JCC Association of North America

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2015 and 2014

MARKS PANETH

ACCOUNTANTS & ADVISORS

**JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA**

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

**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**CONTENTS**

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
www.markspaneth.com

New York
New Jersey
Pennsylvania
Washington, DC

MARKS PANETH
ACCOUNTANTS & ADVISORS

# 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, 2015 and 2014, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 Jewish Community Centers Association of North America as of December 31, 2015 and 2014, 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.

Marks Paneth LLP

New York, NY
July 19, 2016

**JEWISH COMMUNITY CENTERS ASSOCIATION OF NORTH AMERICA**
**STATEMENTS OF FINANCIAL POSITION**
**AS OF DECEMBER 31, 2015 AND 2014**

| | 2015 | Restated 2014 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents (Notes 2D and 13) | $ 479,421 | $ 580,790 |
| Investments, at fair value (Notes 2H and 3) | 19,706,844 | 20,500,622 |
| Accounts receivable - net (Note 2F) | 632,329 | 643,559 |
| Contributions receivable - net (Notes 2E and 4) | 1,405,261 | 902,923 |
| Prepaid expenses and other assets (Note 9) | 549,560 | 542,261 |
| Employee Loans (Note 2F) | 15,000 | 70,000 |
| Property and equipment - net (Notes 2G and 5) | 1,101,414 | 1,228,851 |
| **TOTAL ASSETS** | $ 23,889,829 | $ 24,469,006 |
| **LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 805,906 | $ 680,800 |
| Accrued payroll taxes and vacation (Note 2I) | 171,993 | 181,054 |
| Deferred revenue (Note 2J) | 519,984 | 601,185 |
| Endowment loan payable (Note 3) | 1,039,170 | 719,250 |
| Deferred rent liability (Notes 2K and 10A) | 1,115,205 | 1,123,936 |
| Net pension liability (Notes 2H, 2L, 3 and 7) | 3,920,312 | 3,916,731 |
| Accrued non-pension postretirement benefits (Notes 2H, 2L, 3 and 8) | 1,462,756 | 1,293,792 |
| Accrued supplemental pension and retirement benefits (Notes 2H, 3 and 9) | 242,970 | 240,867 |
| **TOTAL LIABILITIES** | 9,278,296 | 8,757,615 |
| **COMMITMENTS AND CONTINGENCIES** (Note 10) | | |
| **NET ASSETS** (Notes 2C, 12 and 14) | | |
| Unrestricted: | | |
| Deficit from operations (Note 14) | (3,937,225) | (3,492,352) |
| Net investment in property and equipment | 1,101,414 | 1,228,851 |
| Pension and non-pension postretirement (Notes 2L, 7 and 8) | (5,383,068) | (5,210,523) |
| Total unrestricted (Note 14) | (8,218,879) | (7,474,024) |
| Temporarily restricted (Note 11) | 5,834,755 | 6,274,372 |
| Permanently restricted (Notes 11 and 12) | 16,995,657 | 16,911,043 |
| **TOTAL NET ASSETS** | 14,611,533 | 15,711,391 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 23,889,829 | $ 24,469,006 |

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, 2015 AND 2014

| | For the Year Ended December 31, 2015 | | | | For the Year Ended December 31, 2014 (Restated) | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2015 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2014 |
| **OPERATING REVENUE AND SUPPORT** | | | | | | | | |
| Constituent Center dues | $ 5,628,315 | $ - | $ - | $ 5,628,315 | $ 5,498,116 | $ - | $ - | $ 5,498,116 |
| Contributions, grants, and bequests (Note 2E) | 158,190 | 2,037,184 | | 2,195,374 | 143,037 | 1,977,594 | - | 2,120,631 |
| Program and seminar fees, including contributions | 3,692,671 | - | - | 3,692,671 | 2,670,409 | - | - | 2,670,409 |
| Board and other annual giving | 697,097 | - | - | 697,097 | 909,810 | 4,000 | - | 913,810 |
| National Funding Council and Federations support | 1,083,888 | - | - | 1,083,888 | 1,084,388 | - | - | 1,084,388 |
| Sponsorship and other income | 487,467 | - | - | 487,467 | 571,532 | - | - | 571,532 |
| Net assets released from restrictions (Notes 2B and 11) | 2,131,034 | (2,131,034) | - | - | 2,995,665 | (2,995,665) | - | - |
| **TOTAL OPERATING REVENUE AND SUPPORT** | 13,878,662 | (93,850) | - | 13,784,812 | 13,872,957 | (1,014,071) | - | 12,858,886 |
| **OPERATING EXPENSES:** | | | | | | | | |
| Program Services: | | | | | | | | |
| Program Enrichment | 3,116,735 | - | - | 3,116,735 | 3,730,870 | - | - | 3,730,870 |
| Community Consultation | 3,116,482 | - | - | 3,116,482 | 3,477,992 | - | - | 3,477,992 |
| Personnel Development | 1,270,946 | - | - | 1,270,946 | 1,013,131 | - | - | 1,013,131 |
| Direct Service to the Military | 602,205 | - | - | 602,205 | 792,988 | - | - | 792,988 |
| Jewish Educational Services | 3,545,493 | - | - | 3,545,493 | 2,387,499 | - | - | 2,387,499 |
| Total Program Services | 11,651,861 | - | - | 11,651,861 | 11,402,480 | - | - | 11,402,480 |
| Supporting Services: | | | | | | | | |
| Management and general | 1,745,569 | - | - | 1,745,569 | 1,579,410 | - | - | 1,579,410 |
| Support and development | 876,809 | - | - | 876,809 | 762,733 | - | - | 762,733 |
| Total Supporting Services | 2,622,378 | - | - | 2,622,378 | 2,342,143 | - | - | 2,342,143 |
| **TOTAL OPERATING EXPENSES** | 14,274,239 | - | - | 14,274,239 | 13,744,623 | - | - | 13,744,623 |
| **(DEFICIENCY) OF OPERATING REVENUE AND SUPPORT OVER OPERATING EXPENSES** (Note 2L) | (395,577) | (93,850) | - | (489,427) | 128,334 | (1,014,071) | - | (885,737) |
| **NONOPERATING REVENUE (EXPENSES)** (Note 2L) | | | | | | | | |
| Investment (loss) gain (Notes 3 and 12) | - | (330,567) | - | (330,567) | - | 1,128,467 | - | 1,128,467 |
| Contributions - permanently restricted (Note 12) | - | - | 118,864 | 118,864 | - | - | 24,561 | 24,561 |
| Write off of restricted contributions (Note 12) | - | (15,200) | (34,250) | (49,450) | - | - | - | - |
| **TOTAL NONOPERATING REVENUE** | - | (345,767) | 84,614 | (261,153) | - | 1,128,467 | 24,561 | 1,153,028 |
| **CHANGE IN NET ASSETS BEFORE POSTRETIREMENT RELATED CHANGE** | (395,577) | (439,617) | 84,614 | (750,580) | 128,334 | 114,396 | 24,561 | 267,291 |
| Pension and non-pension changes other than net periodic costs (Notes 7 and 8) | (349,278) | - | - | (349,278) | (962,046) | - | - | (962,046) |
| **CHANGE IN NET ASSETS** | (744,855) | (439,617) | 84,614 | (1,099,858) | (833,712) | 114,396 | 24,561 | (694,755) |
| **Net assets - beginning of year before prior period adjustment** | (7,474,024) | 6,274,372 | 16,911,043 | 15,711,391 | (6,404,282) | 5,923,946 | 16,886,482 | 16,406,146 |
| **Prior period adjustment (Note 15)** | - | - | - | - | (236,030) | 236,030 | - | - |
| **Net Assets - beginning of year, as restated** | - | - | - | - | (6,640,312) | 6,159,976 | 16,886,482 | 16,406,146 |
| **NET ASSETS - END OF YEAR** (Note 14) | $ (8,218,879) | $ 5,834,755 | $ 16,995,657 | $ 14,611,533 | $ (7,474,024) | $ 6,274,372 | $ 16,911,043 | $ 15,711,391 |

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, 2015**
**(With Comparative Totals for the year ended December 31, 2014)**

| | Program Services | | | | | | Supporting Services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Program Enrichment | Community Consultation | Personnel Development | Direct Service to Military | Jewish Educational Services | Total Program Services | Management and General | Support and Development | Total Supporting Services | Total 2015 | Total 2014 |
| Salaries | $ 1,510,214 | $ 1,751,350 | $ 466,174 | $ 308,673 | $ 749,060 | $ 4,785,471 | $ 744,238 | $ 527,533 | $ 1,271,771 | $ 6,057,242 | 6,296,290 |
| Payroll taxes and employee benefits (Notes 7, 8, and 9) | 420,704 | 514,919 | 132,530 | 85,898 | 256,265 | 1,410,316 | 188,232 | 145,443 | 333,675 | 1,743,991 | 1,817,628 |
| **Total Salaries and Related Costs** | 1,930,918 | 2,266,269 | 598,704 | 394,571 | 1,005,325 | 6,195,787 | 932,470 | 672,976 | 1,605,446 | 7,801,233 | 8,113,918 |
| Supplies and program materials | 114,415 | 28,369 | 25,865 | 41,987 | 32,360 | 242,996 | 8,442 | 10,279 | 18,721 | 261,717 | 338,132 |
| Rent and maintenance (Notes 2K and 10A) | 200,984 | 283,902 | 68,981 | 40,845 | 90,491 | 685,203 | 107,635 | 62,232 | 169,867 | 855,070 | 879,068 |
| Staff transportation and travel | 222,997 | 113,682 | 2,601 | 28,373 | 33,076 | 400,729 | 52,189 | 125 | 52,314 | 453,043 | 477,479 |
| Telephone | 8,838 | 7,197 | 2,905 | 1,178 | 7,221 | 27,339 | 20,039 | 53 | 20,092 | 47,431 | 47,698 |
| Conference, conventions, meetings and project costs | 178,361 | 5,333 | 417,866 | 68,541 | 2,104,329 | 2,774,430 | - | 416 | 416 | 2,774,846 | 2,096,382 |
| Scholarships and grants | 159,870 | 26,111 | 76,500 | - | 14,000 | 276,481 | - | - | - | 276,481 | 332,494 |
| Postage and shipping | 9,280 | 1,342 | 2,563 | 5,151 | 1,080 | 19,416 | 6,216 | 5,839 | 12,055 | 31,471 | 42,318 |
| "JCC Association Circle" | 8,202 | 3,786 | 3,575 | 841 | 2,734 | 19,138 | 1,262 | 631 | 1,893 | 21,031 | 29,583 |
| Computer expenses | 64,220 | 51,452 | 10,983 | 1,861 | 10,039 | 138,555 | 31,468 | 6,571 | 38,039 | 176,594 | 140,634 |
| Other | 7,442 | 2,532 | 2,160 | 2,449 | 8,426 | 23,009 | 65,836 | 66,479 | 132,315 | 155,324 | 166,085 |
| Consultants and other professional fees | 133,418 | 246,472 | 38,265 | 2,247 | 181,513 | 601,915 | 175,981 | 34,320 | 210,301 | 812,216 | 648,371 |
| Membership dues | 1,131 | 3,141 | 1,295 | 3,099 | 1,598 | 10,264 | 36,290 | 33 | 36,323 | 46,587 | 50,781 |
| Marketing | 7,857 | - | - | - | - | 7,857 | 6,315 | - | 6,315 | 14,172 | 14,883 |
| Insurance | 20,900 | 29,523 | 7,173 | 4,247 | 19,844 | 81,687 | 11,193 | 6,471 | 17,664 | 99,351 | 96,085 |
| Bad debt expense | - | - | - | - | - | - | 272,273 | - | 272,273 | 272,273 | 104,115 |
| Depreciation and amortization | 47,902 | 47,371 | 11,510 | 6,815 | 33,457 | 147,055 | 17,960 | 10,384 | 28,344 | 175,399 | 166,597 |
| **TOTAL EXPENSES** | $ 3,116,735 | $ 3,116,482 | $ 1,270,946 | $ 602,205 | $ 3,545,493 | $ 11,651,861 | $ 1,745,569 | $ 876,809 | $ 2,622,378 | $ 14,274,239 | $ 13,744,623 |

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, 2014**

| | Program Services | | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Program Enrichment | Community Consultation | Personnel Development | Direct Service to Military | Jewish Educational Services | Total Program Services | Management and General | Support and Development | Total Supporting Services | Total 2014 |
| Salaries | $ 1,671,024 | $ 1,978,431 | $ 441,899 | $ 279,730 | $ 742,596 | $ 5,113,680 | $ 678,522 | $ 504,088 | $ 1,182,610 | $ 6,296,290 |
| Payroll taxes and employee benefits (Notes 7, 8, and 9) | 437,594 | 534,110 | 119,301 | 74,587 | 243,108 | 1,408,700 | 275,698 | 133,230 | 408,928 | 1,817,628 |
| **Total Salaries and Related Costs** | 2,108,618 | 2,512,541 | 561,200 | 354,317 | 985,704 | 6,522,380 | 954,220 | 637,318 | 1,591,538 | 8,113,918 |
| Supplies and program materials | 96,877 | 39,698 | 16,888 | 134,325 | 36,305 | 324,093 | - | 14,039 | 14,039 | 338,132 |
| Rent and maintenance (Notes 2K and 10A) | 207,214 | 292,702 | 71,120 | 42,112 | 90,787 | 703,935 | 110,972 | 64,161 | 175,133 | 879,068 |
| Staff transportation and travel | 243,184 | 126,822 | 5,162 | 49,300 | 42,423 | 466,891 | 9,033 | 1,555 | 10,588 | 477,479 |
| Telephone | 10,160 | 7,174 | 3,021 | 1,353 | 9,243 | 30,951 | 16,532 | 215 | 16,747 | 47,698 |
| Conference, conventions, meetings and project costs | 761,755 | 159,179 | 196,064 | 111,799 | 813,680 | 2,042,477 | 38,680 | 15,225 | 53,905 | 2,096,382 |
| Scholarships and grants | 131,744 | - | 114,750 | 65,000 | 21,000 | 332,494 | - | - | - | 332,494 |
| Postage and shipping | 10,198 | 4,063 | 1,038 | 11,226 | 1,789 | 28,314 | 8,831 | 5,173 | 14,004 | 42,318 |
| "JCC Association Circle" | 13,608 | 8,283 | 2,071 | 887 | 2,367 | 27,216 | 1,480 | 887 | 2,367 | 29,583 |
| Computer expenses | 55,178 | 40,212 | 1,606 | 688 | 6,531 | 104,215 | 33,660 | 2,759 | 36,419 | 140,634 |
| Other | 13,885 | 3,400 | 441 | 945 | 9,977 | 28,648 | 136,536 | 901 | 137,437 | 166,085 |
| Consultants and other professional fees | 13,980 | 202,833 | 19,629 | 7,267 | 312,190 | 555,899 | 90,871 | 1,601 | 92,472 | 648,371 |
| Membership dues | 1,681 | 3,554 | 1,303 | 2,615 | 1,622 | 10,775 | 38,102 | 1,904 | 40,006 | 50,781 |
| Marketing | 7,900 | - | - | - | - | 7,900 | 6,983 | - | 6,983 | 14,883 |
| Insurance | 20,098 | 28,389 | 6,898 | 4,084 | 19,629 | 79,098 | 10,764 | 6,223 | 16,987 | 96,085 |
| Bad debt expense | - | - | - | - | - | - | 104,115 | - | 104,115 | 104,115 |
| Depreciation and amortization | 34,790 | 49,142 | 11,940 | 7,070 | 34,252 | 137,194 | 18,631 | 10,772 | 29,403 | 166,597 |
| **TOTAL EXPENSES** | $ 3,730,870 | $ 3,477,992 | $ 1,013,131 | $ 792,988 | $ 2,387,499 | $ 11,402,480 | $ 1,579,410 | $ 762,733 | $ 2,342,143 | $ 13,744,623 |

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, 2015 AND 2014**

| | 2015 | 2014 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Change in net assets | $ (1,099,858) | $ (694,755) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Net unrealized loss (gain) on investments | 1,121,088 | (687,564) |
| Net realized gain on investments | (486,711) | (90,294) |
| Depreciation and amortization | 175,399 | 166,597 |
| Bad debt expense | 321,723 | 104,115 |
| Increase/(decrease) in discount on contributions | 3,085 | (4,249) |
| Contributions restricted for permanent investment | (118,864) | (24,561) |
| Pension and non-pension changes other than net periodic costs | 349,278 | 962,046 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Accounts receivable | (310,493) | (184,330) |
| Contributions receivable | (505,423) | (127,351) |
| Prepaid expenses and other assets | (7,299) | (47,996) |
| Employee Loans | 55,000 | 20,000 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 125,106 | 127,419 |
| Accrued payroll taxes and vacation | (9,061) | (9,129) |
| Deferred revenue | (81,201) | 81,893 |
| Endowment loan payable | 319,920 | 394,250 |
| Deferred rent liability | (8,731) | 5,649 |
| Additional minimum pension liability | (108,771) | (117,284) |
| Accrued non-pension postretirement benefits | (67,962) | (367,153) |
| Accrued supplemental pension and retirement benefits | 2,103 | (29,683) |
| **Net Cash Used in Operating Activities** | (331,672) | (522,380) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Proceeds from sale of investments | 841,321 | 19,301,554 |
| Purchases of investments | (681,920) | (18,771,279) |
| Purchases of property and equipment | (47,962) | (49,271) |
| **Net Cash Provided by Investing Activities** | 111,439 | 481,004 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Contributions restricted for permanent investment - net | 118,864 | 24,561 |
| **Net Cash Provided by Financing Activities** | 118,864 | 24,561 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (101,369) | (16,815) |
| Cash and cash equivalents - beginning of year | 580,790 | 597,605 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 479,421 | $ 580,790 |

## 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 and it maintains extension offices in Austin, Texas as the Southwestern office, in New Orleans, Louisiana as its Southeastern Services office and in St. Paul, Minnesota. Further, 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 restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. The Association maintains its net assets in accordance with the following three net asset classes:

Unrestricted Net Assets:

- Operating - this represents 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.

- Net investment in property and equipment - this represents the Association's net book value of property and equipment.

- Pension and non-pension postretirement - this represents the Association's funded status of pension and non-pension postretirement benefits.

Temporarily Restricted Net Assets:

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets:

These represent 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 $129,000 and $65,000 was necessary as of December 31, 2015 and 2014, respectively.

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, 2015 and 2014, the Association determined that an allowance for doubtful accounts should be provided for accounts receivable in the amount of $465,000 and $96,548, 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.

In the past, the Association provided interest-free loans to certain new employees to cover relocation costs. The terms of the loan agreement state that each year the employee works at the JCCA, a portion of the loan is forgiven. If the employee leaves the Association, they must pay back the remaining balance of the loan. During the year ended December 31, 2015, one employee left the Association and reached an agreement to have the remaining balance forgiven by the Association, in exchange for support during the transitioning of duties to others in the Association over a period of several months. As of December 31, 2015, there is one employee with an outstanding loan amounting to $15,000.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

H. The Association carries its investments at fair value as explained in Note 3. Unrealized and realized gains and losses and investment income are reported in the statement of activities in investment activity as increases or decreases in unrestricted net assets, unless there are donor restrictions for the use of investment income. Any donor restricted income or gains are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period.

   It is the Association's policy to make an annual investment allocation for the support of operations up to 5.5 percent of the average fair value of investments for the preceding twelve quarters. Amounts allocated to the temporarily restricted net asset class 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 3.

I. The Association accrues vacation benefits as a function of the time worked by employees' for the Association. Employees are allowed to carry over 11 unused vacation days as of December 31 of each year. Unused vacation days are due and payable upon termination of employment and are paid at the employee's final rate of pay.

J. Deferred revenue represents amounts received by the Association for which the Association has not met the conditions or fulfilled a service.

K. 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.

L. 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 investment income allocation and all contributions except for those that are restricted for capital expenditures or have been permanently restricted 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 permanently restricted net assets are recognized as nonoperating activities.

M. 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.

N. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

O. Reclassifications – Certain revenue line items in the 2014 financial statements have been reclassified to conform to the 2015 financial statement presentation.

## NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at December 31, 2015 and 2014 consisted of the following:

| | 2015 | 2014 |
|---|---|---|
| Money market funds | $ 1,508,171 | $ 1,651,097 |
| Marketable equity securities | 16,374,701 | 17,437,473 |
| Alternative investments | 809,500 | 717,500 |
| Subtotal | 18,692,372 | 19,806,070 |
| Add: Endowment loan receivable | 1,039,170 | 719,250 |
| Less: Portion held for Florence G. Heller Research Center (see Note 6) | (24,698) | (24,698) |
| | $ 19,706,844 | $ 20,500,622 |

Alternative investments, which are structured as interests in a limited partnership invested in equity securities, 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. Quarterly, the Association can redeem its investment 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.

In 2015 and 2014, JCC Association borrowed $313,000 and $375,000, respectively, from the Association's Endowment to meet the minimum funding requirements for the Association's frozen defined benefit pension plan. The Board of Directors approved this arrangement, which is an interest bearing loan, where the interest rate is set equal to the Association's Endowment spending rate currently 5.17 percent for 2015 and 5.5 percent for 2014.

The following summarizes the Association’s total investment return which is classified as temporarily restricted in the financial statements for the years ended December 31, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Dividends and interest | $ 303,810 | $ 350,609 |
| Realized gain | 486,711 | 90,294 |
| Unrealized (loss) gain | (1,121,088) | 687,564 |
| Net realized and unrealized (loss) gain | (634,377) | 777,858 |
| Total return on investments | $ (330,567) | $ 1,128,467 |

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Investment fees incurred for the years ended December 31, 2015 and 2014 were $62,222 and $64,864, respectively.

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.

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. Investments in limited partnership are designated as Level 3 as indicative of the investment manager's classification of the Association's investment in the funds. It is not meant to be indicative of the classification of the investments in the underlying portfolio of the investment in alternative investment into the Accounting Standards Codification ("ASC") 820 fair value hierarchy. However, as discussed in Note 2H, since these investments will be redeemed at net asset value per share, such investments have been categorized under Level 2 fair value measurements in accordance with ASU No 2009-12.

The Association's policy is to recognize transfers into and out of Levels as of the date of the transaction or change in circumstances that caused the transfer. For the years ended December 31, 2015 and 2014, there were no transfers.

## NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2015 are classified in the table in one of the three levels as follows:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| ASSETS CARRIED AT FAIR VALUE | | | |
| Money market funds | $ 1,508,171 | $ - | $ 1,508,171 |
| Equity securities | | | |
| Domestic | 10,096,686 | - | 10,096,686 |
| International | 3,001,798 | - | 3,001,798 |
| | 13,098,484 | - | 13,098,484 |
| Fixed income | 3,276,217 | - | 3,276,217 |
| Alternative investments | - | 809,500 | 809,500 |
| | 3,276,217 | 809,500 | 4,085,717 |
| Add – Endowment loan receivable | 1,039,170 | - | 1,039,170 |
| Less – portion of investments held for Florence G. Heller Research Center | (24,698) | - | (24,698) |
| Total Investments at Fair Value | 18,897,344 | 809,500 | 19,706,844 |
| 457(b) Plan – mutual funds | | | |
| Bond funds | 42,883 | - | 42,883 |
| Equity funds | 41,250 | - | 41,250 |
| Money Market Funds | 83,682 | - | 83,682 |
| Other | 75,155 | - | 75,155 |
| | 242,970 | - | 242,970 |
| | $ 19,140,314 | $ 809,500 | $ 19,949,814 |
| LIABILITIES CARRIED AT FAIR VALUE | | | |
| Pension and non-pension postretirement benefits | $ - | $ 5,383,068 | $ 5,383,068 |
| 457(b) Plan | 242,970 | - | 242,970 |
| TOTAL LIABILITIES AT FAIR VALUE | $ 242,970 | $ 5,383,068 | $ 5,626,038 |

## NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2014 are classified in the table in one of the three levels as follows:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| ASSETS CARRIED AT FAIR VALUE | | | |
| Money market funds | $ 1,651,097 | $ - | $ 1,651,097 |
| Equity securities | | | |
| Domestic | 9,085,123 | - | 9,085,123 |
| International | 2,595,244 | - | 2,595,244 |
| Balanced | 1,337,974 | - | 1,337,974 |
| | 13,018,341 | - | 13,018,341 |
| Fixed income | 2,576,578 | - | 2,576,578 |
| Emerging markets | 1,842,554 | - | 1,842,554 |
| Alternative investments | - | 717,500 | 717,500 |
| | 19,088,570 | 717,500 | 19,806,070 |
| Add – Endowment loan receivable | 719,250 | - | 719,250 |
| Less – portion of investments held for Florence G. Heller Research Center | (24,698) | - | (24,698) |
| Total Investments at Fair Value | 19,783,122 | 717,500 | 20,500,622 |
| 457(b) Plan – mutual funds | | | |
| Bond funds | 56,177 | - | 56,177 |
| Equity funds | 107,819 | - | 107,819 |
| Money Market Funds | 1,507 | - | 1,507 |
| Other | 75,364 | - | 75,364 |
| | 240,867 | - | 240,867 |
| | $ 20,023,989 | $ 717,500 | $ 20,741,489 |
| LIABILITIES CARRIED AT FAIR VALUE | | | |
| Pension and non-pension postretirement benefits | $ - | $ 5,210,523 | $ 5,210,523 |
| 457(b) Plan | 240,867 | - | 240,867 |
| TOTAL LIABILITIES AT FAIR VALUE | $ 240,867 | $ 5,210,523 | $ 5,451,390 |

## NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are scheduled to be received as of December 31, 2015 and 2014 as follows:

| | 2015 | 2014 |
|---|---|---|
| Amounts due in less than one year | $ 1,087,986 | $ 765,313 |
| Amounts due in one to five years | 453,500 | 206,750 |
| | 1,541,486 | 972,063 |
| Allowance for doubtful accounts | (129,000) | (65,000) |
| Discount (at 1.31 – 5.00%) | (7,225) | (4,140) |
| | $ 1,405,261 | $ 902,923 |

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

## NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2015 and 2014:

| | 2015 | 2014 | Estimated Useful Lives |
|---|---|---|---|
| Building and improvements | $ 342,865 | $ 338,237 | 29 years |
| Leasehold improvements | 1,717,571 | 1,686,404 | 20 years |
| Furniture, equipment and vehicles | 1,162,631 | 1,150,464 | 3-10 years |
| Total | 3,223,067 | 3,175,105 | |
| Less accumulated depreciation and amortization | (2,121,653) | (1,946,254) | |
| Total net | $ 1,101,414 | $ 1,228,851 | |

Depreciation and amortization expense amounted to $175,399 and $166,597 for the years ended December 31, 2015 and 2014, respectively.

## NOTE 6 – 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.

Contributions receivable disclosed in Note 4 includes amounts receivable from the Association’s Board members as of December 31, 2015 and 2014.

## NOTE 7 – 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.

| | 2015 | 2014 |
|---|---|---|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | $ (9,007,937) | $ (8,459,853) |
| Interest cost | 296,774 | 340,703 |
| Actuarial loss | 205,423 | 132,914 |
| Assumption Change | (234,733) | 658,851 |
| Benefits paid | (807,292) | (584,384) |
| Benefit obligation at end of year | (8,468,109) | (9,007,937) |
| Fair value of plan assets | 4,547,797 | 5,091,206 |
| Funded status (unfunded) | $ (3,920,312) | $ (3,916,731) |
| Amounts recognized in the statements of financial position: | | |
| Net pension liability | $ 3,920,312 | $ 3,916,731 |
| Employer contribution | $ 439,294 | $ 771,856 |

As of December 31, 2015 and 2014, the accumulated benefit obligation for the pension plan was $8,468,109 and $9,007,937, respectively.

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 for the pension plan for the years ended December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Interest cost | $ 296,774 | $ 340,703 |
| Expected return on assets | (376,388) | (358,360) |
| Net amortization of loss | 410,138 | 297,207 |
| Net periodic pension cost | $ 330,524 | $ 279,550 |

**NOTE 7 – PENSION PLANS (Continued)**

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Net loss | $ 522,489 | $ 965,741 |
| Amortization of net loss | (410,138) | (297,207) |
| Total recognized in change in unrestricted net assets | $ 112,351 | $ 668,534 |

The net periodic pension costs for the years ended December 31, 2015 and 2014, includes reclassifications of amounts previously recognized as changes in unrestricted net assets as follows:

| | 2015 | 2014 |
|---|---|---|
| Amortization of net loss | $ 410,138 | $ 297,207 |

Amounts that have not been recognized as component of net periodic benefit costs but included in unrestricted net assets to date as the effect of ASC 715 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Net actuarial loss | $ 4,567,176 | $ 4,454,825 |

The estimated net loss for the pension plan that will be amortized from the unrestricted net asset balance into net periodic benefit cost over the next fiscal year is $475,142.

The weighted-average assumptions used to determine the benefit obligation and net periodic benefit cost for the pension plan as of and for the years ended December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Discount rate used for net periodic benefit cost | 3.40% | 4.21% |
| Discount rate used for pension obligation | 3.73% | 3.40% |
| Expected return on plan assets | 7.50% | 7.50% |
| Mortality table | RP15C | RP14C |

The defined benefit 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.

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:

| | |
|---|---|
| 2016 | $ 652,758 |
| 2017 | 645,133 |
| 2018 | 647,944 |
| 2019 | 652,722 |
| 2020 | 650,975 |
| 2021-2025 | 2,967,708 |
| Total | $ 6,217,240 |

**NOTE 7 – PENSION PLANS (Continued)**

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 paid during the year ending December 31, 2016 are approximately $230,000. 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, 2015:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| AXA Equitable Life Insurance Company Guarantee Account | $ - | $ 54,243 | $ 54,243 |
| Cash and Money Market Funds | 116,505 | - | 116,505 |
| Equity securities | | | |
| Domestic | 2,770,994 | - | 2,770,994 |
| International | 771,768 | - | 771,768 |
| | 3,542,762 | - | 3,542,762 |
| Fixed income | 834,287 | - | 834,287 |
| | $ 4,493,544 | $ 54,243 | $ 4,547,797 |

The assets for the pension plan consist of the following as of December 31, 2014:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| AXA Equitable Life Insurance Company Guarantee Account | $ - | $ 68,540 | $ 68,540 |
| Cash and Money Market Funds | 428,773 | - | 428,773 |
| Equity securities | | | |
| Domestic | 2,111,176 | - | 2,111,176 |
| International | 682,044 | - | 682,044 |
| Balanced | 351,576 | - | 351,576 |
| | 3,144,796 | - | 3,144,796 |
| Fixed income | | | |
| Emerging markets | 1,040,593 | - | 1,040,593 |
| | 408,504 | - | 408,504 |
| | $ 5,022,666 | $ 68,540 | $ 5,091,206 |

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, 2015 and 2014, the Association contributed to the plan $218,458 and $196,065, respectively.

## NOTE 8 – 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.

The funded status of the plan as of December 31, 2015 and 2014 is as follows:

| | 2015 | 2014 |
|---|---|---|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | $ 1,293,792 | $ 992,411 |
| Service cost | 23,725 | 17,299 |
| Interest cost | 46,402 | 42,046 |
| Unamortized prior service cost | 127,297 | - |
| Actuarial loss | 51,066 | 322,342 |
| Benefits paid | (79,526) | (80,306) |
| Benefit obligation at end of year | 1,462,756 | 1,293,792 |
| Fair value of plan assets | - | - |
| Funded status (unfunded) | $ (1,462,756) | $ (1,293,792) |
| Amounts recognized in the statements of financial position: | | |
| Accrued non-pension postretirement benefits | $ 1,462,756 | $ 1,293,792 |
| Employer contributions | $ 79,526 | $ 80,306 |

Amounts that have not been recognized as components of net periodic benefit costs but included in unrestricted net assets to date as of December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Unamortized prior service cost | $ (127,297) | $ - |
| Gain | 597,815 | 707,444 |
| | $ 470,518 | $ 707,444 |

The periodic postretirement benefit costs for the years ended December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Service cost | $ 23,725 | $ 17,299 |
| Interest cost | 46,402 | 42,046 |
| Amortization of transition obligation | - | 122,553 |
| Amortization of gain | (58,563) | (93,724) |
| Net postretirement benefit cost | $ 11,564 | $ 88,174 |

**NOTE 8 – NON-PENSION POSTRETIREMENT BENEFITS (Continued)**

Other changes in postretirement plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Net actuarial loss | $ 51,066 | $ 322,342 |
| Prior service cost | 127,297 | - |
| Amortization of net gain | 58,563 | 93,724 |
| Amortization of transition obligation | - | (122,553) |
| Total recognized in change in unrestricted net assets | $ 236,926 | $ 293,513 |
| Total recognized in net periodic post-retirement cost and change in unrestricted net assets | $ 248,490 | $ 381,687 |

The net periodic post-retirement cost for the years ended December 31, 2015 and 2014 includes reclassifications of amounts previously recognized as changes in unrestricted net assets as follows:

| | 2015 | 2014 |
|---|---|---|
| Amortization of net gain | $ 58,563 | $ 93,724 |
| Amortization of transition obligation | - | (122,553) |

The weighted-average assumptions to determine the benefit obligation and net periodic benefit cost as of and for the years ended December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Discount rate used | 4.06% | 3.71% |

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:

| | |
|---|---|
| 2016 | $ 98,297 |
| 2017 | 95,468 |
| 2018 | 94,830 |
| 2019 | 94,053 |
| 2020 | 91,184 |
| 2021 - 2025 | 429,838 |
| Total | $ 903,670 |

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:

| | 2015 |
|---|---|
| Health care cost trend rate assumed for next year | 11.00% |
| Ultimate trend rate to which the cost trend rate is expected to decline | 3.886% |
| Year that the rate reaches the ultimate trend rate | 2075 |

## NOTE 8 – NON-PENSION POSTRETIREMENT BENEFITS (Continued)

The actuarial present value of accumulated benefit obligations and the amounts recognized in the accompanying statements of financial position as of December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Accumulated postretirement benefit obligation | $ 1,462,756 | $ 1,293,792 |
| Unrecognized transition obligation | (597,815) | (707,444) |
| Liability for postretirement benefits | 597,815 | 707,444 |
| Accrued postretirement benefit obligation | $ 1,462,756 | $ 1,293,792 |

If the health care cost trend were increased (decreased) by 1% for the year ended December 31, 2015, the accumulated benefit obligation would correspondingly increase (decrease) by $192,819 or ($156,855) and the service and interest costs by $7,861 or ($6,469), respectively.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 ("MMA") introduced a prescription drug benefit under Medicare that went into effect in 2006. MMA also includes a federal subsidy payable to plan sponsors equal to 28% of certain prescription drug benefits payable to Medicare-eligible retirees effective in 2006. The subsidy is available to an employer that sponsors a retiree medical plan that includes a prescription drug benefit that is at least as valuable (i.e. actuarially equivalent to) the new Medicare coverage. The subsidy is not subject to Federal income tax.

The results of this valuation do not reflect the impact of MMA. It is not known at this time what the impact of reflecting these changes in the future would be on the costs and obligations under the postretirement benefits.

## NOTE 9 – SUPPLEMENTAL PENSION AND RETIREMENT BENEFITS

The Association established a 457(b) deferred compensation plan (the "Plan"). The Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for a select group of the Association's management. The assets in the Plan are recorded as an asset and liability of the Association and amounted to $242,970 and $240,867 as of December 31, 2015 and 2014, respectively. Such assets are self-directed by the individuals and consist of a variety of investments. The assets are included in prepaid expenses and other assets and in accrued supplemental pension and retirement benefits in the accompanying statements of financial position.

## NOTE 10 – 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 this agreement, the Association has a deferred rent liability of $1,115,205 and $1,123,936 as of December 31, 2015 and 2014, respectively.

   The Association is obligated under various lease agreements for the use of vehicles and equipment through 2017.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)**

The following is a schedule by years of the future lease payments (including the 2% annual escalations) for the years ending after December 31, 2015:

| | Office Space | Equipment | Total |
|---|---|---|---|
| 2016 | $ 747,993 | $ 49,536 | $ 797,529 |
| 2017 | 762,953 | 41,280 | 804,233 |
| 2018 | 778,212 | - | 778,212 |
| 2019 | 793,776 | - | 793,776 |
| 2020 | 809,651 | - | 809,651 |
| Thereafter | 5,132,791 | - | 5,132,791 |
| | $ 9,025,376 | $ 90,816 | $ 9,116,192 |

The Association subleases a portion of its office space to several organizations under year-to-year agreements. Rent expense, including utilities and property taxes paid to the landlord, for the years ended December 31, 2015 and 2014, net of sublease income of $209,317 in 2015 and $198,173 in 2014, amounted to $765,618 and $785,794, 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. The agreement also stipulates that certain insurance coverage that is not normally afforded retirees will be provided. The schedule below reflects the total value of that agreement including the cost of life insurance.

| | Total |
|---|---|
| 2016 | $ 80,703 |
| 2017 | 80,703 |
| 2018 | 80,703 |
| 2019 | 80,703 |
| 2020 | 80,703 |
| Thereafter | 354,406 |
| | $ 757,921 |

C. In March 2015, the Association entered into a line of credit agreement with Signature Bank for $400,000. The agreement was renewed in March 2016. There have been no borrowings against the line as of July 19, 2016. The line bears interest at the bank's prime rate + 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 seasonal cash flow needs, and is required to be paid down for a minimum of 30 consecutive days during the year.

D. The Association believes it had no uncertain tax positions as of December 31, 2015 and 2014 in accordance with ASC Topic 740, "Income Taxes", which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

## NOTE 11 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| General Operating Support | $ 530,278 | $ 991,963 |
| Specific Program Support | 2,099,765 | 1,684,169 |
| Scholarship | 1,209,373 | 1,327,986 |
| Research | 1,313,175 | 1,481,862 |
| Jewish Education | 532,147 | 625,747 |
| Facility | 150,017 | 162,645 |
| | $ 5,834,755 | $ 6,274,372 |

Temporarily restricted net assets 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, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Program enrichment | $ 391,036 | $ 285,444 |
| Community consultation | 372,500 | 447,542 |
| Professional development | 117,435 | 164,219 |
| Jewish educational services | 764,443 | 893,429 |
| Support and development | 5,440 | 143,487 |
| Chaplaincy | 75,567 | 103,671 |
| Management and general | 343,784 | 955,873 |
| Israel office | 60,829 | 2,000 |
| Total | $ 2,131,034 | $ 2,995,665 |

At December 31, 2015 and 2014, permanently restricted net assets consist of endowments, of which the income is restricted for the following:

| | 2015 | 2014 |
|---|---|---|
| General Operating Support | $ 7,466,517 | $ 7,399,471 |
| Specific Program Support | 5,556,452 | 5,556,452 |
| Scholarship | 1,663,466 | 1,645,898 |
| Research | 1,197,575 | 1,197,575 |
| Jewish Education | 892,027 | 892,027 |
| Facility | 219,620 | 219,620 |
| Total | $ 16,995,657 | $ 16,911,043 |

## NOTE 12 – ENDOWMENT NET ASSETS

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. New York State enacted a version of UPMIFA on September 17, 2010. This law is commonly referred to as “NYPMIFA” (New York Prudent Management Institutional Funds Act).

## NOTE 12 – ENDOWMENT NET ASSETS (Continued)

The Association's Board of Directors has interpreted New York State nonprofit law, NYPMIFA, 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 2015 and 2014 was to appropriate 5.17% and 5.5%, respectively, of the average balance calculated using the quarterly balances over the previous three year period. That rate is being reduced over a three year period to 4.5%. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted. Appropriations under the spending policy are included in net assets released from restrictions, once the restriction has been met.

Changes in endowment net assets for year ended December 31, 2015:

| | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 1,596,593 | $ 16,911,043 | $ 18,507,636 |
| Investment activity: | | | |
| Interest and dividends | 303,810 | - | 303,810 |
| Unrealized and realized loss on investments | (634,377) | - | (634,377) |
| Total investment activity | (330,567) | - | (330,567) |
| Contributions to Endowment | - | 118,864 | 118,864 |
| Amount released to operations | (866,357) | - | (866,357) |
| Allowance for uncollectable pledge | - | (34,250) | (34,250) |
| Endowment net assets, end of year | $ 399,669 | $ 16,995,657 | $ 17,395,326 |
| Less: Permanently restricted pledges receivable at December 31, 2015 | | | (182,700) |
| Endowment investments at December 31, 2015 | | | $ 17,212,626 |

Changes in endowment net assets for year ended December 31, 2014:

| | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 1,832,190 | $ 16,886,482 | $ 18,718,672 |
| Investment activity: | | | |
| Interest and dividends | 350,609 | - | 350,609 |
| Unrealized and realized gain on investments | 777,858 | - | 777,858 |
| Total investment activity | 1,128,467 | - | 1,128,467 |
| Contributions to Endowment | - | 24,561 | 24,561 |
| Amount released to operations | (1,364,064) | - | (1,364,064) |
| Endowment net assets, end of year | $ 1,596,593 | $ 16,911,043 | $ 18,507,636 |
| Less: Permanently restricted pledges receivable at December 31, 2014 | | | (260,200) |
| Endowment investments at December 31, 2014 | | | $ 18,247,436 |

## NOTE 12 – ENDOWMENT NET ASSETS (Continued)

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 either temporarily restricted or unrestricted net assets. In 2015 and 2014, the balance exceeded the amount required.

During 2015, a donor with a remaining balance on a permanently restricted contribution passed away. As a result, the amount has been reserved.

## NOTE 13 – CONCENTRATION OF CREDIT RISK

Cash that potentially subjects the Association to a concentration of credit risk includes cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Corporation (“FDIC”) insurance limits of up to $250,000 per depositor. As of December 31, 2015 and 2014, the Association had cash balances that exceeded the FDIC insurance limits by approximately $71,000 and $67,000, respectively. Such excess includes outstanding checks.

## NOTE 14 – DEFICIT UNRESTRICTED NET ASSETS- OPERATIONS

As of December 31, 2015, the Association’s unrestricted net assets stood at a deficit balance of approximately $8,219,000 as compared to a deficit balance of approximately $7,474,000 as of December 31, 2014. After subtracting the items that relate to the Association’s net investment in property and equipment, pension and other postretirement benefits, the Association has an unrestricted deficit from operations of approximately $3,937,000 as of December 31, 2015 and approximately $3,492,000 as of December 31, 2014. It is the intention of the Association to reduce the deficit over a period of time by increasing the unrestricted and restricted funding through individual and corporate giving, private foundations, and program and seminar fees to become a prosperous entity with an endowment to build upon.

## NOTE 15 – PRIOR PERIOD ADJUSTMENT

Subsequent to December 31, 2014, the Association conducted a review of the temporarily restricted net asset composition. As a result, it was determined that certain releases of temporarily restricted net assets to unrestricted net assets were overstated. As a result, temporarily restricted net assets increased by $236,030 from the balance that was previously reported and decreased unrestricted net assets by $236,030 as of December 31, 2012.

## NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statements of financial position through July 19, 2016, the date the financial statements were available to be issued.