Bender JCC
of Greater Washington
Sondra & Howard Bender Family

BENDER JCC OF GREATER WASHINGTON

Financial Statements

For the Year Ended June 30, 2017
(With Summarized Financial Information for the Year Ended June 30, 2016)

and
Report Thereon

Raffa

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Bender JCC of Greater Washington

We have audited the accompanying financial statements of the Bender JCC of Greater Washington (the Center), which comprise the statement of financial position as of June 30, 2017, 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 Bender JCC of Greater Washington as of June 30, 2017, 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.

Continued

Report on Summarized Comparative Information

We have previously audited the Center's 2016 financial statements, and our report dated January 18, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa, P.C.

Washington, DC
January 11, 2018

BENDER JCC OF GREATER WASHINGTON

STATEMENT OF FINANCIAL POSITION
June 30, 2017
(With Summarized Financial Information as of June 30, 2016)

	2017	2016
ASSETS		
Cash	$ 1,881,282	$ 2,872,146
Accounts receivable, net	74,797	22,258
Grants and contributions receivable, net	6,744,937	9,104,463
Prepaid expenses	307,025	190,112
Investments held for long-term purposes	8,532,632	8,071,191
Assets held for employee benefits	20,784	18,893
Property and equipment, net	17,374,640	13,165,079
TOTAL ASSETS	$ 34,936,097	$ 33,444,142
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 893,871	$ 1,710,085
Deferred revenue	2,062,364	2,040,329
Notes payable, net	9,784,447	6,170,399
Capital lease obligations	71,994	70,504
Deferred compensation	20,784	18,893
Accrued pension obligation	2,538,607	4,932,388
TOTAL LIABILITIES	15,372,067	14,942,598
Net Assets		
Unrestricted		
Undesignated	10,106,799	4,800,892
Board-designated	607,798	703,554
Total Unrestricted	10,714,597	5,504,446
Temporarily restricted	2,024,606	6,215,216
Permanently restricted	6,824,827	6,781,882
TOTAL NET ASSETS	19,564,030	18,501,544
TOTAL LIABILITIES AND NET ASSETS	$ 34,936,097	$ 33,444,142

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

BENDER JCC OF GREATER WASHINGTON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017
(With Summarized Financial Information for the Year Ended June 30, 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Program fees	$ 6,229,531	$ -	$ -	$ 6,229,531	$ 5,802,293
Membership dues	2,181,118	-	-	2,181,118	2,213,765
Contributions	347,036	1,099,401	42,945	1,489,382	5,821,203
Grants	598,550	198,907	-	797,457	2,733,934
Jewish Federation of Greater Washington, Inc. award	721,058	64,505	-	785,563	783,902
Special events:	565,183	-	-	565,183	572,766
Less: Direct benefit costs	(66,043)	-	-	(66,043)	(72,002)
Special events revenue, net	499,140	-	-	499,140	500,764
Other income	316,638	-	-	316,638	319,375
Investment income (loss), net	10,735	763,139	-	773,874	(177,586)
Sales, gross	33,873	-	-	33,873	38,504
Less: Cost of goods sold	(30,122)	-	-	(30,122)	(26,764)
Gross profit	3,751	-	-	3,751	11,740
Net transfers to restore deficiency in donor-restricted endowments	176,010	(176,010)	-	-	-
Net assets released from restrictions:					
Satisfaction of time restrictions	102,903	(102,903)	-	-	-
Satisfaction of purpose restrictions	5,718,410	(5,718,410)	-	-	-
Appropriation of endowment income	319,239	(319,239)	-	-	-
TOTAL REVENUE AND SUPPORT	17,224,119	(4,190,610)	42,945	13,076,454	18,009,390
EXPENSES					
Program Services:					
Health and wellness	4,462,831	-	-	4,462,831	3,775,301
Early childhood	3,368,258	-	-	3,368,258	2,755,904
Camp, youth and teens	2,476,370	-	-	2,476,370	2,303,502
Adult services	1,512,269	-	-	1,512,269	1,535,410
Special needs	680,572	-	-	680,572	532,939
Total Program Services	12,500,300	-	-	12,500,300	10,903,056
Supporting Services:					
Management and general	1,436,642	-	-	1,436,642	1,314,973
Fundraising	836,098	-	-	836,098	764,729
Total Supporting Services	2,272,740	-	-	2,272,740	2,079,702
TOTAL EXPENSES	14,773,040	-	-	14,773,040	12,982,758
Change in net assets before unrecognized actuarial gain (loss) on pension plan	2,451,079	(4,190,610)	42,945	(1,696,586)	5,026,632
Unrecognized actuarial gain (loss) on pension plan	2,759,072	-	-	2,759,072	(1,609,012)
CHANGE IN NET ASSETS	5,210,151	(4,190,610)	42,945	1,062,486	3,417,620
NET ASSETS, BEGINNING OF YEAR	5,504,446	6,215,216	6,781,882	18,501,544	15,083,924
NET ASSETS, END OF YEAR	$ 10,714,597	$ 2,024,606	$ 6,824,827	$ 19,564,030	$ 18,501,544

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

BENDER JCC OF GREATER WASHINGTON

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017
(With Summarized Financial Information for the Year Ended June 30, 2016)

	Program Services						Supporting Services				
	Health and Wellness	Early Childhood	Camp, Youth and Teens	Adult Services	Special Needs	Total Program Services	Management and General	Fundraising	Total Supporting Services	2017 Total	2016 Total
EXPENSES											
Staffing costs and benefits	$ 1,965,471	$ 2,573,979	$ 1,409,506	$ 828,108	$ 577,670	$ 7,354,734	$ 932,118	$ 575,903	$ 1,508,021	$ 8,862,755	$ 7,338,965
Occupancy	937,336	220,121	282,811	128,720	21,147	1,590,135	52,152	60,575	112,727	1,702,862	1,764,954
Professional fees	349,599	74,123	95,583	159,019	14,284	692,608	185,190	7,081	192,271	884,879	839,544
Depreciation and amortization	510,402	122,539	156,169	72,319	12,319	873,748	27,693	33,203	60,896	934,644	712,033
Supplies	144,814	188,467	116,906	115,449	4,817	570,453	37,910	11,029	48,939	619,392	704,032
Travel, conferences and meetings	123,700	15,951	170,192	83,986	39,048	432,877	18,861	2,725	21,586	454,463	465,734
Miscellaneous	73,421	61,341	89,211	15,016	3,572	242,561	21,551	27,650	49,201	291,762	280,259
Rental and maintenance of equipment	54,902	15,194	25,993	32,790	1,534	130,413	28,244	57,471	85,715	216,128	214,394
Printing and publications	41,610	10,101	26,775	35,224	108	113,818	13,068	34,942	48,010	161,828	145,199
Financial assistance and scholarships	72,265	36,964	13,075	-	760	123,064	-	-	-	123,064	120,551
Interest expense	126,984	30,689	40,553	18,666	3,188	220,080	7,026	8,598	15,624	235,704	151,445
Membership dues	3,772	153	3,777	1,963	3	9,668	92,504	1,369	93,873	103,541	100,410
Insurance	36,065	8,742	11,598	5,407	903	62,715	1,859	2,455	4,314	67,029	72,412
Telecommunications	9,192	6,213	5,533	7,010	899	28,847	12,841	5,576	18,417	47,264	45,829
Postage	2,420	826	2,457	6,873	25	12,601	5,518	6,719	12,237	24,838	31,892
Loss (gain) on disposal of equipment	10,878	2,855	26,231	1,719	295	41,978	107	802	909	42,887	(4,895)
TOTAL EXPENSES	$ 4,462,831	$ 3,368,258	$ 2,476,370	$ 1,512,269	$ 680,572	$ 12,500,300	$ 1,436,642	$ 836,098	$ 2,272,740	$ 14,773,040	$ 12,982,758

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

BENDER JCC OF GREATER WASHINGTON

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017
(With Summarized Financial Information for the Year Ended June 30, 2016)
Increase (Decrease) in Cash

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,062,486	$ 3,417,620
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	926,692	705,406
Amortization of bond issuance costs	7,952	6,627
(Gain) loss on disposal of equipment	42,887	(4,895)
Allowance for doubtful accounts	10,841	12,497
Discount of contributions to present value	(84,374)	(26,195)
Net realized and unrealized (gains) losses on investments	(625,259)	314,631
Donated bonds	-	(280,000)
Contributions restricted for investment in endowment	(42,945)	(362,493)
Changes in assets and liabilities:		
Accounts receivable	(55,030)	(8,362)
Grants and contributions receivable	2,435,550	(3,858,032)
Prepaid expenses	(116,913)	9,427
Accounts payable and accrued expenses	(816,214)	(85,600)
Deferred revenue	22,035	154,305
Deferred compensation liability	1,891	18,893
Accrued pension obligation	(2,393,781)	1,799,327
NET CASH PROVIDED BY OPERATING ACTIVITIES	375,818	1,813,156
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	3,722,445	1,517,918
Purchases of investments	(3,558,627)	(1,105,207)
Purchases of property and equipment	(5,145,209)	(6,176,070)
Purchases of assets held for employee benefits	(1,891)	(18,893)
NET CASH USED IN INVESTING ACTIVITIES	(4,983,282)	(5,782,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	42,945	362,493
Principal payments on notes payable	(14,673)	(2,110,105)
Proceeds from notes payable	3,620,769	6,440,983
Repayments on capital lease obligations	(32,441)	(35,220)
Bond issuance costs	-	(216,384)
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,616,600	4,441,767
NET INCREASE (DECREASE) IN CASH	(990,864)	472,671
CASH, BEGINNING OF YEAR	2,872,146	2,399,475
CASH, END OF YEAR	$ 1,881,282	$ 2,872,146
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payment for interest	$ 235,704	$ 151,445
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired under capital lease	$ 33,931	$ 7,290
Capital lease obligation	$ (33,931)	$ (7,290)
Donated bonds	$ -	$ 280,000

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

1. Organization and Summary of Significant Accounting Policies

Organization

The Bender JCC 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, D.C. metropolitan area.

Effective July 26, 2016, the Jewish Community Center of Greater Washington changed its legal name to the Bender JCC of Greater Washington.

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; equity exchange-traded funds, State of Israel bonds; money market funds; and cash held for investment purposes. Valuation techniques and the inputs used to measure investments are disclosed at Note 8.

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, 2017, for members, the general public and staff totaled $333,309.

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

Continued

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

Revenue Recognition (continued)

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 to give are made.

Any restricted assets received and expended during the same year are reported as unrestricted net assets.

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 $1,100 for the year ended June 30, 2017, and is included in contributions revenue in the accompanying statement of activities. Donated services for the year ended June 30, 2017, were comprised of accounting and legal services.

Fair Value Measurement

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, 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.

Continued

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

Fair Value Measurement (continued)

As of June 30, 2017, the Center's investments, the investments of the Center's defined benefit plan, the assets held for employee benefits and the deferred compensation liability as described in Notes 2 and 9 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.

The Center follows the measurement provisions of FASB Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The guidance amends the *Fair Value Measurement* topic and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value (NAV) or its equivalent.

NAV, or its equivalent, is the value per share or value of ownership interest in partner's capital, as provided by the fund, whose financial statements are prepared in a manner consistent with the measurement principles of an investment company or that has the attributes of an investment company.

In May 2015, FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which is effective for non-public entities for fiscal years beginning after December 15, 2016, with early adoption permitted. This standard removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using NAV per share as a practical expedient. Accordingly, applicable investments measured at fair value on a recurring basis using NAV, or its equivalent, as a practical expedient are excluded from the fair value hierarchy disclosures and included as a reconciling item in Note 8 of these financial statements.

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.

Continued

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (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

Investments consisted of the following at June 30, 2017:

Pooled fund of the United Jewish Endowment Fund	$ 4,163,357
Exchange-traded funds	1,813,778
Fixed-income funds	862,083
Fixed-income mutual funds	534,433
Money market funds	619,921
State of Israel bonds	478,541
Cash	60,519
Total Investments	$ 8,532,632

A summary of the return on investments, including the interest earned on cash, is as follows for the year ended June 30, 2017:

Interest and dividends	$ 148,615
Realized and unrealized gains, net	625,259
Total Investment Income	$ 773,874

3. Grants and Contributions Receivable

Grants and contributions receivable were due as follows at June 30, 2017:

Less than one year	$ 3,136,494
One to five years	3,464,347
Greater than five years	448,889
Total Grants and Contributions Receivable	7,049,730
Less: Discount for Present Value	(172,243)
Less: Allowance for Doubtful Accounts	(132,550)
Grants and Contributions Receivable, Net	$ 6,744,937

The discount rates used to calculate the net present value of multiyear receivables are dependent upon the date the award was received, and range from 0.7% to 2.5%.

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4. Property and Equipment and Accumulated Depreciation and Amortization

The Center held the following property and equipment as of June 30, 2017:

Leasehold improvements		$ 26,711,878
Furniture and equipment		1,770,791
Assets held under construction		367,911
Capital lease		127,747
	Total Property and Equipment	28,978,327
	Less: Accumulated Depreciation and Amortization	(11,603,687)
	Property and Equipment, Net	$ 17,374,640

Depreciation and amortization expense was $926,692 for the year ended June 30, 2017.

The Center is undergoing renovations funded through its Centennial Campaign and a note payable. (See Notes 7 and 5, respectively.) At June 30, 2016, the first phase of renovations was complete, with improvements to the Center's preschool upper level, classrooms and art/dance studios, social hall, gallery, kitchen and family locker rooms. At June 30, 2017, the second phase of renovations was complete with improvements to the Center's lower level and hallway extension on the upper level, the indoor pool, the adult locker room and the front playground. Renovations to the outdoor pool are underway and are expected to be completed in March 2018. Those renovations are included in assets held under construction at June 30, 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. On September 4, 2016, the remaining balance of $1,968,853 was refinanced as stated below.

On June 30, 2016, 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 in the 2011 note. The loan was funded on September 4, 2016, in an amount up to $14 million. The maturity date is September 1, 2030, with a renewal on September 1, 2022. A balloon payment will be due at maturity. Interest accrues at an annual fixed rate of 2.569%.

The draw period is 24 months during which only interest 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 loan balance as of June 30, 2017, was $9,933,974.

Continued

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

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, 2017, no amounts had been advanced to the Center under this line of credit.

Under the loan 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, with the exception of purchase money financing and financing for equipment leases. The financial institution also requires that audited financial statements be submitted to the bank by February 1 of each year. The loan 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, 2017, the outstanding principal balance on the note was $52,278.

As of June 30, 2017, future principal payments under these notes, are due as follows:

For the Year Ending June 30,	
2018	$ 765,970
2019	767,382
2020	768,926
2021	750,000
2022	750,000
Thereafter	6,183,974
Total Notes Payable	9,986,252
Less: Unamortized Bond Issuance Costs	(201,805)*
Notes Payable, Net	$ 9,784,447

* In 2017, the Center adopted newly effective FASB-issued ASU No. 2015-03, *Amendments to Subtopic 835-30, Interest – Imputation of Interest.* This standard requires the presentation of deferred financing costs as a reduction of the carrying amount of the related debt liability, rather than as a deferred charge as required under prior guidance. The Center reflected the retroactive impact on the prior year's balances presented in the accompanying financial statements. As a result of the adoption, unamortized bond issuance costs previously recorded as an asset on the Center's statement of financial position are now presented as a reduction of the carrying amount of the related debt liability as disclosed above. The cost of issuance of the tax-exempt bond consists of underwriters' fees, attorneys' fees and other costs. The bond issuance costs are being amortized on a straight-line basis over the 15-year term of the bond.

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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, 2017, the Center had approximately $2,754,000 composed of demand deposits, savings accounts and money market accounts, which exceeded the maximum limit insured by the FDIC by approximately $2,216,000. The Center monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash.

As of June 30, 2017, approximately $4,700,000 of the total net grants and contributions receivable balance was due from three donors. This amount represents 69% of the Center's net grants and contributions receivable balance as of June 30, 2017.

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 per year. Additionally, the Center must pay its share of the costs of the maintenance and operations of the property and common areas. 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, 2017, the Center incurred expenses of $780,649 for maintenance and operating costs related to the space.

7. Net Assets

Board-Designated Net Assets

As of June 30, 2017, board-designated net assets consist of the Stetson Fund and the Council for the Arts Fund, which totaled $589,115 and $18,683, respectively.

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, 2017, net assets released from restrictions were as follows:

Satisfaction of time restrictions, gross	$ 119,071
Less: Appropriation of Endowment Income	(16,168)
Satisfaction of Time Restrictions, Net	102,903

Continued

7. Net Assets (continued)

Temporarily Restricted Net Assets (continued)

Satisfaction of purpose restrictions:	
Centennial Campaign	$ 5,427,358
Adult services	215,457
Special needs	178,218
Early childhood	84,532
Camp, youth and teens	39,592
Debt reduction	25,000
Health and wellness	51,323
Total Satisfaction of Purpose Restrictions, Gross	6,021,480
Less: Appropriation of Endowment Income	(303,070)
Total Satisfaction of Purpose Restrictions, Net	5,718,410
Total Appropriation of Endowment Income	319,239
Total Net Assets Released from Restrictions	$ 6,140,552

As of June 30, 2017, temporarily restricted net assets were available for the following purposes:

Time restricted for use in 2018:	$ 127,755
Available for endowment appropriation	61,858
Total Time Restricted	189,613
Centennial Campaign	718,699
Adult services	451,500
Special needs	268,757
Early childhood	184,721
Camp, youth and teens	105,238
Debt reduction	50,000
Health and wellness	56,078
Total Temporarily Restricted Net Assets	$ 2,024,606

Permanently Restricted Net Assets

As of June 30, 2017, permanently restricted net assets were dedicated for the following purposes:

Adult services	$ 2,438,372
Special needs	2,563,309
Early childhood	679,381
Camp, youth and teens	572,116
Activities of the Center	481,383
Health and wellness	90,266
Total Permanently Restricted Net Assets	$ 6,824,827

7. Net Assets (continued)

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.

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 $146,523 as of June 30, 2017.

During the year ended June 30, 2017, certain individual endowment funds decreased from the previous year's market value. As a result, for the year ended June 30, 2017, unrestricted net assets were decreased and temporarily restricted net assets were increased by $176,010.

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

Continued

7. Net Assets (continued)

Endowment Funds (continued)

Return Objectives and Risk Parameters (continued)

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 5% to 7% over time. Actual returns in any given year may vary from this amount.

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

Previously, the Center had 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 was planned. In 2017, the Center amended its policy whereby beginning in fiscal year 2018, the spending rate will be reduced by 0.25% each year until the rate bottoms out at 4.5%. For 2017, the spending rate remained at 5.5%. The Center's amended policy includes limitations regarding the spending of new endowments whereby new endowments are excluded from the spending calculation in year one and half of the spend rate is applied to new endowments in year two. In establishing its policy, the Center considered the long-term expected return of its endowment. 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, 2017:

	Unrestricted Board-Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 859,574	$ 6,824,827	$ 7,684,401
Board-designated endowment funds	607,798	-	-	607,798
Total Endowment Net Assets	$ 607,798	$ 859,574	$ 6,824,827	$ 8,292,199

Continued

7. Net Assets (continued)

For the year ended June 30, 2017, changes in endowment net assets were as follows:

	Unrestricted Board-Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 703,554	$ 595,674	$ 6,781,882	$ 8,081,110
Investment returns:				
Investment income	8,529	138,295	-	146,824
Net appreciation (depreciation) realized and unrealized	1,715	620,854	-	622,569
Total Investment Return	10,244	759,149	-	769,393
Investment fees	-	(24,761)	-	(24,761)
Contributions	-	-	42,945	42,945
Transfers	-	(176,010)	-	(176,010)
Appropriations for expenditure	(106,000)	(294,478)	-	(400,478)
Endowment Net Assets, End of Year	$ 607,798	$ 859,574	$ 6,824,827	$ 8,292,199

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	$ 6,824,827

Temporarily restricted net assets:

The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
Without purpose restrictions	$ 61,858
With purpose restrictions	797,716
Total endowment funds classified as temporarily restricted net assets	$ 859,574

8. Fair Value Measurement

The following table summarizes the Center's assets and liabilities, which are measured at fair value on a recurring basis, aggregated by type and the fair value hierarchy level within which those measurements were made.

	Total	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
State of Israel bonds	$ 478,541	$ -	$ 478,541	$ -
Fixed-income mutual funds:				
Intermediate term	357,154	357,154	-	-
Multi-sector	177,279	177,279	-	-
Total Fixed-Income Mutual Funds	534,433	534,433	-	-
Fixed-income funds:				
Corporate bonds	400,235	-	400,235	-
Mortgage pools	277,333	-	277,333	-
U.S. Treasuries	150,372	-	150,372	-
Municipal bonds	34,143	-	34,143	-
Total Fixed-Income Funds	862,083	-	862,083	-
Exchange-traded funds:				
U.S. large cap	633,353	633,353	-	-
international equity	499,041	499,041	-	-
Exchange-traded funds:				
Mid cap	247,660	247,660	-	-
Emerging markets	235,180	235,180	-	-
U.S. small cap	198,544	198,544	-	-
Total Exchange-Traded Funds	1,813,778	1,813,778	-	-
Money market funds	619,921	619,921	-	-
Cash	60,519	60,519	-	-
Total Investments in the Fair Value Hierarchy	4,369,275	3,028,651	1,340,624	-

Continued

8. Fair Value Measurement (continued)

(continued)	Total	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at NAV:				
Pooled fund of the United Jewish Endowment Fund[(a)]	$ 4,163,357			
Total Investments	8,532,632			
Assets held for employee benefits:				
Balance index equity mutual fund	20,784	$ 20,784	$ -	$ -
Total Assets	$ 8,553,416	$ 3,007,867	$ 5,503,981	$ -
Liabilities:				
Deferred compensation	$ 20,784	$ 20,784	$ -	$ -
Total Liabilities	$ 20,784	$ 20,784	$ -	$ -

(a) This investment is measured at NAV, or its equivalent, as a practical expedient and has not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the statement of financial position.

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

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 (market valuation approach).

Mutual funds, exchange-traded funds, fixed-income funds and money market funds – Mutual funds, exchange traded funds, common stock 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.

Deferred compensation liability – Value is based on the fair value of investments corresponding to the employees' investment selections (see mutual funds above for valuation technique used for the employee's investment selections).

Continued

8. Fair Value Measurement (continued)

The table below details the Center's ability to redeem investments valued at NAV, or its equivalent, as of June 30, 2017:

	Number of Funds	Fair Value 2017	Unfunded Commitments	Redemption Frequency If Currently Eligible	Redemption Notice Period
Pooled fund of the United Jewish Endowment Fund[(a)]	1	$ 4,163,357	$ -	(a)	(a)
Total		$ 4,163,357			

[(a)] *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. The investments are managed by the United Jewish Endowment Fund; 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.

9. 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, 2017.

Obligations and Funded Status

Projected benefit obligation at June 30, 2017	$ 7,152,838
Fair value of Plan assets at June 30, 2017	4,614,231
Funded status	$ (2,538,607)

Because the Plan has been frozen, the accumulated benefit obligation as of June 30, 2017, of $7,152,838, is the same as the projected benefit obligation.

9. Pension Plans (continued)

Defined Benefit Plan (continued)

Amounts recognized in the accompanying statement of financial position consist of the following as of June 30, 2017:

Accrued benefit cost	$ (2,538,607)

Items not yet recognized as a component of net periodic pension cost and included in unrestricted net assets as of June 30, 2017, include the following:

Cumulative unrecognized actuarial loss	$ (1,608,140)

The unrecognized actuarial gain was $2,759,072 for the year ended June 30, 2017.

The amount of the cumulative unrecognized actuarial loss of $1,608,140 expected to be included in net periodic benefit cost for the year ending June 30, 2017, is $251,353.

Amounts recognized in the accompanying statement of activities consist of the following for the year ended June 30, 2017:

Net periodic benefit cost	$ 365,291

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, 2017.

Contributions and benefits paid for the year ended June 30, 2017, were as follows:

Employer contributions	$ 1,300,000
Benefits paid	$ 356,417

Assumptions

Weighted average assumptions used in determining the benefit obligation as of June 30, 2017, and the net periodic benefit cost for the year then ended were as follows:

Discount rate	3.45%
Expected long-term return on the Plan's assets	5.75%
Rate of compensation increase	N/A

The expected long-term rate of return on the Plan's assets 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 for the Plan's assets are aimed at the growth of capital in excess of inflation with managed risk.

9. Pension Plans (continued)

Defined Benefit Plan (continued)

Plan Assets (continued)

The table below details the Plan's ability to redeem investments valued at NAV, or its equivalent, as of June 30, 2017:

	Fair Value 2017	Unfunded Commitments	Redemption Frequency If Currently Eligible	Redemption Notice Period
Money market[a]	$ 4,614,231	-	Daily	1 Day

[a] *Money market* – Valued at NAV calculated using the amortized cost method of accounting to value fund securities.

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 the guidelines of the Employee Retirement Income Security Act of 1974 (ERISA). In no event, however, will the contribution be in excess of the maximum allowed contribution. There are no contributions expected to be paid to the Plan in fiscal year 2018.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, as of June 30, 2017, are expected to be paid as follows:

For the Year Ending June 30,	
2018	$ 403,941
2019	411,964
2020	409,845
2021	412,462
2022	410,437
2023 – 2026	2,058,477
Total	$ 4,107,126

The Center has the right under the Plan provisions to terminate the Plan subject to the provisions of ERISA. On May 11, 2017, the Board of Directors voted to terminate the Plan effective July 20, 2017. Upon termination of the Plan, assets were to be allocated in a manner consistent with Section 4044 of ERISA.

In the event of Plan termination, the Plan's net assets generally would not be available on a pro rata basis to provide participants' benefits. Whether a particular participant's accumulated plan benefits would be paid depends on both the priority of those benefits and the level of

Continued

9. Pension Plans (continued)

Defined Benefit Plan (continued)

Estimated Future Benefit Payments (continued)

benefits guaranteed by the Pension Benefit Guaranty Corporation (PBGC) at the time of termination. Some benefits may be fully or partially provided for by the then-existing assets and the PBGC guaranty, while other benefits may not be provided for at all.

Defined Contribution Plan

The Center maintains a contributory defined contribution 403(b) retirement plan for all eligible full-time employees. An eligible employee is defined as any employee who has attained 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, 2017, the Center did not make any employer contributions.

Effective January 1, 2017, the Center automatically withholds 2% of each eligible employee's compensation each payroll period and remit such amount to the Plan as each employee's elective deferral. Employees may enter into a salary reduction agreement at any time to select an alternative contribution deferral percentage or to elect not to contribute to the Plan.

Supplemental Executive Retirement Plan

The Center established a Deferred Compensation Plan under Internal Revenue Code Section 457(b), effective December 1, 2015, to provide supplemental benefits to executives whose benefits under the 403(b) plan are limited by Internal Revenue Service compensation limitations. Contributions into the plan are elective and there are no employer matches, therefore, an individual is 100% vested in all contributions at the time of deferral. The fair value of the plan assets was $20,784 as of June 30, 2017.

10. Income Taxes

The Center has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Center evaluated its uncertainty in income taxes for the year ended June 30, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2017, the statute of limitations for tax years 2013 through 2016 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Center files tax returns. It is the Center's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense.

Continued

11. Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 financial statements presentation.

12. 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, 2016, from which the summarized information was prepared.

13. Subsequent Events

The Center's management has evaluated subsequent events through January 11, 2018, the date the financial statements were available to be issued. Except for the subsequent event disclosed in Note 9, Pension Plans, there are no other subsequent events that require recognition or disclosure in these financial statements.