. The difference between the amounts paid and the straight-line rent expense recorded is recognized as a deferred rent obligation and is being amortized over the lease term. As a result of the terms of the lease and the reduced payment deferral agreement, the Association has a deferred rent liability of \$999,836 and \$1,053,451 as of December 31, 2018 and 2017, respectively.

The Association is obligated under various lease agreements for the use of equipment through 2021.

The following is a schedule by years of the future lease payments (including the 2% annual escalations) for the year ending after December 31, 2018:

	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2019	\$ 793,776	\$ 58,500	\$ 852,276
2020	809,651	58,500	868,151
2021	825,844	51,188	877,032
2022	842,361	-	842,361
2023	859,209	-	859,209
Thereafter	<u>2,605,377</u>	<u>-</u>	<u>2,605,377</u>
	<u>\$ 6,736,218</u>	<u>\$ 168,188</u>	<u>\$ 6,904,406</u>

The Association subleases a portion of its office space to several organizations under year-to-year agreements. Rent expense for the years ended December 31, 2018 and 2017 amounted to \$1,006,227 and \$980,331, respectively. Sublease revenue for the years ended December 31, 2018 and 2017 amounted to \$295,841 and \$285,439, respectively.

B. In addition, the Association entered into a ten-year agreement with its CEO, who retired as of March 31, 2015, to provide consulting services for a fixed number of hours per year upon his retirement. Total future minimum payments under the agreement, which includes premiums for various benefit plans, amount to the following:

2019	\$ 80,703
2020	80,703
2021	80,703
2022	80,703
2023	80,703
Thereafter	<u>31,594</u>
	<u>\$ 435,109</u>

C. In March 2015, the Association entered into a line of credit agreement with a bank for \$400,000. The agreement was renewed in June 2018 and will expire on June 1, 2019. There have been no borrowings against the line as of May 14, 2019. The line bears interest at the bank's prime rate plus 1% with a floor of 4% and is secured by a general UCC-1 filing on all assets of the business. The line is intended to be used for short-term working capital needs.

D. The Association believes it had no uncertain tax positions as of December 31, 2018 in accordance with ASC Topic 740, "Income Taxes", which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Time restricted	\$ 1,553,137	\$ 1,986,875
Specific program support	1,955,356	3,994,183
Scholarship	1,375,979	1,762,321
Research	1,273,685	1,558,021
Jewish Education	311,269	457,436
Facility	146,303	188,214
Endowment corpus	<u>16,289,983</u>	<u>17,093,636</u>
	<u>\$ 22,905,712</u>	<u>\$ 27,040,686</u>

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors during the years ended December 31:

	<u>2018</u>	<u>2017</u>
Program enrichment	\$ 1,476,550	\$ 905,710
Community consultation	121,662	273,911
Professional development	145,400	115,549
Jewish educational services	648,302	712,165
Support and development	297,530	64,100
Chaplaincy	208,615	157,786
Management and general	433,789	493,197
Capital activity	425,633	-
Israel office	<u>17,000</u>	<u>35,419</u>
	3,774,481	2,757,837
Transfers out of endowment	<u>753,650</u>	<u>-</u>
	<u>\$ 4,528,131</u>	<u>\$ 2,757,837</u>

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS – PEREPTUAL IN NATURE (“ENDOWMENT FUNDS”)

ASC 958-205 provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). ASC 958-205 also improves disclosure about the organization’s endowment funds, whether or not the organization is subject to UPMIFA.

The Association’s Board of Directors has interpreted New York State nonprofit law, the New York Prudent Management of Institutional Funds Act, which permits the Board to appropriate for expenditure all earnings of such donor-restricted endowment funds (both realized and unrealized) in a prudent manner, with a rebuttable presumption of imprudence if appropriations exceed 7% of the average balance calculated using the quarterly balances over the previous five-year period. The Association’s spending policy in 2018 was to appropriate 4.5% of the average balance calculated using the quarterly balances over the previous three-year period. In 2017, the Board appropriated an additional 1% for use in operations. Any unappropriated earnings that would otherwise be considered net assets without donor restrictions reflected as net assets with donor restrictions. Appropriations under the spending policy are included in net assets released from restrictions, once the restriction has been met.

In 2013, the Board approved a loan from the endowment to operations in the amount of approximately \$1 million which was taken over a three-year period. The loan was used to fund the Association’s contributions to its pension plans. The loan is being repaid back into the endowment over time. As of December 31, 2018, the outstanding loan balance amounted to \$959,100.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS – PERPETUAL IN NATURE (“ENDOWMENT FUNDS”)

Changes in endowment net assets for year ended December 31, 2018:

	<u>Unappropriated Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,300,392	\$ 17,093,636	\$ 19,394,028
Investment activity:			
Interest and dividends	356,983	-	356,983
Unrealized and realized loss on investments	<u>(1,639,674)</u>	<u>-</u>	<u>(1,639,674)</u>
Total investment activity	(1,282,691)	-	(1,282,691)
Transfers out of endowment	-	(753,650)	(753,650)
Allowance for uncollectable pledge receivable to endowment	-	(50,000)	(50,000)
Amount released to operations	<u>(856,141)</u>	<u>-</u>	<u>(856,141)</u>
Endowment net assets, end of year	<u>\$ 161,560</u>	<u>\$ 16,289,986</u>	<u>\$ 16,451,546</u>

Changes in endowment net assets for year ended December 31, 2017:

	<u>Unappropriated Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 743,019	\$ 17,089,320	\$ 17,832,339
Investment activity:			
Interest and dividends	347,112	-	347,112
Unrealized and realized gain on investments	<u>2,293,825</u>	<u>-</u>	<u>2,293,825</u>
Total investment activity	2,640,937	-	2,640,937
Contributions to Endowment	-	4,316	4,316
Amount released to operations	<u>(1,083,564)</u>	<u>-</u>	<u>(1,083,564)</u>
Endowment net assets, end of year	<u>\$ 2,300,392</u>	<u>\$ 17,093,636</u>	<u>\$ 19,394,028</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2018, certain funds with original gift values of \$9,361,009, fair values of \$8,306,669 and deficiencies of \$1,054,340 were reported in net assets with donor restrictions. As of December 31, 2017, funds with original gift values of \$6,365,887, fair values of \$5,782,854 and deficiencies of \$583,033 were reported in net assets with donor restrictions.

NOTE 14 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 14 – FAIR VALUE MEASUREMENTS (Continued)

Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Marketable debt securities are designated as Level 2 since the determination of fair value is based on a model-derived valuation using discount rates.

The Association's money market funds and mutual funds are valued at Level 1. The Association's alternative investments may be redeemed at net asset value per share quarterly, and as such, these investments have been categorized under Level 2 in accordance with ASU No 2009-12.

The Association's policy is to recognize transfers into and out of levels as of the beginning of the year. There were no transfers for the years ended December 31, 2018 and 2017.

Financial assets and liabilities carried at fair value at December 31, 2018 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE			
Money market funds	\$ 649,241	\$ -	\$ 649,241
Mutual funds	17,538,028	-	17,538,028
Alternative investments	<u>-</u>	<u>941,052</u>	<u>941,052</u>
	<u>18,187,269</u>	<u>941,052</u>	<u>19,128,321</u>
457(b) Plan – mutual funds			
Money market funds	53,598	-	53,598
Mutual funds	<u>197,833</u>	<u>-</u>	<u>197,833</u>
	<u>251,431</u>	<u>-</u>	<u>251,431</u>
	<u>\$ 18,438,700</u>	<u>\$ 941,052</u>	<u>\$ 19,379,752</u>

Financial assets and liabilities carried at fair value at December 31, 2017 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE			
Money market funds	\$ 628,392	\$ -	\$ 628,392
Mutual funds	19,849,335	-	19,849,335
Alternative investments	<u>-</u>	<u>896,883</u>	<u>896,883</u>
	<u>20,477,727</u>	<u>896,883</u>	<u>21,374,610</u>
457(b) Plan – mutual funds			
Money market funds	13,025	-	13,025
Mutual funds	<u>141,960</u>	<u>-</u>	<u>141,960</u>
	<u>154,985</u>	<u>-</u>	<u>154,985</u>
	<u>\$ 20,632,712</u>	<u>\$ 896,883</u>	<u>\$ 21,529,595</u>

NOTE 15 – CONCENTRATION OF CREDIT RISK

Cash that potentially subjects the Association to a concentration of credit risk includes cash accounts with a bank that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits of up to \$250,000 per depositor. As of December 31, 2018 and 2017, the Association had cash balances that exceeded the FDIC insurance limits by approximately \$845,000 and \$511,000, respectively. Such excess includes outstanding checks.

JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 16 – DEFICIT FROM OPERATIONS

As of December 31, 2018, the Association's net assets without donor restrictions stood at a deficit balance of approximately \$6,972,000. After subtracting the items that relate to the Association's net investment in property and equipment, pension and other postretirement benefits, the Association has a deficit from operations of approximately \$2,458,000 as of December 31, 2018. It is the intention of the Association to reduce the deficit over a period of time by increasing funding through individual and corporate giving, private foundations, and program and seminar fees. The Association manages its cash flow and working capital as more fully described in Note 3.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statements of financial position through May 14, 2019, the date the financial statements were available to be issued.