BENDER JCC OF GREATER WASHINGTON

Financial Statements

For the Year Ended June 30, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

and
Report Thereon

BENDER JCC OF GREATER WASHINGTON

TABLE OF CONTENTS
For the Year Ended June 30, 2019

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2019, 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 2019 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, 2019, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the Center restated its net assets with and without donor restrictions as of June 30, 2018, to reflect the implementation of a new accounting pronouncement with respect to the Center's endowment funds with deficiencies. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Center's June 30, 2018, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
February 28, 2020

BENDER JCC OF GREATER WASHINGTON

STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With Summarized Financial Information as of June 30, 2018)

	2019	2018
ASSETS		
Cash	$ 390,282	$ 3,148,713
Accounts receivable, net	43,091	70,012
Grants and contributions receivable, net	1,816,093	4,138,506
Prepaid expenses	467,786	320,801
Investments held for long-term purposes	8,883,505	8,883,582
Other assets	44,176	40,808
Property and equipment, net	18,357,447	18,011,073
TOTAL ASSETS	$ 30,002,380	$ 34,613,495
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 981,995	$ 856,804
Deferred revenue	1,840,784	2,053,610
Notes payable, net	7,647,021	11,625,373
Capital lease obligations	135,320	61,488
Deferred compensation	44,176	40,808
TOTAL LIABILITIES	10,649,296	14,638,083
Net Assets		
Without donor restrictions	10,515,294	10,866,395
With donor restrictions	8,837,790	9,109,017
TOTAL NET ASSETS	19,353,084	19,975,412
TOTAL LIABILITIES AND NET ASSETS	$ 30,002,380	$ 34,613,495

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, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Program fees, net	$ 6,584,403	$ -	$ 6,584,403	$ 6,646,035
Membership dues	2,358,970	-	2,358,970	2,182,449
Contributions	437,451	412,396	849,847	1,655,555
Grants	878,302	539,290	1,417,592	847,826
Jewish Federation of Greater Washington, Inc. award	808,020	64,505	872,525	793,279
Special events	803,447	-	803,447	851,911
Less: Direct benefit costs	(88,977)	-	(88,977)	(99,961)
Special events revenue, net	714,470	-	714,470	751,950
Other income	325,277	-	325,277	367,197
Investment income, net	10,504	411,431	421,935	549,057
Sales, gross	26,602	-	26,602	29,086
Less: Cost of goods sold	(22,720)	-	(22,720)	(27,278)
Gross profit	3,882	-	3,882	1,808
Net assets released from restrictions:				
Satisfaction of time restrictions	150,962	(150,962)	-	-
Satisfaction of purpose restrictions	1,177,330	(1,177,330)	-	-
Appropriation of endowment income	370,557	(370,557)	-	-
TOTAL REVENUE AND SUPPORT	13,820,128	(271,227)	13,548,901	13,795,156
EXPENSES				
Program Services:				
Health and wellness	4,347,300	-	4,347,300	4,146,675
Early childhood	3,123,037	-	3,123,037	3,105,489
Camp, youth and teens	2,289,401	-	2,289,401	2,307,187
Adult services	1,423,353	-	1,423,353	1,241,877
Special needs	496,783	-	496,783	533,493
Total Program Services	11,679,874	-	11,679,874	11,334,721
Supporting Services:				
Management and general	1,689,147	-	1,689,147	1,453,600
Fundraising	802,208	-	802,208	777,890
Total Supporting Services	2,491,355	-	2,491,355	2,231,490
TOTAL EXPENSES	14,171,229	-	14,171,229	13,566,211
Change in net assets before defined benefit plan settlement	(351,101)	(271,227)	(622,328)	228,945
Gain from defined benefit plan settlement	-	-	-	182,437
CHANGE IN NET ASSETS	(351,101)	(271,227)	(622,328)	411,382
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	10,866,395	9,109,017	19,975,412	19,564,030
NET ASSETS, END OF YEAR	$ 10,515,294	$ 8,837,790	$ 19,353,084	$ 19,975,412

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, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	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	2019 Total	2018 Total
EXPENSES											
Staffing costs and benefits	$ 1,519,356	$ 2,392,081	$ 1,160,041	$ 755,130	$ 353,206	$ 6,179,814	$ 981,831	$ 526,095	$ 1,507,926	$ 7,687,740	$ 7,398,024
Occupancy	966,223	219,641	325,722	127,302	21,169	1,660,057	83,723	57,840	141,563	1,801,620	1,679,794
Professional fees	633,807	95,222	164,872	111,712	23,508	1,029,121	219,682	10,203	229,885	1,259,006	1,126,942
Depreciation and amortization	592,434	101,773	134,954	61,449	10,532	901,142	22,025	28,565	50,590	951,732	970,082
Travel, conferences and meetings	140,655	24,364	174,036	130,017	73,530	542,602	32,948	3,555	36,503	579,105	525,204
Supplies and events	113,043	120,044	100,098	126,226	4,681	464,092	48,397	112,766	161,163	625,255	609,899
Rental and maintenance of equipment	57,821	25,600	37,464	40,267	3,450	164,602	73,882	41,340	115,222	279,824	238,802
Miscellaneous	50,915	53,083	82,165	15,832	264	202,259	43,673	29,215	72,888	275,147	297,354
Interest expense	131,779	31,240	41,403	18,916	3,243	226,581	7,777	8,764	16,541	243,122	291,596
Printing and publications	44,160	8,281	19,975	36,677	195	109,288	19,127	58,281	77,408	186,696	164,797
Membership dues	3,140	84	4,792	990	11	9,017	107,822	7,956	115,778	124,795	109,870
Financial assistance and scholarships	52,684	36,136	25,738	304	700	115,562	-	-	-	115,562	125,037
Insurance	20,566	8,726	11,115	8,144	1,269	49,820	29,461	1,925	31,386	81,206	56,465
Telecommunications	7,462	5,871	5,704	7,894	974	27,905	16,173	1,670	17,843	45,748	43,793
Postage	13,255	891	1,322	5,020	51	20,539	2,626	3,030	5,656	26,195	25,632
Loss on disposal of equipment	-	-	-	-	-	-	-	-	-	-	30,159
TOTAL FUNCTIONAL EXPENSES	4,347,300	3,123,037	2,289,401	1,445,880	496,783	11,702,401	1,689,147	891,205	2,580,352	14,282,753	13,693,450
Less: Direct benefit costs	-	-	-	-	-	-	-	(88,997)	(88,997)	(88,997)	(99,961)
Less: Cost of goods sold	-	-	-	(22,527)	-	(22,527)	-	-	-	(22,527)	(27,278)
TOTAL EXPENSES	$ 4,347,300	$ 3,123,037	$ 2,289,401	$ 1,423,353	$ 496,783	$ 11,679,874	$ 1,689,147	$ 802,208	$ 2,491,355	$ 14,171,229	$ 13,566,211

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, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (622,328)	$ 411,382
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	951,732	970,082
Loss on disposal of equipment	-	30,159
Allowance for doubtful accounts	(2,943)	(1,941)
Discount of contributions to present value	(179,350)	17,456
Net realized and unrealized gains on investments	(288,792)	(402,478)
Contributions restricted for investment in endowment	(42,148)	(258,742)
Changes in assets and liabilities:		
Accounts receivable	28,910	5,680
Grants and contributions receivable	2,502,717	2,590,021
Prepaid expenses	(146,985)	(13,776)
Accounts payable and accrued expenses	5,975	(37,067)
Deferred revenue	(212,826)	(8,754)
Deferred compensation	3,368	20,024
Accrued pension obligation	-	(2,538,607)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,997,330	783,439
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,196,065	2,294,560
Purchases of investments	(907,196)	(2,243,032)
Purchases of property and equipment	(1,178,890)	(1,613,371)
Purchases of assets held for employee benefits	(3,368)	(20,024)
NET CASH USED IN INVESTING ACTIVITIES	(893,389)	(1,581,867)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	42,148	258,742
Principal payments on notes payable	(3,978,352)	(2,159,074)
Proceeds from notes payable	-	4,000,000
Repayments on capital lease obligations	73,832	(33,809)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(3,862,372)	2,065,859
NET INCREASE (DECREASE) IN CASH	(2,758,431)	1,267,431
CASH, BEGINNING OF YEAR	3,148,713	1,881,282
CASH, END OF YEAR	$ 390,282	$ 3,148,713
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payment for interest	$ 243,122	$ 125,037
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment purchases payable	$ 119,216	$ -
Equipment acquired under capital lease	$ 125,987	$ 23,303
Capital lease obligation	$ (125,987)	$ (23,303)

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 funds, mutual and 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 10.

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 placed in service, 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, 2019, for members, the general public and staff totaled $289,575, and is netted against program fees in the accompanying statement of activities.

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.

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

Revenue Recognition (continued)

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 support with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Contributions and grants are recorded 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 net assets without donor restrictions.

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

The Center has categorized its applicable financial instruments into a required fair value hierarchy 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, 2019, the Center's investments, the assets held for employee benefits and the deferred compensation liability as described in Notes 2 and 10 of these financial statements were measured at fair value on a recurring basis.

The Center also uses net asset value (NAV) or its equivalent, as a practical expedient, for fair value measurement for applicable financial assets and liabilities and accordingly these are excluded from the fair value hierarchy disclosures and included as a reconciling item in Note 10 of these financial statements.

Continued

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

Classification of Net Assets

Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Center at the discretion of the Center's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board has designated $690,071 of net assets without donor restrictions to serve as a working capital reserve to secure the Center's long-term financial viability. Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

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. Administrative and indirect expenses are allocated based on a benchmark study of time spent in each area. Other expenses such as maintenance and cleaning expenses are allocated based on the square footage of each room in the building and the time each room was used for each functional area.

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.

New Accounting Pronouncement

In August 2016, FASB issued Accounting Standards Update No. 2016-14 (ASU 2016-14), *(Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also requires enhanced disclosures for composition of net assets without donor restrictions, liquidity, and the presentation of expenses by both their natural and functional classification.

Continued

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

New Accounting Pronouncement (continued)

ASU 2016-14 is effective for the Center's fiscal year ended June 30, 2019. A presentation of net assets as previously reported as of June 30, 2018 as required under ASU 2016-14 is as follows:

Net Asset Classification	As Previously Presented	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Unrestricted	$ 9,794,107	$ 9,794,107	$ -	$ 9,794,107
Board-designated	952,289	952,289	-	952,289
Temporarily restricted	2,120,447	-	2,120,447	2,120,447
Permanently restricted	7,108,569	-	7,108,569	7,108,569
Net Assets as Previously Presented	$ 19,975,412	10,746,396	9,229,016	19,975,412
Restatement due to change in accounting for underwater endowments		119,999	(119,999)	-
Net Assets as Restated		$ 10,866,395	$ 9,109,017	$ 19,975,412

2. Investments

Investments consisted of the following at June 30, 2019:

Pooled fund of the United Jewish Endowment Fund	$ 3,948,540
Exchange-traded funds	2,461,311
Fixed-income funds	961,817
Fixed-income mutual funds	529,887
State of Israel bonds	573,495
Money market funds	342,858
Cash	65,597
Total Investments	$ 8,883,505

Continued

3. Grants and Contributions Receivable

Grants and contributions receivable were due as follows at June 30, 2019:

Less than one year	$ 1,448,551
One to five years	323,367
Greater than five years	185,074
Total Grants and Contributions Receivable	1,956,992
Less: Discount for Present Value	(10,349)
Less: Allowance for Doubtful Accounts	(130,550)
Grants and Contributions Receivable, Net	$ 1,816,093

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%.

4. Property and Equipment and Accumulated Depreciation and Amortization

The Center held the following property and equipment as of June 30, 2019:

Leasehold improvements	$ 28,524,802
Furniture and equipment	2,032,681
Assets held under construction	7,533
Capital lease	242,866
Total Property and Equipment	30,807,882
Less: Accumulated Depreciation and Amortization	(12,450,435)
Property and Equipment, Net	$ 18,357,447

Depreciation and amortization expense was $951,732 for the year ended June 30, 2019.

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. Renovations to the lobby and fitness center were completed in May 2019. No interest was capitalized during 2019 as the Center considered the amount to be insignificant based on the qualifying expenses.

Continued

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 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. In July 2018 and November 2018 the Center made additional principal payments of $2,000,000 and $1,750,000 which offset the amounts due through 2024. At June 30, 2019, the loan balance was $4,133,974.

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, 2019, 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. 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 $26,672. Each monthly installment consists of interest and principal.

Continued

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

The loan balance as of June 30, 2019, was $3,664,001. The Defined Benefit Plan was terminated in 2017.

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, 2019, the outstanding principal balance on the note was $18,926. This loan was subsequently repaid in November 2019.

As of June 30, 2019, future principal payments under these notes are due as follows:

For the Year Ending June 30,	
2020	$ 250,013
2021	236,939
2022	242,931
2023	249,074
2024	255,373
Thereafter	6,582,571
Total Notes Payable	7,816,901
Less: Bond Issuance Costs	(169,880)*
Notes Payable, Net	$ 7,647,021

*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, 2019, the Center had approximately $1,124,000 composed of demand deposits, savings accounts and money market accounts, which exceeded the maximum limit insured by the FDIC by approximately $838,000. The Center monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash.

As of June 30, 2019, approximately $650,000 of the total net grants and contributions receivable balance was due from two donors. This amount represents 36% of the Center's net grants and contributions receivable balance as of June 30, 2019.

Continued

6. Commitments and Contingencies (continued)

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.

For the year ended June 30, 2019, the Center incurred expenses of $605,810 for maintenance and operating costs related to the space.

7. Net Assets

Net Assets Without Donor Restrictions

As of June 30, 2019, the Center's net assets without donor restrictions were composed of:

Undesignated	$ 9,825,223
Board-designated (considered quasi-endowments):	
Stetson Fund	506,404
Dorothy Soffer Bequest	162,502
Council for the Arts Fund	21,165
Board-designated Subtotal	690,071
Total Net Assets Without Donor Restrictions	$ 10,515,294

During 2019, the Board approved net transfers from the Board quasi-endowment of $269,046 to support operations and capital improvements. There were no transfers into the Board quasi-endowment in 2019.

Continued

7. Net Assets (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following programs or purposes as of June 30, 2019:

Perpetual in nature:	
Endowment funds:	
Adult services	$ 2,865,510
Special needs	2,372,931
Early childhood	693,210
Camp, youth, teens	604,780
Activities of the center	522,638
Health and wellness	91,648
Total Endowment Funds	7,150,717
Time-restricted:	
Restricted for use in 2020	73,942
Purpose-restricted:	
Unspent endowment earnings	906,339
Centennial campaign	358,385
Family engagement	200,000
Adult services	51,142
Special needs	50,700
Camp, youth and teens	44,750
Health and wellness	1,815
Total Net Assets With Donor Restrictions	$ 8,837,790

8. 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 net assets with donor restrictions. 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.

Continued

8. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

Investment returns on permanent endowments are classified in accordance with donor specifications. When no specifications are outlined by the donor, investment earnings on the permanently endowments are classified as net assets with donor restrictions 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 net assets with donor restrictions. The Center's policy is to appropriate from funds with deficiencies, except as discussed below. As of June 30, 2019, thirty two endowments with an original value of $1,374,671 and a current value of $1,264,335 had a cumulative underwater deficiency of $110,336.

Return Objectives and Risk Parameters

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

8. Endowment Funds (continued)

Spending Policy and How the Investment Objectives Relate to the Spending Policy (continued)

underwater. The spend rate for new endowments is 5.0% except that the first draw will be 1/2 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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Original value donor-restricted endowment funds	$ -	$ 7,150,717	$ 7,150,717
Accumulated earnings on donor-Restricted endowment funds	-	906,339	906,339
Board-designated endowment funds	690,071	-	690,071
Total Endowment Net Assets	$ 690,071	$ 8,057,056	$ 8,747,127

For the year ended June 30, 2019, changes in endowment net assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 952,289	$ 7,975,697	$ 8,927,986
Investment return, net:	6,828	409,768	416,596
Contributions	-	42,184	42,184
Appropriations for expenditures	(269,046)	(370,594)	(639,640)
Endowment Net Assets, End of Year	$ 690,071	$ 8,057,056	$ 8,747,127

9. Availability of Resources and Liquidity

The Center regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Center's financial assets available for general expenditures, excluding Centennial campaign receipts, within one year of June 30, 2019 were:

Financial Assets Available Within One Year:	
Cash and cash equivalents	$ 390,282
Investments	8,883,505
Accounts receivable, net	43,091
Grants and contributions receivable collectible in one year	1,318,001
Total Financial Assets Available Within One Year	10,634,879
Less:	
Financial assets unavailable for general expenditure within one year:	
Net assets with donor restrictions	(8,837,790)
Centennial campaign receipts	(1,002,665)
Financial Assets Available to Meet General Expenditures Within One Year	$ 794,424

The Center has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Center throughout the year. This is done through regular monitoring and reviewing the Center's cash flow needs. As a result, management is aware of the cyclical nature of the Center's cash flow related to the Center's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of the Center's liquidity plan, excess cash is invested in publicly traded investments, including mutual funds and equity securities, or available to support organizational initiatives. Additionally, the Center's board-designated net assets are available for current operations, if so elected by the Board.

10. Fair Value Measurement

The following table summarizes the Center's assets and liabilities as of June 30, 2019, 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	Level 1	Level 2	Level 3
Assets:				
Assets measured in the fair value hierarchy:				
Investments in the fair value hierarchy:				
State of Israel bonds	$ 573,496	$ -	$ 573,496	$ -
Fixed-income funds:				
Corporate bonds	426,773	-	426,773	-
Mortgage pools	322,126	-	322,126	-
U.S. treasuries	113,660	-	113,660	-
Municipal bonds	74,759	-	74,759	-
CMO and asset backed assets	24,498	-	24,498	-
Total Fixed-Income Funds	961,817	-	961,817	-
Fixed-income mutual funds:				
Short-term bond	218,304	218,304	-	-
Intermediate term	215,499	215,499	-	-
Multi-sector	96,084	96,084	-	-
Total Fixed-Income Mutual Funds	529,887	529,887	-	-
Exchange-traded funds:				
U.S. large cap	914,054	914,054	-	-
International equity	642,277	642,277	-	-
U.S. mid cap	367,447	367,447	-	-
Emerging markets	289,317	289,317	-	-
U.S. small cap	248,216	248,216	-	-
Total Exchange-Traded Funds	2,461,311	2,461,311	-	-
Money market funds	342,858	342,858	-	-
Total Investments in the Fair Value Hierarchy	4,869,368	3,334,056	1,535,312	-

Continued

10. Fair Value Measurement (continued)

	Total Fair Value	Level 1	Level 2	Level 3
Assets (continued):				
Assets held for employee benefits:				
Balance index equity mutual fund	$ 44,176	$ 44,176	$ -	$ -
Total Assets in the Fair Value Hierarchy	4,913,544	$ 3,378,232	$ 1,535,312	$ -
Cash	65,597			
Investments measured at NAV:				
Pooled fund of the United Jewish Endowment Fund[(a)]	3,948,540			
Total Assets	$ 8,927,681			
Liabilities:				
Deferred compensation	$ 44,176	$ 44,176	$ -	$ -
Total Liabilities	$ 44,176	$ 44,176	$ -	$ -

(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.

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).

10. Fair Value Measurement (continued)

The Center's interest in the pooled fund of the United Jewish Endowment Fund includes underlying interests in a variety of domestic and international equity funds, hedge funds, private equity funds and real asset funds. These underlying investments are subject to certain restrictions and, generally, have no active established trading market. The investments are managed by the United Jewish Endowment Fund. As of June 30, 2019, 80% of the Center's interest may be redeemed at NAV at the measurement date and the remaining 20% may be redeemed ten days after month-end and there is no redemption notice period. There were no unfunded capital commitments to the pooled fund of the United Jewish Endowment Fund as of June 30, 2019.

11. Retirement Plans

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. All employer contributions are discretionary, and participants vest in employer contributions after three years. For the year ended June 30, 2019, the Center made employer contributions of $24,652 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 (IRC) Section 457(b), effective December 1, 2015, to provide supplemental benefits to executives whose benefits under the 403(b) Plan are limited by IRC 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 $44,176 as of June 30, 2019.

12. Income Taxes

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. There is no accrual for income tax expense, as the Center had no significant net unrelated business income for the year ended June 30, 2019.

The Center evaluated its uncertainty in income taxes for the year ended June 30, 2019, 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. It is the Center's policy to recognize interest

Continued

12. Income Taxes (continued)

and/or penalties related to uncertainty in income taxes, if any, in income tax expense. The Center is subject to routine audits by taxing jurisdictions; however, as of June 30, 2019, there are no audits for any tax period in progress.

13. Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 financial statements presentation.

14. Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2018, from which the summarized information was prepared.

15. Subsequent Events

The Center's management has evaluated subsequent events through February 28, 2020, the date the financial statements were available to be issued. Except as disclosed in Note 5 relating to the repayment of the outstanding note payable from Montgomery County, Maryland, there were no other subsequent events that require recognition or disclosure in these financial statements.