BENDER JCC OF GREATER WASHINGTON

Financial Statements

For the Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

and
Report Thereon

BENDER JCC OF GREATER WASHINGTON

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INDEPENDENT AUDITORS' 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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Continued

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, 2018, 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

The financial statements of the Center as of and for the year ended June 30, 2017, were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018**,** and whose report dated January 11, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
January 31, 2019

BENDER JCC OF GREATER WASHINGTON

STATEMENT OF FINANCIAL POSITION
June 30, 2018
(With Summarized Financial Information as of June 30, 2017)

	2018	2017
ASSETS		
Cash	$ 3,148,713	$ 1,881,282
Accounts receivable, net	70,012	74,797
Grants and contributions receivable, net	4,138,506	6,744,937
Prepaid expenses	320,801	307,025
Investments held for long-term purposes	8,883,582	8,532,632
Other assets	40,808	20,784
Property and equipment, net	18,011,073	17,374,640
TOTAL ASSETS	$ 34,613,495	$ 34,936,097
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 856,804	$ 893,871
Deferred revenue	2,053,610	2,062,364
Notes payable, net	11,625,373	9,784,447
Capital lease obligations	61,488	71,994
Deferred compensation	40,808	20,784
Accrued pension obligation	-	2,538,607
TOTAL LIABILITIES	14,638,083	15,372,067
Net Assets		
Unrestricted		
Undesignated	9,794,107	10,106,799
Board-designated	952,289	607,798
Total Unrestricted	10,746,396	10,714,597
Temporarily restricted	2,120,447	2,024,606
Permanently restricted	7,108,569	6,824,827
TOTAL NET ASSETS	19,975,412	19,564,030
TOTAL LIABILITIES AND NET ASSETS	$ 34,613,495	$ 34,936,097

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, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
REVENUE AND SUPPORT					
Program fees	$ 6,646,035	$ -	$ -	$ 6,646,035	$ 6,229,531
Membership dues	2,182,449	-	-	2,182,449	2,181,118
Contributions	879,348	517,465	258,742	1,655,555	1,489,382
Grants	557,186	290,640	-	847,826	797,457
Jewish Federation of Greater Washington, Inc. award	709,904	83,375	-	793,279	785,563
Special events:	851,911	-	-	851,911	565,183
Less: Direct benefit costs	(99,961)	-	-	(99,961)	(66,043)
Special events revenue, net	751,950	-	-	751,950	499,140
Other income	367,197	-	-	367,197	316,638
Investment income, net	11,969	537,088	-	549,057	773,874
Sales, gross	29,086	-	-	29,086	33,873
Less: Cost of goods sold	(27,278)	-	-	(27,278)	(30,122)
Gross profit	1,808	-	-	1,808	3,751
Net transfers to restore deficiency in donor-restricted endowments	26,525	(26,525)	-	-	-
Transfer to permanently restricted	-	(25,000)	25,000	-	-
Net assets released from restrictions:					
Satisfaction of time restrictions	115,107	(115,107)	-	-	-
Satisfaction of purpose restrictions	809,687	(809,687)	-	-	-
Appropriation of endowment income	356,408	(356,408)	-	-	-
TOTAL REVENUE AND SUPPORT	13,415,573	95,841	283,742	13,795,156	13,076,454
EXPENSES					
Program Services:					
Health and wellness	4,146,675	-	-	4,146,675	4,462,831
Early childhood	3,105,489	-	-	3,105,489	3,368,258
Camp, youth and teens	2,307,187	-	-	2,307,187	2,476,370
Adult services	1,241,877	-	-	1,241,877	1,512,269
Special needs	533,493	-	-	533,493	680,572
Total Program Services	11,334,721	-	-	11,334,721	12,500,300
Supporting Services:					
Management and general	1,453,600	-	-	1,453,600	1,436,642
Fundraising	777,890	-	-	777,890	836,098
Total Supporting Services	2,231,490	-	-	2,231,490	2,272,740
TOTAL EXPENSES	13,566,211	-	-	13,566,211	14,773,040
Change in net assets before defined benefit plan settlement and unrecognized actuarial gain	(150,638)	95,841	283,742	228,945	(1,696,586)
Unrecognized actuarial gain on defined benefit plan	-	-	-	-	2,759,072
Gain from defined benefit plan settlement	182,437	-	-	182,437	-
CHANGE IN NET ASSETS	31,799	95,841	283,742	411,382	1,062,486
NET ASSETS, BEGINNING OF YEAR	10,714,597	2,024,606	6,824,827	19,564,030	18,501,544
NET ASSETS, END OF YEAR	$ 10,746,396	$ 2,120,447	$ 7,108,569	$ 19,975,412	$ 19,564,030

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, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	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	2018 Total	2017 Total
EXPENSES											
Staffing costs and benefits	$ 1,576,543	$ 2,306,883	$ 1,137,659	$ 630,702	$ 404,967	$ 6,056,754	$ 864,630	$ 476,640	$ 1,341,270	$ 7,398,024	$ 8,862,755
Occupancy	903,217	212,676	300,801	122,675	20,347	1,559,716	59,651	60,427	120,078	1,679,794	1,702,862
Professional fees	470,765	119,582	170,656	109,411	20,695	891,109	217,434	18,399	235,833	1,126,942	884,879
Depreciation and amortization	536,362	121,933	161,554	74,643	12,724	907,216	28,538	34,328	62,866	970,082	934,644
Travel, conferences and meetings	123,688	20,196	190,383	100,300	53,854	488,421	35,371	1,412	36,783	525,204	454,463
Supplies	100,475	136,545	105,339	83,989	6,602	432,950	33,065	16,645	49,710	482,660	619,392
Interest expense	144,869	42,226	50,486	25,426	5,712	268,719	11,746	11,131	22,877	291,596	235,704
Miscellaneous	72,750	63,165	93,569	18,076	3,955	251,515	26,441	19,398	45,839	297,354	291,762
Rental and maintenance of equipment	46,332	15,289	23,348	21,019	1,951	107,939	41,760	89,103	130,863	238,802	216,128
Printing and publications	45,396	10,013	20,407	33,361	241	109,418	17,630	37,749	55,379	164,797	161,828
Financial assistance and scholarships	65,610	38,907	20,070	100	350	125,037	-	-	-	125,037	123,064
Membership dues	4,908	252	3,192	2,170	5	10,527	96,952	2,391	99,343	109,870	103,541
Insurance	30,446	7,380	9,791	4,444	762	52,823	1,570	2,072	3,642	56,465	67,029
Telecommunications	7,824	6,602	6,903	6,444	961	28,734	13,485	1,574	15,059	43,793	47,264
Loss on disposal of equipment	12,364	2,997	11,173	1,805	310	28,649	668	842	1,510	30,159	42,887
Postage	5,126	843	1,856	7,312	57	15,194	4,659	5,779	10,438	25,632	24,838
TOTAL EXPENSES	$ 4,146,675	$ 3,105,489	$ 2,307,187	$ 1,241,877	$ 533,493	$ 11,334,721	$ 1,453,600	$ 777,890	$ 2,231,490	$ 13,566,211	$ 14,773,040

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, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 411,382	$ 1,062,486
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	970,082	926,692
Bond issuance costs	-	7,952
Loss on disposal of equipment	30,159	42,887
Allowance for doubtful accounts	(1,941)	10,841
Discount of contributions to present value	17,456	(84,374)
Net realized and unrealized gains on investments	(402,478)	(625,259)
Contributions restricted for investment in endowment	(258,742)	(42,945)
Changes in assets and liabilities:		
Accounts receivable	5,680	(55,030)
Grants and contributions receivable	2,590,021	2,435,550
Prepaid expenses	(13,776)	(116,913)
Accounts payable and accrued expenses	(37,067)	(816,214)
Deferred revenue	(8,754)	22,035
Deferred compensation	20,024	1,891
Accrued pension obligation	(2,538,607)	(2,393,781)
NET CASH PROVIDED BY OPERATING ACTIVITIES	783,439	375,818
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,294,560	3,722,445
Purchases of investments	(2,243,032)	(3,558,627)
Purchases of property and equipment	(1,613,371)	(5,145,209)
Purchases of assets held for employee benefits	(20,024)	(1,891)
NET CASH USED IN INVESTING ACTIVITIES	(1,581,867)	(4,983,282)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	258,742	42,945
Principal payments on notes payable	(2,159,074)	(14,673)
Proceeds from notes payable	4,000,000	3,620,769
Repayments on capital lease obligations	(33,809)	(32,441)
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,065,859	3,616,600
NET INCREASE (DECREASE) IN CASH	1,267,431	(990,864)
CASH, BEGINNING OF YEAR	1,881,282	2,872,146
CASH, END OF YEAR	$ 3,148,713	$ 1,881,282
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payment for interest	$ 125,037	$ 235,704
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired under capital lease	$ 23,303	$ 33,931
Capital lease obligation	$ (23,303)	$ (33,931)

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, fixed-income mutual funds, fixed-income funds, equity exchange-traded funds, State of Israel bonds, money market funds, common stock 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 10 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 and an economic life in excess of one year.

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, 2018, for members, the general public and staff totaled $325,848.

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

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

Revenue Recognition (continued)

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.

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.

As of June 30, 2018, the Center's investments, 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 measurement topic of the ASC.

Continued

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

Fair Value Measurement (continued)

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 nonpublic 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 (the Board). Such funds can only be expended with the Board's 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 (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

2. Investments

Investments consisted of the following at June 30, 2018:

Pooled fund of the United Jewish Endowment Fund	$ 4,136,859
Exchange-traded funds	2,218,234
Fixed-income funds	889,405
Fixed-income mutual funds	611,027
State of Israel bonds	570,394
Money market funds	432,316
Cash	22,816
Common stock	2,531
Total Investments	$ 8,883,582

A summary of the return on investments, including the interest earned on cash, is as follows for the year ended June 30, 2018:

Interest and dividends	$ 146,579
Realized and unrealized gains, net	402,478
Total Investment Income	$ 549,057

3. Grants and Contributions Receivable

Grants and contributions receivable were due as follows at June 30, 2018:

Less than one year	$ 2,958,419
One to five years	1,128,872
Greater than five years	372,418
Total Grants and Contributions Receivable	4,459,709
Less: Discount for Present Value	(189,699)
Less: Allowance for Doubtful Accounts	(131,504)
Grants and Contributions Receivable, Net	$ 4,138,506

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 2.8%.

Continued

4. Property and Equipment and Accumulated Depreciation and Amortization

The Center held the following property and equipment as of June 30, 2018:

Leasehold improvements	$ 27,308,335
Furniture and equipment	1,894,784
Assets held under construction	185,008
Capital lease	116,879
Total Property and Equipment	29,505,006
Less: Accumulated Depreciation and Amortization	(11,493,933)
Property and Equipment, Net	$ 18,011,073

Depreciation and amortization expense was $970,082 for the year ended June 30, 2018.

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 were completed in May 2018. At June 30, 2018, renovations to the lobby and fitness center are underway and are expected to be completed in September 2019. Those renovations are included in assets held under construction at June 30, 2018.

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 nonbank 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 and any

Continued

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

excess shall be applied to further reduce the amount of the next periodic principal redemption which is due. On February 1, 2018, the loan was amended such that the minimum annual principal payment due on the loan will be $532,177. Also in February 2018, the Center made a principal payment of $1,300,000 which offset the amounts due in 2019 - 2021. As of June 30, 2018, the loan balance was $7,883,974.

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%. The line of credit is payable upon demand and may be withdrawn at any time by the financial institution. As of June 30, 2018, 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.

On November 16, 2017, the Center entered into a below-market interest loan of $4 million from the Morningstar Foundation to provide funds for the termination of the Center's Defined Benefit Plan as described in Note 9. The loan was funded on November 28, 2017, in an amount of $2 million. Later, on December 29, 2017, the loan was funded with an additional $2 million. The maturity date is December 31, 2025. A balloon payment will be due at maturity. Interest accrues at an annual fixed rate of 2.5%. An amount of principal is paid monthly (based on a 15-year amortization of the note) such that each monthly payment equals $26,671.57. Each monthly installment consists of interest and principal. The loan balance as of June 30, 2018, was $3,889,396.

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%. As of June 30, 2018, the outstanding principal balance on the note was $36,300.

Continued

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

As of June 30, 2018, future principal payments under these notes are due as follows:

For the Year Ending June 30,	
2019	$ 242,777
2020	250,013
2021	315,648
2022	775,108
2023	781,251
Thereafter	9,444,873
Total Notes Payable	11,809,670
Less: Bond Issuance Costs	(184,297)*
Notes Payable, Net	$ 11,625,373

*The cost of issuance of the tax-exempt bond consists of underwriters' fees, attorneys' fees and other costs. The bond issuance costs are being charged to interest expense on a straight-line basis over the 15-year term of the bond.

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, 2018, the Center had approximately $3,743,000 composed of demand deposits, savings accounts and money market accounts, which exceeded the maximum limit insured by the FDIC by approximately $3,206,000. The Center monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash.

As of June 30, 2018, approximately $2,384,000 of the total net grants and contributions receivable balance was due from three donors. This amount represents 58% of the Center's net grants and contributions receivable balance as of June 30, 2018.

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 because the amount, based upon the value of the space at the time of the donation, was not material to the Center's financial statements.

6. Commitments and Contingencies (continued)

Operating Lease (continued)

For the year ended June 30, 2018, the Center incurred expenses of $756,502 for maintenance and operating costs related to the space.

7. Net Assets

Board-Designated Net Assets

As of June 30, 2018, board-designated net assets consist of the Stetson Fund, Dorothy Soffer Bequest and the Council for the Arts Fund, which totaled $506,404, $427,367 and $18,518, respectively.

Temporarily Restricted Net Assets

As of June 30, 2018, temporarily restricted net assets were available for the following purposes:

Time restricted for use in 2019:	$ 168,716
Available for endowment appropriation	68,833
Total Time Restricted	237,549
Centennial Campaign	846,456
Adult services	457,751
Special needs	277,380
Early childhood	149,570
Camp, youth and teens	116,201
Health and wellness	35,540
Total Temporarily Restricted Net Assets	$ 2,120,447

Permanently Restricted Net Assets

As of June 30, 2018, permanently restricted net assets were dedicated for the following purposes:

Adult services	$ 2,855,725
Special needs	2,366,877
Early childhood	686,299
Camp, youth and teens	590,628
Activities of the Center	517,402
Health and wellness	91,638
Total Permanently Restricted Net Assets	$ 7,108,569

During the year ended December 31, 2018, a donor repurposed a $25,000 contribution from 2017 to create an endowment. This amount is shown as a transfer to permanently restricted net assets on the accompanying statement of activities.

Continued

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 cumulative underwater deficiency was $119,999 as of June 30, 2018.

During the year ended June 30, 2018, certain individual endowment funds increased from the previous year's fair value. As a result, for the year ended June 30, 2018, unrestricted net assets were increased and temporarily restricted net assets were decreased by $26,525.

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

Continued

7. Net Assets (continued)

Endowment Funds (continued)

Return Objectives and Risk Parameters (continued)

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

In 2018, the Center amended its policy whereby the spending rate for existing endowments is set at 5.0% of the average fair value of its endowment over the prior three calendar years in which the distribution was planned. For new endowments, there is no spending until year two of the endowment and there will not be any spending on new endowments that are underwater. The spend rate for new endowments is 5.0% except that the first draw will be 2/3 of the spend rate. 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, 2018:

	Unrestricted Board-Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 987,126	$ 7,108,569	$ 8,095,695
Board-designated endowment funds	952,289	-	-	952,289
Total Endowment Net Assets	$ 952,289	$ 987,126	$ 7,108,569	$ 9,047,984

7. Net Assets (continued)

Endowment Funds (continued)

For the year ended June 30, 2018, changes in endowment net assets were as follows:

	Unrestricted Board-Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 607,798	$ 859,574	$ 6,824,827	$ 8,292,199
Investment returns:				
Investment income	11,082	136,472	-	147,554
Net appreciation (depreciation) realized and unrealized	-	398,320	-	398,320
Total Investment Return	11,082	534,792	-	545,874
Investment fees	-	(24,308)	-	(24,308)
Contributions	427,367	-	258,742	686,109
Transfers to unrestricted-undesignated	-	(26,524)	-	(26,524)
Transfer to permanently restricted	-	-	25,000	25,000
Appropriations for expenditure	(93,958)	(356,408)	-	(450,366)
Endowment Net Assets, End of Year	$ 952,289	$ 987,126	$ 7,108,569	$ 9,047,984

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	$ 7,108,569

Temporarily restricted net assets:

The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
Without purpose restrictions	$ 68,834
With purpose restrictions	918,292
Total Endowment Funds Classified as Temporarily Restricted Net Assets	$ 987,126

8. Fair Value Measurement

The following table summarizes the Center's assets and liabilities as of June 30, 2018, 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 Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Assets measured in the fair value hierarchy:				
Investments in the fair value hierarchy:				
State of Israel bonds	$ 570,394	$ -	$ 570,394	$ -
Fixed-income funds:				
Corporate bonds	385,381	-	385,381	-
Mortgage pools	278,883	-	278,883	-
U.S. treasuries	169,472	-	169,472	-
Municipal bonds	55,669	-	555,669	-
Total Fixed-Income Funds	889,405	-	889,405	-
Fixed-income mutual funds:				
Short-term bond	209,158	209,158	-	-
Intermediate term	207,961	207,961	-	-
Multi-sector	193,908	193,908	-	-
Total Fixed-Income Mutual Funds	611,027	611,027	-	-
Exchange-traded funds:				
U.S. large cap	783,570	783,570	-	-
International equity	625,430	625,430	-	-
U.S. mid cap	312,393	312,393	-	-
Emerging markets	265,449	265,449	-	-
U.S. small cap	231,391	231,391	-	-
Total Exchange-Traded Funds	2,218,234	2,218,234	-	-
Common stock	2,531	2,531	-	-
Money market funds	432,316	432,316	-	-
Total Investments in the Fair Value Hierarchy	4,723,907	3,264,108	1,459,799	-

Continued

8. Fair Value Measurement (continued)

(continued)	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)
Assets: (continued)				
Assets held for employee benefits:				
Balance index equity mutual fund	40,808	40,808	-	-
Total Assets in The Fair Value Hierarchy	4,764,715	$ 3,304,916	$ 1,459,799	$ -
Cash	22,816			
Investments measured at NAV:				
Pooled fund of the United Jewish Endowment Fund[a]	4,136,859			
Total Assets	$ 8,924,390			
Liabilities:				
Deferred compensation	$ 40,808	$ 40,808	$ -	$ -
Total Liabilities	$ 40,808	$ 40,808	$ -	$ -

[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, common stock 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.

8. Fair Value Measurement (continued)

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

The table below details the Center's ability to redeem investments valued at NAV, or its equivalent, as of June 30, 2018:

	Number of Funds	Fair Value 2018	Unfunded Commitments	Redemption Frequency If Currently Eligible	Redemption Notice Period
Pooled fund of the United Jewish Endowment Fund[a]	1	$ 4,136,859	$ -	(a)	(a)
Total		$ 4,136,859			

[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 and 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 Board of Directors of the Center voted to terminate the Defined Benefit Plan (the Plan) effective July 20, 2017. Upon termination of the Plan, assets were allocated in a manner consistent with Section 4044 of the Employee Retirement Income Security Act of 1974 (ERISA). As of June 30, 2018, all plan assets were fully distributed and, as described in Note 5, the Center obtained a loan to finance the shortfall of the plan assets to pay out the Plan's benefits. Upon termination, the Center recognized a gain from the settlement of the Plan in the amount of $182,437 and is reported in the accompanying statement of activities.

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.

Continued

9. Pension Plans (continued)

Defined Contribution Plan (continued)

All employer contributions are discretionary, and participants vest in employer contributions after three years. For the year ended June 30, 2018, the Center made employer contributions of $15,178 to the Plan.

Effective January 1, 2017, the Center automatically withholds 2% of each eligible employee's compensation each payroll period and remits 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 $40,808 as of June 30, 2018.

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, 2018, 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, 2018, the statute of limitations for tax years 2013 through 2016 remained 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.

11. Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 financial statements presentation.

Continued

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, 2017, from which the summarized information was prepared.

13. Subsequent Events

The Center's management has evaluated subsequent events through January 31, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.