BENDER JCC OF GREATER WASHINGTON

Financial Statements

For the Year Ended June 30, 2020
(With Summarized Financial Information for the Year Ended June 30, 2019)

and
Report Thereon

BENDER JCC OF GREATER WASHINGTON

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For the Year Ended June 30, 2020

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, 2020, 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.

MARCUMGROUP
MEMBER

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Opinion

In our opinion, the 2020 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center's June 30, 2019, financial statements, and in our report dated February 28, 2020 we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
April 1, 2021

BENDER JCC OF GREATER WASHINGTON

STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With Summarized Financial Information as of June 30, 2019)

	2020	2019
ASSETS		
Cash	$ 1,174,488	$ 390,282
Accounts receivable, net	29,207	43,091
Grants and contributions receivable, net	739,225	1,816,093
Prepaid expenses	140,468	467,786
Investments held for long-term purposes	8,363,806	8,883,505
Other assets	47,594	44,176
Property and equipment, net	17,651,964	18,357,447
TOTAL ASSETS	$ 28,146,752	$ 30,002,380
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,507,998	$ 981,995
Contract liabilities	593,091	1,840,784
Refundable advance	15,398	-
Notes payable, net	8,227,571	7,647,021
Capital lease obligations	119,075	135,320
Deferred compensation	47,594	44,176
TOTAL LIABILITIES	10,510,727	10,649,296
Net Assets		
Without donor restrictions	8,791,307	10,515,294
With donor restrictions	8,844,718	8,837,790
TOTAL NET ASSETS	17,636,025	19,353,084
TOTAL LIABILITIES AND NET ASSETS	$ 28,146,752	$ 30,002,380

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, 2020
(With Summarized Financial Information for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUE AND SUPPORT				
Program fees, net	$ 4,711,802	$ -	$ 4,711,802	$ 6,584,403
Membership dues	2,150,617	-	2,150,617	2,358,970
Contributions	685,675	370,126	1,055,801	849,847
Grants	896,503	319,896	1,216,399	1,417,592
Jewish Federation of Greater Washington, Inc. award	950,825	-	950,825	872,525
Special events	872,954	-	872,954	803,447
Less: Direct benefit costs	(64,512)	-	(64,512)	(88,977)
Special events revenue, net	808,442	-	808,442	714,470
Other income	242,132	-	242,132	325,277
Investment income, net	8,206	111,970	120,176	421,935
Sales, gross	17,468	-	17,468	26,602
Less: Cost of goods sold	(18,674)	-	(18,674)	(22,720)
Gross profit/ (loss)	(1,206)	-	(1,206)	3,882
Net assets released from restrictions:				
Satisfaction of time restrictions	73,942	(73,942)	-	-
Satisfaction of purpose restrictions	342,357	(342,357)	-	-
Appropriation of endowment income	378,765	(378,765)	-	-
TOTAL REVENUE AND SUPPORT	11,248,060	6,928	11,254,988	13,548,901
EXPENSES				
Program Services:				
Health and wellness	4,061,948	-	4,061,948	4,347,300
Early childhood	3,000,768	-	3,000,768	3,123,037
Camp, youth and teens	2,034,107	-	2,034,107	2,289,401
Adult services	1,160,644	-	1,160,644	1,423,353
Special needs	492,167	-	492,167	496,783
Total Program Services	10,749,634	-	10,749,634	11,679,874
Supporting Services:				
Management and general	1,446,395	-	1,446,395	1,689,147
Fundraising	776,018	-	776,018	802,208
Total Supporting Services	2,222,413	-	2,222,413	2,491,355
TOTAL EXPENSES	12,972,047	-	12,972,047	14,171,229
CHANGE IN NET ASSETS	(1,723,987)	6,928	(1,717,059)	(622,328)
NET ASSETS, BEGINNING OF YEAR	10,515,294	8,837,790	19,353,084	19,975,412
NET ASSETS, END OF YEAR	$ 8,791,307	$ 8,844,718	$ 17,636,025	$ 19,353,084

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, 2020
(With Summarized Financial Information for the Year Ended June 30, 2019)

	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	2020 Total	2019 Total
EXPENSES											
Staffing costs and benefits	$ 1,573,076	$ 2,405,418	$ 1,068,187	$ 678,958	$ 364,504	$ 6,090,143	$ 860,121	$ 509,103	$ 1,369,224	$ 7,459,367	$ 7,687,740
Occupancy	835,515	198,426	286,126	112,027	24,716	1,456,810	98,677	51,975	150,652	1,607,462	1,801,620
Professional fees	568,654	82,231	119,104	76,737	19,149	865,875	247,684	8,052	255,736	1,121,611	1,259,006
Depreciation and amortization	604,105	104,064	137,993	62,829	10,769	919,760	22,512	29,209	51,721	971,481	951,732
Travel, conferences and meetings	108,139	12,886	146,510	65,503	60,996	394,034	13,028	1,686	14,714	408,748	579,105
Supplies and events	62,624	64,098	87,507	81,421	3,362	299,012	26,090	78,063	104,153	403,165	625,255
Rental and maintenance of equipment	41,063	17,400	30,624	23,687	1,970	114,744	52,922	54,509	107,431	222,175	279,824
Miscellaneous	62,061	12,380	53,004	23,836	478	151,759	347	75,051	75,398	227,157	275,147
Interest expense	118,644	26,960	32,892	13,298	2,158	193,952	6,035	7,062	13,097	207,049	243,122
Printing and publications	27,403	8,272	20,710	20,699	120	77,204	10,864	18,527	29,391	106,595	186,696
Membership dues	3,635	269	6,735	1,375	9	12,023	78,053	1,647	79,700	91,723	124,795
Financial assistance and scholarships	37,075	50,601	28,520	45	281	116,522	-	-	-	116,522	115,562
Insurance	13,142	11,903	9,825	7,700	2,747	45,317	19,055	2,469	21,524	66,841	81,206
Telecommunications	6,075	4,086	4,848	6,444	901	22,354	8,955	1,314	10,269	32,623	45,748
Postage	737	1,774	1,522	4,759	7	8,799	2,052	1,863	3,915	12,714	26,195
TOTAL FUNCTIONAL EXPENSES	4,061,948	3,000,768	2,034,107	1,179,318	492,167	10,768,308	1,446,395	840,530	2,286,925	13,055,233	14,282,753
Less: Direct benefit costs	-	-	-	-	-	-	-	(64,512)	(64,512)	(64,512)	(88,997)
Less: Cost of goods sold	-	-	-	(18,674)	-	(18,674)	-	-	-	(18,674)	(22,527)
TOTAL EXPENSES	$ 4,061,948	$ 3,000,768	$ 2,034,107	$ 1,160,644	$ 492,167	$ 10,749,634	$ 1,446,395	$ 776,018	$ 2,222,413	$ 12,972,047	$ 14,171,229

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, 2020
(With Summarized Financial Information for the Year Ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,717,059)	$ (622,328)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	971,481	951,732
Allowance for doubtful accounts	(26,697)	(2,943)
Discount of contributions to present value	-	(179,350)
Net realized and unrealized gains on investments	22,749	(288,792)
Contributions restricted for investment in endowment	(54,309)	(42,148)
Changes in assets and liabilities:		
Accounts receivable	18,145	28,910
Grants and contributions receivable	1,099,304	2,502,717
Prepaid expenses	327,318	(146,985)
Accounts payable and accrued expenses	506,696	5,975
Contract liabilities	(1,247,693)	(212,826)
Refundable advance	15,398	-
Deferred compensation	3,418	3,368
NET CASH PROVIDED BY (USDED IN) OPERATING ACTIVITIES	(81,249)	1,997,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,781,996	1,261,662
Purchases of investments	(1,296,090)	(930,012)
Purchases of property and equipment	(246,691)	(1,178,890)
Purchases of assets held for employee benefits	(3,418)	(3,368)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	235,797	(850,608)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	54,309	42,148
Principal payments on notes payable	(852,960)	(3,978,352)
Proceeds from notes payable	1,433,510	-
Repayments on capital lease obligations	(16,245)	73,832
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	618,614	(3,862,372)
NET INCREASE (DECREASE) IN CASH	773,162	(2,715,650)
CASH, BEGINNING OF YEAR	455,879	3,171,529
CASH, END OF YEAR	$ 1,229,041	$ 455,879
CASH, REPORTED ON THE STATEMENT OF FINANCIAL POSITION		
Cash	$ 1,174,488	$ 390,282
Cash held for investment purposes	54,553	65,597
TOTAL CASH	$ 1,229,041	$ 455,879
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payment for interest	$ 207,049	$ 243,122
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment purchases payable	$ 19,307	$ 119,216
Equipment acquired under capital lease	$ 55,084	$ 125,987
Capital lease obligation	$ (55,084)	$ (125,987)

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 recorded in contract liabilities upon receipt and recognized as revenue in the period in which the related program is held and the performance obligation is met. 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, 2020, for members, the general public and staff totaled $331,708, 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 and the performance obligation is met. Dues paid by members in advance of the membership period are reported as contract liabilities in the accompanying statement of financial position.

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

Revenue Recognition (continued)

Unconditional 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 at the point in time the events take place and the performance obligation is met.

Other income includes guest passes, locker room rentals and facility rental income. Guest passes are recognized at the time of sale and rental income is recognized over time.

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, 2020, 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.

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

Fair Value Measurement (continued)

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.

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 $299,562 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 Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Center adopted ASU 2014-09 and related amendments on July 1, 2019, using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

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

New Accounting Pronouncements (continued)

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. The Center adopted ASU 2018-08 as of July 1, 2019, and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements or the timing of revenue recognition for the Center's contributions.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which require that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-year and end-of-year total amounts shown on the statement of cash flows. The Center adopted the standard retrospectively and has adjusted the presentation of these statements accordingly.

2. Investments

Investments consisted of the following at June 30, 2020:

Pooled fund of the United Jewish Endowment Fund	$ 3,568,789
Exchange-traded funds	2,335,217
Fixed-income funds	1,181,128
Fixed-income mutual funds	595,568
State of Israel bonds	446,935
Money market funds	181,616
Cash	54,553
Total Investments	$ 8,363,806

3. Grants and Contributions Receivable

Grants and contributions receivable were due as follows at June 30, 2020:

Less than one year	$ 617,493
One to five years	240,195
Total Grants and Contributions Receivable	857,688
Less: Discount for Present Value	(10,349)
Less: Allowance for Doubtful Accounts	(108,114)
Grants and Contributions Receivable, Net	$ 739,225

3. Grants and Contributions Receivable (continued)

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, 2020:

Leasehold improvements	$ 28,578,245
Furniture and equipment	2,187,953
Capital lease	297,950
Assets held under construction	10,101
Total Property and Equipment	31,074,249
Less: Accumulated Depreciation and Amortization	(13,422,285)
Property and Equipment, Net	$ 17,651,964

Depreciation and amortization expense was $971,481 for the year ended June 30, 2020.

The Center is undergoing renovations funded through its Centennial Campaign and a note payable. (See Notes 8 and 6, 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.

5. Contract Liabilities

The following table provide information about significant changes in the contract liabilities that were paid in advance for the year ended June 30, 2020:

Contract liabilities – membership dues, July 1	$ 44,647
Membership dues revenue recognized	(2,150,617)
Collections of membership dues revenue	2,105,970
Contract Liabilities – Membership dues, June 30	$ -
Contract liabilities – program fees, July 1	$ 1,796,137
Program fees revenue recognized	(4,711,802)
Collections of program fees revenue	3,508,756
Contract Liabilities – Program fees, June 30	$ 593,091

6. 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. In February 2020 the Center made an additional principal payment of $700,000 which offsets the amounts due through 2025. In March 2020, the loan was amended such that the interest only payments are deferred until July 2020. In May 2020, the loan was again amended such that the interest only payments are deferred until October 1, 2020. At June 30, 2020, the loan balance was $3,433,974.

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, 2020, 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. This requirement was not met for the year ended June 30, 2020, however the Center obtained a waiver from the financial institution. 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.

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

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.

The loan balance as of June 30, 2020, was $3,517,894. 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 were due through June 30, 2020. This note bore interest at the rate of 3%. This loan was repaid in full in November 2019.

On April 15, 2020, the Center entered into a Small Business Administration loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of $1,433,510. The loan will mature on April 15, 2022, with a fixed interest rate of 1% per annum. Consecutive monthly payments of principal and interest will commence 10 months after the end of the forgiveness covered period, through the maturity date. The loan amount may be eligible for forgiveness pursuant to the provisions of the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained. The Center is in the process of applying for forgiveness.

As of June 30, 2020, future principal payments under these notes are due as follows:

For the Year Ending June 30,	
2021	$ 872,270
2022	1,038,758
2023	249,074
2024	255,373
2025	261,831
Thereafter	5,705,719
Total Notes Payable	8,383,025
Less: Bond Issuance Costs	(155,454)*
Notes Payable, Net	$ 8,227,571

*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.

7. 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, 2020, the Center had approximately $1,345,000 composed of demand deposits, savings accounts and money market accounts, which exceeded the maximum limit insured by the FDIC by approximately $1,056,000. The Center monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash.

As of June 30, 2020, approximately $550,000 of the total net grants and contributions receivable balance was due from two donors. This amount represents 75% of the Center's net grants and contributions receivable balance as of June 30, 2020.

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, 2020, the Center incurred expenses of $670,817 for maintenance and operating costs related to the space.

Risk and Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Center has been able to continue most of its operations; however, at this point, the extent to which COVID-19 will impact the Center's financial condition or results of operations is necessarily uncertain. Management and the Board are continuously engaged in strategic and generative discussion to develop methods of providing the Center's programs under alternative operating scenarios.

8. Net Assets

Net Assets Without Donor Restrictions

As of June 30, 2020, the Center's net assets without donor restrictions were composed of:

Undesignated	$ 8,491,745
Board-designated (considered quasi-endowments):	
Stetson Fund	278,397
Council for the Arts Fund	21,165
Board-designated Subtotal	299,562
Total Net Assets Without Donor Restrictions	$ 8,791,307

During 2020, the Board approved transfers from the Board quasi-endowment of $397,337 to support operations and capital improvements. There were no transfers into the Board quasi-endowment in 2020.

Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following programs or purposes as of June 30, 2020:

Perpetual in nature:	
Endowment funds:	
Adult services	$ 2,876,734
Special needs	2,380,765
Early childhood	702,987
Camp, youth, teens	612,989
Activities of the center	533,818
Health and wellness	97,770
Total Endowment Funds	7,205,063
Time-restricted:	
Restricted for use in 2021	43,323
Purpose-restricted:	
Unspent endowment earnings	639,497
Centennial campaign	592,910
Family engagement	55,695
Adult services	66,091
Special needs	94,700
Camp, youth and teens	145,037
Health and wellness	2,402
Total Net Assets With Donor Restrictions	$ 8,844,718

9. 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.

Investment returns on permanent endowments are classified in accordance with donor specifications. When no specifications are outlined by the donor, investment earnings on the permanent 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, 2020, thirty eight endowments with an original value of $1,668,982 and a current value of $1,512,385 had a cumulative underwater deficiency of $156,597.

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.

9. Endowment Funds (continued)

Strategies Employed for Achieving Objectives

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

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

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 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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Original value donor-restricted endowment funds	$ -	$ 7,205,063	$ 7,205,063
Accumulated earnings on donor-Restricted endowment funds	-	639,947	639,947
Board-designated endowment funds	299,562	-	299,562
Total Endowment Net Assets	$ 299,562	$ 7,845,010	$ 8,144,572

For the year ended June 30, 2020, changes in endowment net assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 690,071	$ 8,057,056	$ 8,747,127
Investment return, net:	6,828	111,970	118,798
Contributions	-	54,749	54,749
Appropriations for expenditures	(397,337)	(378,765)	(776,102)
Endowment Net Assets, End of Year	$ 299,562	$ 7,845,010	$ 8,144,572

10. 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, 2020 were:

Financial Assets Available Within One Year:	
Cash and cash equivalents	$ 1,174,488
Investments	8,363,806
Accounts receivable, net	29,207
Grants and contributions receivable collectible in one year	617,493
Total Financial Assets Available Within One Year	10,184,994
Less:	
Financial assets unavailable for general expenditure within one year:	
Net assets with donor restrictions	(8,844,718)
Net assets designated by the board	(299,562)
Centennial campaign receipts	(255,735)
Financial Assets Available to Meet General Expenditures Within One Year	$ 784,979

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.

11. Fair Value Measurement

The following table summarizes the Center's assets and liabilities as of June 30, 2020, 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	$ 446,935	$ -	$ 446,935	$ -
Fixed-income funds:				
Corporate bonds	600,153	-	600,153	-
Mortgage pools	327,294	-	327,294	-
U.S. treasuries	115,629	-	115,629	-
Municipal bonds	92,690	-	92,690	-
CMO and asset backed assets	45,362	-	45,362	-
Total Fixed-Income Funds	1,181,128	-	1,181,128	-
Fixed-income mutual funds:				
High-yield bond	250,102	250,102	-	-
Inflation protected	177,910	177,910	-	-
Multi-sector	167,556	167,556	-	-
Total Fixed-Income Mutual Funds	595,568	595,568	-	-
Exchange-traded funds:				
U.S. large cap	1,028,027	1,028,027	-	-
International equity	546,388	546,388	-	-
U.S. mid cap	483,887	483,887	-	-
Emerging markets	276,915	276,915	-	-
Total Exchange-Traded Funds	2,335,217	2,335,217	-	-
Money market funds	181,616	181,616	-	-
Total Investments in the Fair Value Hierarchy	4,740,464	3,112,401	1,628,063	-

11. Fair Value Measurement (continued)

	Total Fair Value	Level 1	Level 2	Level 3
Assets (continued):				
Assets measured in the fair value hierarchy (continued):				
Balance index equity mutual fund	$ 47,594	$ 47,594	$ -	$ -
Total Assets in the Fair Value Hierarchy	4,788,058	$ 3,159,995	$ 1,628,063	$ -
Cash	54,553			
Investments measured at NAV:				
Pooled fund of the United Jewish Endowment Fund[(a)]	3,568,789			
Total Assets	$ 8,411,400*			
* includes other assets of $47,594				
Liabilities:				
Deferred compensation	$ 47,594	$ 47,594	$ -	$ -
Total Liabilities	$ 47,594	$ 47,594	$ -	$ -

(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).

11. 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, 2020, 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, 2020.

12. 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, 2020, the Center did not make employer contributions of 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 $47,594 as of June 30, 2020.

13. 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, 2020.

13. Income Taxes (continued)

The Center evaluated its uncertainty in income taxes for the year ended June 30, 2020, 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 and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. The Center is subject to routine audits by taxing jurisdictions; however, as of June 30, 2020, there are no audits for any tax period pending or in progress.

14. Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 financial statements presentation.

15. 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, 2019, from which the summarized information was prepared.

16. Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through April 1, 2021, the date the financial statements were available to be issued. Other than described below, there were no other subsequent events that require recognition or disclosure in the financial statements.

On October 21, 2020, the Center entered into an interest free note payable agreement for $1,000,000 with the Jewish Community Response and Impact Fund. Under terms of the agreement, quarterly installments will made with final payment due July 1, 2024.

On January 30, 2021, the Academy entered into an agreement for a second draw PPP loan with the same financial institution in the amount of $787,500. The loan will mature on January 30, 2026, with a fixed interest rate of 1% per annum. Similar to the first draw PPP loan, all or a portion of the loan may be eligible of forgiveness pursuant to the PPP requirements.