



**Jewish Community Center
of Greater Washington**

**JEWISH COMMUNITY CENTER OF
GREATER WASHINGTON**

Financial Statements

For the Year Ended June 30, 2015

(With Summarized Financial Information for the Year Ended June 30, 2014)



**and
Report Thereon**





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Jewish Community Center of Greater Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the Jewish Community Center of Greater Washington (the Center), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 Jewish Community Center of Greater Washington as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center's 2014 financial statements, and our report dated January 13, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read 'Raffa, P.C.', with a stylized flourish at the end.

Raffa, P.C.

Washington, DC
January 19, 2016

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON
STATEMENT OF FINANCIAL POSITION
June 30, 2015
(With Summarized Financial Information as of June 30, 2014)

	2015	2014
ASSETS		
Cash	\$ 2,399,475	\$ 1,746,125
Accounts receivable, net	12,043	17,588
Grants and contributions receivable, net	5,234,586	3,456,014
Prepaid expenses	199,539	178,856
Investments held for long-term purposes	8,518,533	8,532,195
Property and equipment, net	7,682,230	7,193,970
TOTAL ASSETS	\$ 24,046,406	\$ 21,124,748
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,795,685	\$ 932,212
Deferred revenue	1,886,024	1,787,541
Notes payable	2,049,278	2,093,368
Capital lease obligations	98,434	36,344
Accrued pension obligation	3,133,061	3,311,251
TOTAL LIABILITIES	8,962,482	8,160,716
Net Assets		
Unrestricted		
Undesignated	1,086,160	423,943
Board designated	693,460	685,912
Total Unrestricted Net Assets	1,779,620	1,109,855
Temporarily restricted	6,884,915	5,493,730
Permanently restricted	6,419,389	6,360,447
TOTAL NET ASSETS	15,083,924	12,964,032
TOTAL LIABILITIES AND NET ASSETS	\$ 24,046,406	\$ 21,124,748

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

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

(With Summarized Financial Information for the Year Ended June 30, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Program fees	\$ 5,740,851	\$ -	\$ -	\$ 5,740,851	\$ 5,224,373
Membership dues	2,250,184	-	-	2,250,184	2,261,573
Contributions	322,067	3,266,829	58,942	3,647,838	3,866,508
Grants	520,778	267,833	-	788,611	624,550
Jewish Federation of Greater Washington, Inc. award	701,802	81,487	-	783,289	90,849
Special events:	575,948	-	-	575,948	497,109
Less: Direct benefit costs	(73,794)	-	-	(73,794)	(109,963)
Special events revenue, net	502,154	-	-	502,154	387,146
Other income	323,367	-	-	323,367	308,750
Investment income	10,381	67,493	-	77,874	897,174
Sales, gross	75,923	-	-	75,923	79,316
Less: Cost of goods sold	(62,038)	-	-	(62,038)	(53,473)
Gross profit	13,885	-	-	13,885	25,843
Net transfers reflecting the fiscal year 2015 deficiency in donor-restricted endowments	(55,207)	55,207	-	-	-
Net assets released from restrictions:					
Satisfaction of time restrictions	92,749	(92,749)	-	-	-
Satisfaction of purpose restrictions	1,851,290	(1,851,290)	-	-	-
Appropriation of endowment income	403,625	(403,625)	-	-	-
TOTAL REVENUE AND SUPPORT	12,677,926	1,391,185	58,942	14,128,053	13,686,766
EXPENSES					
Program Services:					
Health and wellness	3,566,014	-	-	3,566,014	3,538,431
Early childhood	2,619,962	-	-	2,619,962	2,424,299
Camp, youth and teens	2,102,502	-	-	2,102,502	1,987,046
Adult services	1,405,993	-	-	1,405,993	1,154,071
Special needs	517,202	-	-	517,202	445,130
Total Program Services	10,211,673	-	-	10,211,673	9,548,977
Supporting Services:					
Management and general	1,285,611	-	-	1,285,611	1,442,036
Fundraising	824,069	-	-	824,069	786,068
Total Supporting Services	2,109,680	-	-	2,109,680	2,228,104
TOTAL EXPENSES	12,321,353	-	-	12,321,353	11,777,081
Change in net assets before unrecognized actuarial gain (loss) on pension plan	356,573	1,391,185	58,942	1,806,700	1,909,685
Unrecognized actuarial gain (loss) on pension plan	313,192	-	-	313,192	(566,642)
CHANGE IN NET ASSETS	669,765	1,391,185	58,942	2,119,892	1,343,043
NET ASSETS, BEGINNING OF YEAR	1,109,855	5,493,730	6,360,447	12,964,032	11,620,989
NET ASSETS, END OF YEAR	\$ 1,779,620	\$ 6,884,915	\$ 6,419,389	\$ 15,083,924	\$ 12,964,032

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

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

(With Summarized Financial Information for the Year Ended June 30, 2014)

	Program Services					Supporting Services				Total 2015	Total 2014
	Health and Wellness	Early Childhood	Camp, Youth and Teens	Adult Services	Special Needs	Total Program Services	Management and General	Fundraising	Total Supporting Services		
EXPENSES											
Staffing costs and benefits	\$ 1,501,069	\$ 1,959,365	\$ 1,178,214	\$ 820,451	\$ 412,322	\$ 5,871,421	\$ 811,251	\$ 501,480	\$ 1,312,731	\$ 7,184,152	\$ 6,528,675
Occupancy	930,324	220,615	278,429	147,476	21,397	1,598,241	50,119	59,864	109,983	1,708,224	1,887,733
Professional fees	286,998	25,530	87,756	120,046	20,452	540,782	177,913	20,714	198,627	739,409	887,288
Depreciation and amortization	344,594	76,484	101,287	46,562	7,930	576,857	17,694	21,487	39,181	616,038	571,955
Supplies	95,875	169,955	113,307	94,508	5,310	478,955	44,788	16,732	61,520	540,475	433,878
Travel, conferences and meetings	90,149	13,643	162,412	65,285	41,391	372,880	17,150	3,446	20,596	393,476	389,484
Miscellaneous	76,962	45,105	77,152	14,890	3,819	217,928	9,283	71,033	80,316	298,244	296,338
Rental and maintenance of equipment	39,266	16,049	28,264	32,762	1,652	117,993	26,755	79,892	106,647	224,640	172,529
Printing and publications	36,848	6,831	15,363	31,908	3	90,953	16,780	32,910	49,690	140,643	133,194
Financial assistance and scholarships	55,292	37,155	20,242	632	-	113,321	-	-	-	113,321	134,598
Interest expense	57,232	13,430	17,817	8,086	1,387	97,952	2,856	3,771	6,627	104,579	111,605
Membership dues	3,701	58	3,363	3,672	8	10,802	90,088	191	90,279	101,081	98,461
Insurance	38,646	9,368	12,428	6,010	968	67,420	1,992	2,630	4,622	72,042	62,235
Telecommunications	6,127	4,107	4,258	6,162	550	21,204	12,651	1,894	14,545	35,749	31,503
Postage	2,348	1,671	2,210	7,543	13	13,785	6,291	8,025	14,316	28,101	37,445
Loss on disposal of equipment	583	20,596	-	-	-	21,179	-	-	-	21,179	160
TOTAL EXPENSES	\$ 3,566,014	\$ 2,619,962	\$ 2,102,502	\$ 1,405,993	\$ 517,202	\$ 10,211,673	\$ 1,285,611	\$ 824,069	\$ 2,109,680	\$ 12,321,353	\$ 11,777,081

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

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015**

(With Summarized Financial Information for the Year Ended June 30, 2014)

Increase (Decrease) in Cash

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,119,892	\$ 1,343,043
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	616,038	571,955
Loss on disposal of equipment	21,179	160
Allowance for doubtful accounts	47,697	30,073
Discount of contributions to present value	44,139	218,130
Net realized and unrealized gains on investments	(69,489)	(793,889)
Donated bonds	(306,000)	(78,500)
Contributions restricted for investment in endowment	(58,942)	(78,512)
Changes in assets and liabilities:		
Accounts receivable	6,698	50,962
Grants and contributions receivable	(1,871,561)	(1,819,739)
Prepaid expenses	(20,683)	19,116
Accounts payable and accrued expenses	863,473	(70,050)
Deferred revenue	98,483	144,909
Accrued pension obligation	(178,190)	654,772
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,312,734	192,430
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,812,008	1,574,354
Purchases of investments	(2,422,857)	(1,275,100)
Purchases of property and equipment	(1,038,951)	(101,595)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(649,800)	197,659
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	58,942	78,512
Principal payments on notes payable	(44,090)	(296,785)
Repayments on capital lease obligations	(24,436)	(14,580)
NET CASH USED IN FINANCING ACTIVITIES	(9,584)	(232,853)
NET INCREASE IN CASH	653,350	157,236
CASH, BEGINNING OF YEAR	1,746,125	1,588,889
CASH, END OF YEAR	\$ 2,399,475	\$ 1,746,125
SUPPLEMENTAL CASHFLOW INFORMATION		
Actual cash payment for interest	\$ 104,579	\$ 111,605
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired under capital lease	\$ 86,526	\$ 26,129
Capital lease obligation	\$ (86,526)	\$ (26,129)
Donated bonds	\$ 306,000	\$ 78,500
Additions to property and equipment in accounts payable	\$ 624,711	\$ -

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

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2015

1. Organization and Summary of Significant Accounting Policies

Organization

The Jewish Community Center of Greater Washington (the Center) is a nonprofit organization that provides health, welfare and cultural benefits to the members of the Jewish community and the Washington, DC metropolitan area.

Investments

Investments consist of an interest in the United Jewish Endowment Fund, a pooled fund maintained by the Jewish Federation of Greater Washington; equity and fixed-income mutual funds; fixed income funds; an equity exchange-traded fund, State of Israel bonds; a certificate of deposit; money market funds and cash held for investment purposes. These investments are recorded at fair value in the accompanying statement of financial position.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful service lives of the assets, ranging from three to ten years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining lease term. Capital leased assets are recorded at cost and are amortized using the straight-line method over the life of the lease. Assets held during construction are stated at cost and are not depreciated until the asset is completed, at which time the asset is transferred to leasehold improvements. Expenditures for major additions, renewals and betterments are capitalized; expenditures for repairs and maintenance are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses. The Center capitalizes property and equipment with a cost of \$5,000 or more.

Revenue Recognition

Program fees are deferred upon receipt and recognized as revenue in the period in which the related program is held. Discounts are provided to members and the general public based upon volume purchases and other marketing promotions. Discounts on registrations are also provided to staff of the Center and range from 15% to 50%. Program fees are reported net of such discounts. Discounts for the year ended June 30, 2015 for members, the general public and staff totaled \$230,412.

Membership dues are recognized as revenue in the period to which the dues relate. Dues paid by members in advance of the membership period are reported as deferred revenue in the accompanying statement of financial position.

Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. 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 accompanying statement of activities as net assets released from restrictions. Unrestricted contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made.

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JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Special events revenue is recognized in the period in which the events take place.

The Center does not record contributions of works of art and similar assets held for public exhibition and education which are on loan to the Center for display for various time periods.

Contributed Services

Donated services are recorded at fair value if they create or enhance a nonfinancial asset or require specialized skills that the providers possess and that normally would have to be purchased. The estimated fair value of donated services was \$9,650 for the year ended June 30, 2015, and is included in contributions revenue in the accompanying statement of activities. Donated services for the year ended June 30, 2015 were comprised of accounting and legal services.

Fair Value Measurements

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, the Center has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Center has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of June 30, 2015, only the Center's investments, as described in Note 2 of these financial statements, and the investments of the Center's defined benefit plan, as described in Note 8 of these financial statements, were measured at fair value on a recurring basis and subject to the disclosure requirements of the fair value measurements and disclosures topic of the ASC.

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The net assets of the Center are classified as follows:

- Unrestricted net assets represent funds that are available for support of the Center's operations. Portions of unrestricted net assets have been designated by the Center's Board of Directors. Such funds can only be expended with Board approval.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.
- Permanently restricted net assets represent amounts that include donor-imposed restrictions that stipulate the resources be maintained in perpetuity and that only the investment earnings on such amounts be used in the manner specified by the donor.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated proportionately among the programs and supporting services based on management's estimates of shared costs.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Investments

The following table summarizes the Center's assets and liabilities measured at fair value on a recurring basis as of June 30, 2015:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled fund of the United Jewish Endowment Fund	\$ 4,631,288	\$ -	\$ 4,631,288	\$ -
State of Israel bonds	653,154	-	653,154	-

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JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

2. Investments (continued)

<i>(Continued)</i>	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity mutual funds:				
U.S. large cap	\$ 603,024	\$ 603,024	\$ -	\$ -
Long/short equity	281,120	281,120	-	-
Emerging markets	226,885	226,885	-	-
Foreign large value	171,563	171,563	-	-
Moderate allocation	139,246	139,246	-	-
World allocation	132,713	132,713	-	-
Foreign small/mid blend	120,439	120,439	-	-
Mid cap blend	<u>151,399</u>	<u>151,399</u>	<u>-</u>	<u>-</u>
Total equity mutual funds	1,826,389	1,826,389	-	-
Fixed-income mutual funds:				
Intermediate term	234,791	234,791	-	-
Multi-sector	<u>93,326</u>	<u>93,326</u>	<u>-</u>	<u>-</u>
Total fixed income mutual funds	328,117	328,117	-	-
Fixed-income funds:				
Corporate bonds	188,150	-	188,150	-
Mortgage pools	136,763	-	136,763	-
Agency securities	22,913	-	22,913	-
Municipal bonds	<u>5,907</u>	<u>-</u>	<u>5,907</u>	<u>-</u>
Total fixed income mutual funds	353,733	-	353,733	-
U.S. small cap exchange traded funds	131,727	131,727	-	-
Money market funds	579,533	579,533	-	-
Cash	<u>14,592</u>	<u>14,592</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 8,518,533</u>	<u>\$ 2,880,358</u>	<u>\$ 5,638,175</u>	<u>\$ -</u>

The Center used the following methods and significant assumptions to estimate fair value for its investments recorded at fair value:

Pooled fund of the United Jewish Endowment Fund – This is a pooled fund whose investments include domestic and international equity funds, hedge funds, private equity funds, and real asset funds, which are subject to certain restrictions and generally have no active established trading market. Fair value is determined based on the fund's

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

2. Investments (continued)

net asset value (NAV) as provided by the fund's management. The investments managed by the United Jewish Endowment Fund are classified as Level 2 within the valuation hierarchy as 80% of the investment may be redeemed at NAV at the measurement date and the remaining 20% may be redeemed ten days after month end.

State of Israel bonds and fixed-income funds – State of Israel bonds are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified as Level 2 within the valuation hierarchy. A yield-based matrix system was used to arrive at an estimated market value for the bonds and the certificate of deposit (market valuation approach).

Mutual funds, exchange traded funds, and money market funds – Mutual funds, exchange traded funds and money market funds are classified within Level 1 of the valuation hierarchy as they are valued at readily available quoted market prices from an active market where there is significant transparency in the executed/quoted market price.

A summary of the return on investments, including the interest earned on cash, is as follows for the year ended June 30, 2015:

Interest and dividends	\$ 147,363
Realized gains, net	98,887
Unrealized loss, net	<u>(168,376)</u>
Total Investment Income	<u>\$ 77,874</u>

3. Grants and Contributions Receivable

Grants and contributions receivable are due as follows at June 30, 2015:

Less than one year	\$ 1,357,937
One to five years	3,758,311
Greater than five years	<u>511,000</u>
Subtotal	5,627,248
Less: Discount for present value	(282,812)
Less: Allowance for doubtful accounts	<u>(109,850)</u>
Grants and Contributions Receivable, Net	<u>\$ 5,234,586</u>

The discount rates used to calculate the net present value of multi-year receivables are dependent upon the date the award was received and range from 0.5% to 3%.

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2015

4. Property and Equipment and Accumulated Depreciation and Amortization

The Center held the following property and equipment as of June 30, 2015:

Leasehold improvements	\$ 15,219,684
Furniture and equipment	1,459,017
Assets held during construction	1,043,555
Capital lease	<u>118,658</u>
Total property and equipment	17,840,914
Less: Accumulated depreciation and amortization	<u>(10,158,684)</u>
Property and equipment, net	<u>\$ 7,682,230</u>

Depreciation and amortization expense was \$616,038 for the year ended June 30, 2015.

The Center is undergoing renovations funded through its Centennial Campaign and a note payable. (See Notes 7 and 5, respectively.) At June 30, 2015, the first phase of renovations began with improvements to the Bender ECC preschool, classrooms and art/dance studios, social hall, gallery and kitchen which are included in assets held under construction. Renovations are expected to continue through 2017.

5. Notes Payable and Line of Credit Agreement

In 2011, the Center refinanced a note agreement with a financial institution and entered into a \$3,147,165 promissory note. The note had a ten-year term which commenced March 20, 2011. Interest accrued at an annual rate of 4.75% for the first five years. Payments of interest were due monthly. As of June 30, 2015, the Center prepaid principal payments of \$1,178,312. As of June 30, 2015, the outstanding balance on the note was \$1,968,853.

In addition, the financial institution provided the Center with a line of credit for \$500,000. Interest on any outstanding balance is payable monthly at a variable rate equal to the U.S. Prime Rate as adjusted daily, and with a specified minimum floor of 4.0%. The line of credit is payable upon demand and may be withdrawn at any time by the financial institution. As of June 30, 2015, no amounts have been advanced to the Center under this line of credit.

Under the note payable and the line of credit agreements, the Center must maintain all of its operating accounts with the financial institution, and the Center cannot incur additional debts from other financial institutions in excess of \$100,000 without the bank's permission. The financial institution also requires that audited financial statements be submitted to the bank by February 1st of each year. The note and line of credit are cross-collateralized with a first position lien on the Center's assets, including leasehold improvements and fixtures, as well as a lien on eligible contributions receivable.

In 1998, the Center entered into a 21-year note payable agreement for \$297,500 with Montgomery County, Maryland. Under terms of the agreement, monthly installments of principal and interest of \$1,650 are due through June 30, 2020. This note bears interest at the rate of 3.00%. As of June 30, 2015, the outstanding principal balance on the note was \$80,425.

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JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

5. Notes Payable and Line of Credit Agreement (continued)

As of June 30, 2015, future principal payments under these notes, are due as follows:

<u>For the Year Ending</u> <u>June 30,</u>	
2016	\$ 13,482
2017	14,673
2018	15,970
2019	17,381
2020	18,907
Thereafter	<u>1,968,865</u>
Total	<u>\$ 2,049,278</u>

Subsequent to year-end, in July 2015, the Center entered into a tax exempt non-bank qualified loan under the National Jewish Federation Bond Program issued through the Colorado Educational and Cultural Facilities Authority to provide funds for renovations and to refinance the \$1,968,853 balance on the 2011 note. The new loan has a seven-year term which commenced on September 4, 2015. The Center may borrow up to \$14 million. The loan balance as of January 19, 2016, was \$6,313,205. Interest accrues at an annual fixed rate of 2.569%. The draw period is 24 months during which interest only is due. Following the draw period, interest will continue to be paid monthly with annual principal payments of a minimum amount of \$750,000. Principal payments may be paid in advance at any time without penalty. The note matures on September 4, 2022, at which time a balloon payment is due.

6. Commitments and Contingencies

Concentration of Credit Risk

The Center maintains its cash with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2015, the Center had approximately \$3,000,000 composed of demand deposits and savings accounts, which exceeded the maximum limit insured by the FDIC by approximately \$2,500,000. The Center monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash.

As of June 30, 2015, approximately \$3,300,000 of the total net grants and contributions receivable balance was due from five donors. This amount represents 63% of the Center's net grants and contributions receivable balance as of June 30, 2015.

Operating Lease

The Center leases one of three contiguous properties from the Greater Washington Jewish Community Foundation. The lease commenced in 1969 and has a term of 99 years with an option to renew for an additional 99 years. Under the terms of this lease, the space is rented at \$1.00 per year. Additionally, the Center must pay its share of the costs of the maintenance and operations of the property and common areas.

Continued

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

6. Commitments and Contingencies (continued)

Operating Lease (continued)

The net present value of the donated rent for the lease term was not recognized as the amount, based upon the value of the space at the time of the donation, was not material to the Center's financial statements.

For the year ended June 30, 2015, the Center incurred expenses of \$778,726 for maintenance and operating costs related to the space.

7. Net Assets

Board-Designated Net Assets

As of June 30, 2015, the board-designated net assets consist of the Stetson Fund and the Council for the Arts Fund, which totaled \$671,739 and \$21,721, respectively, and function as an endowment funds.

Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and through the passage of time. For the year ended June 30, 2015, net assets released from restrictions were as follows:

Satisfaction of time restrictions, gross	\$ 120,180
Less: Appropriation of endowment income	<u>(27,431)</u>
Satisfaction of time restrictions, net	<u>92,749</u>
Satisfaction of purpose restrictions:	
Centennial Campaign	\$ 1,554,405
Adult services	260,155
Special needs	211,430
Early childhood	82,694
Camp, youth and teens	55,563
Debt reduction	25,000
Health and wellness	<u>38,237</u>
Total satisfaction of purpose restrictions, gross	<u>2,227,484</u>
Less: Appropriation of endowment income	<u>(376,194)</u>
Total satisfaction of purpose restrictions, net	<u>1,851,290</u>
Total appropriation of endowment income	<u>403,625</u>
Total net assets released from restrictions	<u>\$ 2,347,664</u>

Continued

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

7. Net Assets (continued)

Temporarily Restricted Net Assets (continued)

As of June 30, 2015, temporarily restricted net assets are available for the following purposes:

Time restricted for use in:	
2016	\$ 90,493
Available for endowment appropriation	<u>70,724</u>
Time restricted, total	161,217
Centennial campaign	5,141,868
Adult services	534,754
Special needs	445,451
Early childhood	152,505
Camp, youth and teens	126,511
Capital campaign	76,667
Debt reduction	127,350
Health and wellness	<u>118,592</u>
Total Temporarily Restricted Net Assets	<u>\$ 6,884,915</u>

Permanently Restricted Net Assets

As of June 30, 2015, permanently restricted net assets are dedicated for the following purposes:

Adult services	\$ 2,344,630
Special needs	2,313,506
Early childhood	661,453
Camp, youth and teens	548,387
Activities of the Center	454,602
Health and wellness	<u>96,811</u>
Total Permanently Restricted Net Assets	<u>\$ 6,419,389</u>

Endowment Funds

The Center's endowment consists of individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

Interpretation of Relevant Law

The original value of all gifts donated to the permanent endowment are classified as permanently restricted. The Center's policy is to preserve the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary.

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

7. Net Assets (continued)

Endowment Funds (continued)

Interpretation of Relevant Law (continued)

The Center's Board has interpreted the Maryland enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Center to appropriate for expenditure or accumulate so much of an endowment fund as the Center determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

Investment returns on permanently restricted endowments are classified in accordance with donor specifications. When no specifications are outlined by the donor, investment earnings on the permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires an organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. The Center's management has continued to follow its existing spending rate policy, rather than reduce the endowment distribution, because it expects that the individual fund values will be restored with future market appreciation. The cumulative underwater deficiency was \$150,559 as of June 30, 2015.

During the year ended June 30, 2015, certain individual endowment funds decreased from the previous year's market value. As a result, for the year ended June 30, 2015, unrestricted net assets were decreased and temporarily restricted net assets were increased by \$55,207.

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s) as well as a board-designated fund. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the endowment funds over the long term, and capital market volatility, the Board believes that a moderate risk strategy is prudent. Under this policy, as approved by the Board of Directors, the goal is to have stable returns over the long term, with a reduced potential of negative returns in any given year. The Center expects its endowment funds to provide an average rate of return of approximately 7% to 10% over time. Actual returns in any given year may vary from this amount.

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

7. Net Assets (continued)

Endowment Funds (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Center has a policy of distributing up to 5.5% of the average fair value of its endowment over the prior three calendar years in which the distribution is planned. In establishing this policy, the Center considered the long-term expected return of its endowment. Accordingly, over the long term, the Center expects the current spending policy to allow its endowment to grow 1.5% to 4.5% annually. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The Center's endowment net asset composition by fund type was as follows as of June 30, 2015:

	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,089,859	\$ 6,419,389	\$ 7,509,248
Board-designated endowment funds	<u>693,460</u>	<u>-</u>	<u>-</u>	<u>693,460</u>
Total Endowment Net Assets	<u>\$ 693,460</u>	<u>\$ 1,089,859</u>	<u>\$ 6,419,389</u>	<u>\$ 8,202,708</u>

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

7. Net Assets (continued)

Endowment Funds (continued)

For the year ended June 30, 2015, changes in endowment net assets were as follows:

	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 685,912	\$ 1,374,848	\$ 6,360,447	\$ 8,421,207
Investment returns:				
Investment income	8,984	132,968	-	141,952
Net appreciation realized and unrealized	<u>(218)</u>	<u>(69,540)</u>	<u>-</u>	<u>(69,758)</u>
Total Investment Returns	<u>8,766</u>	<u>63,428</u>	<u>-</u>	<u>72,194</u>
Investment fees	-	(22,485)	-	(22,485)
Contributions	-	-	58,942	58,942
Transfers	-	55,207	-	55,207
Appropriations for expenditure	<u>(1,218)</u>	<u>(381,139)</u>	<u>-</u>	<u>(382,357)</u>
Endowment Net Assets, End of Year	<u>\$ 693,460</u>	<u>\$ 1,089,859</u>	<u>\$ 6,419,389</u>	<u>\$ 8,202,708</u>

Permanently restricted net assets:

The portion of perpetual endowment funds that are required to be retained permanently either by explicit donor stipulation or by UPMIFA

\$ 6,419,389

Temporarily restricted net assets:

The portion of perpetual endowment funds subject to a time restriction under UPMIFA:

 Without purpose restrictions

\$ 70,725

 With purpose restrictions

1,019,134

Total endowment funds classified as
temporarily restricted net assets

\$ 1,089,859

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

8. Pension Plans

Defined Benefit Plan

The Center has a noncontributory defined benefit retirement plan (the Plan) covering all employees who have worked at least 1,000 hours, completed one year of service and attained the age of 21. Benefits are based on years of credited service and the average of the highest three consecutive years of compensation during the last ten years of service.

The Plan was amended to freeze participation in the Plan to all employees hired after December 31, 2005 and to freeze the benefit accruals for all participants as of June 30, 2007.

The measurement date for the following actuarial information was June 30, 2015.

Obligations and Funded Status

Projected benefit obligation at June 30, 2015	\$ 6,719,740
Fair value of Plan assets at June 30, 2015	<u>3,586,679</u>
Funded status	<u>\$ (3,133,061)</u>

Because the Plan has been frozen, the accumulated benefit obligation as of June 30, 2015 of \$6,719,740 is the same as the projected benefit obligation.

Amounts recognized in the accompanying statement of financial position consist of the following as of June 30, 2015:

Accrued benefit cost	<u>\$ (3,133,061)</u>
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Items not yet recognized as a component of net periodic pension cost and included in unrestricted net assets as of June 30, 2015 include the following:

Cumulative unrecognized actuarial loss	<u>\$ (1,199,477)</u>
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The unrecognized actuarial gain was \$313,192 for the year ended June 30, 2015.

The amount of the cumulative unrecognized actuarial loss of \$1,199,477 expected to be included in net periodic benefit cost for the year ending June 30, 2015 is \$212,568.

Amounts recognized in the accompanying statement of activities consist of the following for the year ended June 30, 2015:

Net periodic benefit cost	<u>\$ 135,002</u>
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The net periodic benefit cost is included in staffing costs and benefits in the accompanying statement of functional expenses for the year ended June 30, 2015.

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

8. Pension Plans (continued)

Defined Benefit Plan (continued)

Contributions and benefits paid for the year ended June 30, 2015 were as follows:

Employer contributions	\$ 225,602
Benefits paid	\$ 386,318

Assumptions

Weighted average assumptions used in determining the benefit obligation as of June 30, 2015 and the net periodic benefit cost for the year then ended were as follows:

Discount rate	4.00%
Expected long-term return on Plan assets	5.75%
Rate of compensation increase	N/A

The expected long-term rate of return on Plan assets assumption of 5.75% was developed based on historical returns for the Plan and the Plan's target asset allocation.

Plan Assets

The Center's investment objectives of the Plan's assets are aimed at the growth of capital in excess of inflation with managed risk.

The Center's Plan assets as of June 30, 2015, by asset category, using the fair value input measurements as outlined in Note 1 to these financial statements, were as follows:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Equity mutual funds:				
Long/short equity	\$ 562,778	\$ 562,778	\$ -	\$ -
U.S. large cap	626,123	626,123	-	-
Foreign large value	193,233	193,233	-	-
World allocation	181,338	181,338	-	-
Diversified emerging markets	235,134	235,134	-	-
Foreign small/mid blend	119,486	119,486	-	-
Moderate allocation	240,247	240,247	-	-
U.S. mid cap blend	<u>131,481</u>	<u>131,481</u>	<u>-</u>	<u>-</u>
Total equity mutual funds	2,289,820	2,289,820	-	-

Continued

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

8. Pension Plans (continued)

Defined Benefit Plan (continued)

Plan Assets (continued)

<i>(Continued)</i>	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fixed-income mutual funds:				
Intermediate term	\$ 156,297	\$ 156,297	\$ -	\$ -
Multi-sector	<u>128,495</u>	<u>128,495</u>	<u>-</u>	<u>-</u>
Total fixed income mutual funds	284,792	284,792	-	-
Fixed-income securities:				
Corporate bonds	265,551	-	265,551	-
Municipal bonds	287,941	-	287,941	-
Mortgage Pools	62,891	-	62,891	-
Agency securities	<u>100,628</u>	<u>-</u>	<u>100,628</u>	<u>-</u>
Total fixed income securities	717,011	-	717,011	-
U.S small cap growth				
Exchange traded fund	182,670	182,670	-	-
Cash and cash equivalents	<u>112,386</u>	<u>112,386</u>	<u>-</u>	<u>-</u>
Total plan assets	<u>\$ 3,586,679</u>	<u>\$ 2,869,668</u>	<u>\$ 717,011</u>	<u>\$ -</u>

At June 30, 2015, the Plan assets had accrued interest of \$6,524 not included in the actuarial information for the fair value of plan assets.

The Center used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value.

Mutual funds and exchange traded funds – Mutual funds and exchange traded funds are classified within Level 1 of the valuation hierarchy as they are valued at readily available quoted market prices from an active market where there is significant transparency in the executed/ quoted market price.

Fixed-income securities – Valued based on current yields, the security's terms and conditions, and market activity. Inputs used include market sources, credit information, observed market movement and sector news.

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

8. Pension Plans (continued)

Defined Benefit Plan (continued)

Contributions

Generally, the Center's funding policy is to contribute annually an amount equal to or greater than the actuarially determined minimum funding amount in accordance with ERISA guidelines. In no event, however, will the contribution be in excess of the maximum allowed contribution. Contributions expected to be paid to the Plan in fiscal year 2016 are approximately \$258,723.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, as of June 30, 2015, are expected to be paid as follows:

<u>For the Year Ending</u> <u>June 30,</u>	
2016	\$ 349,317
2017	354,572
2018	383,656
2019	391,649
2020	390,569
2021 - 2025	<u>1,971,746</u>
Total	<u>\$ 3,841,509</u>

Defined Contribution Plan

The Center also maintains a contributory defined contribution 403(b) retirement plan for all eligible full-time employees. An eligible employee is defined as any employee who is at least 21 years of age and has completed at least one year of service of 1,000 or more hours of service. All employer contributions are discretionary and participants vest in employer contributions after three years. For the year ended June 30, 2015, the Center did not make any employer contributions.

9. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Center is exempt from the payment of taxes on income other than net unrelated business income. The Center reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. For the year ended June 30, 2015 no provision for income taxes was made as the Center had no net unrelated business income and did not identify any uncertain tax positions requiring recognition or disclosure in these financial statements. As of June 30, 2015, the statute of limitations for tax years 2011 through 2014 remains open with the U.S. federal and state jurisdictions in which the Center files tax returns. It is the Center's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

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JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

10. Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2014, from which the summarized information was prepared.

11. Subsequent Events

The Center's management has evaluated subsequent events through January 19, 2016, the date the financial statements were available to be issued. Other than the matter disclosed in Note 5 related to the refinancing of the loan, there are no other subsequent events that require recognition or disclosure in these financial statements.