

JCC OF CENTRAL NEW JERSEY, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

JCC OF CENTRAL NEW JERSEY, INC.

AUGUST 31, 2016

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KETCHAM & TUPPER, LLC
CERTIFIED PUBLIC ACCOUNTANTS
202 MOUNTAIN AVENUE
P.O. BOX 2610
WESTFIELD, NJ 07091

TEL: (908) 232 – 4618
FAX: (973) 838 – 5823

Independent Auditors' Report

Board of Directors
JCC of Central New Jersey, Inc.
Scotch Plains, New Jersey

We have audited the accompanying financial statements of the JCC of Central New Jersey, Inc. (a non-profit entity), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

KETCHAM & TUPPER, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the JCC of Central New Jersey, Inc. as of August 31, 2016, 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 JCC of Central New Jersey, Inc.'s 2015 financial statements, and our report dated March 21, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ketcham & Tupper, LLC

Westfield, New Jersey
March 23, 2017

JCC OF CENTRAL NEW JERSEY, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2016

with comparative amounts for 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash and cash equivalents	405,852	261,659
Investments	724,113	685,336
Accounts and grants receivable (less allowance for doubtful accounts of \$5,343 and \$21,538 for 2016 and 2015, respectively)	82,392	89,677
Pledges receivable (less allowance for doubtful accounts of \$1,148 and \$5,000 for 2016 and 2015, respectively)	57,893	124,041
Prepaid expenses	74,852	77,827
Property and equipment	<u>6,333,022</u>	<u>6,590,635</u>
Total Assets	<u>7,678,124</u>	<u>7,829,175</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable & accrued expenses	845,809	644,126
Accrued vacation	26,369	27,830
Deferred income	783,611	791,609
Deposits	10,966	-
Lines of credit	-	200,000
Notes payable	298,331	375,000
Capital lease obligations	<u>135,804</u>	<u>143,714</u>
Total Liabilities	<u>2,100,890</u>	<u>2,182,279</u>
<u>Net Assets</u>		
Unrestricted	5,571,307	5,641,548
Temporarily restricted	<u>5,927</u>	<u>5,348</u>
Total Net Assets	<u>5,577,234</u>	<u>5,646,896</u>
 Total Liabilities and Net Assets	 <u>7,678,124</u>	 <u>7,829,175</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2016

with comparative amounts for 2015

	<u>2016</u>			<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenue				
Fund-raising events	288,254	-	288,254	286,189
Grants	162,774	-	162,774	85,212
Program income	6,482,717	-	6,482,717	5,960,896
Rental revenue				
Jewish Federation	130,094	-	130,094	123,420
Other rental income	<u>55,152</u>	<u>-</u>	<u>55,152</u>	<u>52,690</u>
Total direct revenue	<u>7,118,991</u>	<u>-</u>	<u>7,118,991</u>	<u>6,508,407</u>
Contributions	167,740	2,579	170,319	342,391
Investment income	42,044	-	42,044	(6,673)
Membership dues	1,054,488	-	1,054,488	1,028,350
Jewish Federation	136,193	-	136,193	131,720
United Way	17,931	-	17,931	25,255
Miscellaneous	<u>1,350</u>	<u>-</u>	<u>1,350</u>	<u>-</u>
Total indirect revenue	<u>1,419,746</u>	<u>2,579</u>	<u>1,422,325</u>	<u>1,521,043</u>
Total revenue	<u>8,538,737</u>	<u>2,579</u>	<u>8,541,316</u>	<u>8,029,450</u>
Expenses				
Building	703,762	-	703,762	688,375
Management and general	1,813,057	-	1,813,057	1,632,633
Program	<u>5,660,579</u>	<u>-</u>	<u>5,660,579</u>	<u>5,413,742</u>
Total expense	<u>8,177,398</u>	<u>-</u>	<u>8,177,398</u>	<u>7,734,750</u>
Change in net assets from operations	361,339	2,579	363,918	294,700
Satisfaction of usage restrictions	2,000	(2,000)	-	-
Depreciation	<u>(433,580)</u>	<u>-</u>	<u>(433,580)</u>	<u>(403,731)</u>
Change in net assets	(70,241)	579	(69,662)	(109,031)
Net assets, September 1	<u>5,641,548</u>	<u>5,348</u>	<u>5,646,896</u>	<u>5,755,927</u>
Net assets, August 31	<u>5,571,307</u>	<u>5,927</u>	<u>5,577,234</u>	<u>5,646,896</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from support and fees	8,365,810	7,994,670
Cash paid to employees	(3,966,228)	(3,608,000)
Interest and dividends received	14,931	13,876
Cash paid for operating expenses	<u>(3,787,479)</u>	<u>(4,084,253)</u>
Net cash provided by operating activities	<u>627,034</u>	<u>316,293</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from lines of credit	300,000	470,000
Principal repayments of lines of credit	(500,000)	(450,000)
Proceeds from notes payable	-	485,000
Principal repayments of notes payable	(76,669)	(234,598)
Proceeds from capital lease obligation	49,412	144,993
Principal repayments of capital lease obligation	<u>(57,322)</u>	<u>(22,303)</u>
Net cash (used in) provided by financing activities	<u>(284,579)</u>	<u>393,092</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(175,967)	(895,698)
Proceeds from sale of equipment	1,350	-
Purchase of investments	(11,664)	(10,999)
Proceeds from sale of investments	-	-
Net cash (used in) investing activities	<u>(186,281)</u>	<u>(906,697)</u>
CASH INCREASE(DECREASE) DURING YEAR	144,193	(197,312)
CASH, BEGINNING OF YEAR	<u>261,659</u>	<u>458,971</u>
CASH, END OF YEAR	<u>405,852</u>	<u>261,659</u>
 <u>RECONCILIATION OF ACCRUAL BASIS INCOME TO NET</u>		
<u>CASH PROVIDED BY OPERATIONS</u>		
Change in net assets	(69,662)	(109,031)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	433,580	403,731
Bad debt expense	10,631	-
(Gain)Loss on investments	(27,113)	20,551
Decrease(Increase) in accounts and grants receivable	7,285	(15,409)
Decrease(Increase) in pledges receivable	66,148	(45,565)
Decrease(Increase) in prepaid expenses	2,975	(27,848)
Increase(Decrease) in accounts payable & accrued expenses	201,683	(51,515)
(Decrease) in accrued vacation	(1,461)	(364)
Increase in deferred income & deposits	<u>2,968</u>	<u>141,743</u>
Net cash provided by operating activities	<u>627,034</u>	<u>316,293</u>
 Supplementary information:		
Income taxes	<u>0</u>	<u>0</u>
Interest	<u>28,458</u>	<u>19,277</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>NURSERY</u>	<u>DAY CAMP</u>	<u>TEENS</u>	<u>YOUTH</u>	<u>ADULTS</u>	<u>SENIORS</u>	<u>AQUATICS</u>	<u>FITNESS</u>	<u>ATHLETICS</u>	<u>TOTAL PROGRAM</u>	<u>BUILDING</u>	<u>MGMT & GENERAL</u>	<u>MKTNG & DEVELOP</u>	<u>TOTAL</u>
Salaries	1,417,145	782,611	29,875	268,653	60,802	100,754	225,194	1,590	24,876	2,911,500	243,614	592,211	218,903	3,966,228
Employee benefits	27,531	9,894	-	-	-	-	6,661	-	-	44,086	13,256	58,288	-	115,630
Payroll taxes	<u>105,858</u>	<u>58,131</u>	<u>2,262</u>	<u>20,361</u>	<u>4,737</u>	<u>7,708</u>	<u>17,082</u>	<u>36</u>	<u>1,898</u>	<u>218,073</u>	<u>18,293</u>	<u>64,370</u>	<u>16,364</u>	<u>317,100</u>
Total	1,550,534	850,636	32,137	289,014	65,539	108,462	248,937	1,626	26,774	3,173,659	275,163	714,869	235,267	4,398,958
Advertising & promotion	-	-	-	-	-	-	-	-	-	-	-	-	98,411	98,441
Association dues	995	3,505	-	-	-	-	1,975	-	-	6,475	-	66,877	-	73,352
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	10,631	-	10,631
Conferences & training	14,583	309	-	-	-	1,934	87	-	-	16,913	551	46,077	-	63,541
Contract & service fees	15	75	-	-	-	15	15	530,842	-	530,962	73,508	232,507	-	836,977
Food	75,779	90,348	-	5,885	-	55,710	-	-	-	227,692	-	-	-	227,692
Fundraising	18,172	2,000	-	-	20,531	-	6,076	-	-	46,779	-	4,078	52,115	102,972
Insurance	-	-	-	-	-	-	-	-	-	-	-	113,284	-	113,284
Interest expense	-	-	-	-	-	-	-	-	-	-	-	28,458	-	28,458
Miscellaneous & sundry	776	4,746	-	1,467	17	108	395	5,706	49	13,664	1,671	8,937	40	24,312
Office and printing	-	-	-	-	-	20	-	-	-	20	-	37,683	68,092	105,795
Postage	-	-	-	-	-	-	-	-	-	-	-	17,187	-	17,187
Professional Fees	425	-	-	-	275	-	-	40,090	-	40,790	-	46,898	-	87,688
Program expense	101,565	443,049	33,508	15,730	11,903	48,125	20,285	11,088	67,157	752,410	1,143	1,455	-	755,008
Repairs & maintenance	-	-	-	-	-	-	-	5,712	-	5,712	60,730	-	-	66,442
Scholarships	12,450	47,129	-	7,580	-	-	-	12,617	-	79,776	-	-	-	79,776
Supplies	31,597	50,338	-	-	-	110	16,259	5,225	-	103,529	59,912	16,609	-	180,050
Telephone	1,320	3,829	630	-	-	-	660	715	-	7,154	1,265	12,297	1,255	21,971
Transportation	23,360	527,559	-	96,319	-	7,806	-	-	-	655,044	-	-	-	655,044
Utilities & occupancy	-	-	-	-	-	-	-	-	-	-	229,819	-	-	229,819
Total expense	<u>1,831,571</u>	<u>2,023,523</u>	<u>66,275</u>	<u>415,965</u>	<u>98,265</u>	<u>222,290</u>	<u>294,689</u>	<u>613,621</u>	<u>94,380</u>	<u>5,660,579</u>	<u>703,762</u>	<u>1,357,847</u>	<u>455,210</u>	<u>8,177,398</u>
Direct income	<u>2,582,084</u>	<u>2,654,562</u>	<u>46,705</u>	<u>569,301</u>	<u>70,842</u>	<u>162,639</u>	<u>362,534</u>	<u>120,665</u>	<u>129,465</u>	<u>6,698,797</u>	<u>170,895</u>	<u>22</u>	<u>249,277</u>	<u>7,118,991</u>
Excess (deficiency)	<u>750,513</u>	<u>631,039</u>	<u>(19,570)</u>	<u>153,336</u>	<u>(27,423)</u>	<u>(59,651)</u>	<u>67,845</u>	<u>(492,956)</u>	<u>35,085</u>	<u>1,038,218</u>	<u>(532,867)</u>	<u>(1,357,825)</u>	<u>(205,933)</u>	<u>(1,058,407)</u>

JCC OF CENTRAL NEW JERSEY, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>NURSERY</u>	<u>DAY CAMP</u>	<u>TEENS</u>	<u>YOUTH</u>	<u>ADULTS</u>	<u>SENIORS</u>	<u>AQUATICS</u>	<u>FITNESS</u>	<u>ATHLETICS</u>	<u>TOTAL PROGRAM</u>	<u>BUILDING</u>	<u>MGMT & GENERAL</u>	<u>MKTNG & DEVELOP</u>	<u>TOTAL</u>
Salaries	1,272,725	835,701	17,107	191,479	41,760	88,315	207,475	895	27,004	2,682,461	253,397	483,688	188,454	3,608,000
Employee benefits	15,983	11,047	717	-	-	-	4,736	-	-	32,483	15,165	69,570	-	117,218
Payroll taxes	<u>94,930</u>	<u>62,400</u>	<u>1,530</u>	<u>14,555</u>	<u>3,195</u>	<u>6,725</u>	<u>15,846</u>	<u>69</u>	<u>2,064</u>	<u>201,314</u>	<u>19,206</u>	<u>67,201</u>	<u>13,982</u>	<u>301,703</u>
Total	1,383,638	909,148	19,354	206,034	44,955	95,040	228,057	964	29,068	2,916,258	287,768	620,459	202,436	4,026,921
Advertising & promotion	-	-	-	-	-	-	-	-	-	-	-	-	88,111	88,111
Association dues	-	3,450	-	-	-	-	1,845	-	-	5,295	127	63,047	100	68,569
Conferences & training	4,164	-	-	-	-	2,790	-	-	-	6,954	454	45,907	88	53,403
Contract & service fees	-	-	-	-	-	-	-	549,501	-	549,501	41,548	201,944	-	792,993
Food	55,893	82,540	-	5,965	-	44,751	-	-	-	189,149	40	(215)	-	188,974
Fundraising	1,040	-	-	-	23,902	-	1,630	-	-	26,572	-	885	53,948	81,405
Insurance	-	-	-	-	-	-	-	-	-	-	-	132,720	-	132,720
Interest expense	-	-	-	-	-	-	-	-	-	-	-	19,277	-	19,277
Miscellaneous & sundry	430	4,388	13	75	30	179	39	2,927	323	8,404	2,267	8,458	22	19,151
Office and printing	-	-	-	-	-	-	-	-	-	-	-	44,584	72,342	116,926
Postage	-	-	-	-	-	-	-	-	-	-	-	20,703	-	20,703
Professional Fees	-	-	-	-	-	-	-	40,000	-	40,000	80	28,839	1,200	70,119
Program expense	153,491	449,411	30,867	13,818	7,819	30,827	19,509	13,406	64,935	784,083	1,407	-	-	785,490
Repairs & maintenance	-	-	-	-	-	-	-	4,725	-	4,725	46,806	-	-	51,531
Scholarships	20,651	42,480	-	3,008	-	-	-	9,949	-	76,052	-	-	-	76,052
Supplies	38,234	47,053	21	495	-	-	11,975	5,478	-	103,526	65,611	13,173	-	182,310
Telephone	1,320	2,701	550	-	-	-	660	660	-	5,891	1,320	13,670	935	21,816
Transportation	57,775	518,619	-	114,665	-	6,273	-	-	-	697,332	-	-	-	697,332
Utilities & occupancy	-	-	-	-	-	-	-	-	-	-	240,947	-	-	240,947
Total expense	1,716,600	2,059,790	50,805	344,060	76,706	179,860	263,715	627,880	94,326	5,413,742	688,375	1,213,451	419,182	7,734,750
Direct income	<u>2,359,112</u>	<u>2,623,574</u>	<u>40,629</u>	<u>381,970</u>	<u>62,028</u>	<u>98,769</u>	<u>332,153</u>	<u>116,681</u>	<u>121,329</u>	<u>6,136,245</u>	<u>164,315</u>	<u>1,574</u>	<u>206,273</u>	<u>6,508,407</u>
Excess (deficiency)	<u>642,512</u>	<u>563,784</u>	<u>(10,176)</u>	<u>37,910</u>	<u>(14,678)</u>	<u>(81,091)</u>	<u>68,438</u>	<u>(511,199)</u>	<u>27,003</u>	<u>722,503</u>	<u>(524,060)</u>	<u>(1,211,877)</u>	<u>(212,909)</u>	<u>(1,226,343)</u>

JCC OF CENTRAL NEW JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

Note 1 - Operations

The JCC of Central New Jersey, Inc. ("JCC") is a not-for-profit social service agency committed to serving both the Jewish community and the community at large. Our mission is to provide social, recreational, educational, and cultural programs and humanitarian services for individuals and families through all phases of life. We are committed to affirming and strengthening Jewish values, fostering an appreciation of our heritage and identity and nurturing leadership. Our JCC is a dynamic center for Jewish life. We offer a vital and welcoming home away from home for our members and our guests.

With more than 4,000 members and community participants, the JCC is now a vital holistic community center and program provider. The JCC serves over 400 children in the operation of an accredited preschool and full day kindergarten for children aged 18 months to six years and programs for youth that includes after school childcare with homework support and recreational activities. The JCC also provides programs for parents with infants. During the summer, the JCC's day camp provides activities for approximately 800 children, ages 18 months through fourteen years. For adults, there are services ranging from cultural events and educational programs to fitness and wellness classes. The JCC has a fully functioning fitness center and an indoor and two outdoor pools. Senior adults are transported to the JCC four days a week for a kosher, communal, nutrition lunch program as well as social and educational activities.

Note 2 - Summary of Significant Accounting Policies

a. Method of Accounting - The financial statements of the JCC have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles. The JCC follows the provisions of Accounting Standards Codification (ASC) 958, Not-for-Profit Entities.

b. Financial Statement Presentation - The financial statements present information regarding the financial position and activities according to three classes of net assets as follows:

Unrestricted - net assets that are not subject to donor-imposed restrictions.

Temporarily restricted - net assets subject to donor-imposed restrictions that will be met by the passage of time or will be fulfilled by actions of the JCC.

Permanently restricted - net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of the JCC.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. During the year ended August 31, 2016, there were no net assets subject to permanent restrictions.

c. Cash and Cash Equivalents - The JCC defines cash and cash equivalents as short-term, highly liquid investments with maturities of three months or less.

d. Fair value of financial instruments - The JCC follows ASC 820, Fair Value Measurements, which establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of hierarchy under ASC 820 are described as follows:

Level 1 - Quoted price in active markets for identical securities.

Level 2 - Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants would use in pricing a security, which may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3 - Prices determined using significant unobservable inputs. In certain situations where quoted prices or observable inputs are unavailable, unobservable inputs may be used. Unobservable inputs reflect the Master Fund's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The various inputs that may be used to determine the value of the investments are summarized in the three levels presented above. The inputs or methodologies used for valuing investments are not necessarily an indication of the risk associated with investing in those securities. Changes in valuation techniques may result in transfers in or out of an investment's assigned level as described above.

e. Investments - The JCC's investment portfolio consists of State of Israel bonds and mutual funds. Therefore, the JCC is subject to risk of market volatility. The JCC's mutual funds are reported at fair value based on Level 1 quoted market prices. Fair value for the JCC's State of Israel bonds can be estimated using the face value, maturity date, payoff dates and interest rates for each of the bonds which are considered to be Level 2 observable inputs. The JCC considers its investment in State of Israel bonds as held to maturity. Realized and unrealized gains and losses are included in the statement of activities.

f. Property and Equipment - The JCC capitalizes all major expenditures for land, buildings and equipment. Maintenance and repairs are expensed as incurred. Investments in real and personal property are stated at cost when purchased, and at fair market value when acquired by gift. Depreciation is calculated using the straight-line method of depreciation and is based upon the useful lives of the assets as follows:

Furniture, fixtures and equipment	3-15 years
Improvements	10-20 years
Building	40 years

On normal retirement or replacement the cost is removed from the asset accounts and the related depreciation reserve is adjusted, with the difference being charged to income.

g. Deferred revenue - Fees received from participants in advance of the related program activity are recorded by the JCC as deferred revenue.

h. Contributions - All contributions are considered available for unrestricted use unless specifically restricted by the donor, and are reflected in the accompanying financial statements at their estimated market value at the date of receipt. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

i. Income Taxes - The JCC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not a "private foundation" within the meaning of Section 590(a). In accordance with ASC 740 "Income Taxes", the JCC has determined that ASC 740 does not have a material impact on its financial statements. Accordingly, no provision for income taxes is included in the accompanying financial statements. The JCC's tax and information returns are generally subject to examination by taxing authorities for three years, including 2013, 2014 and 2015.

j. Volunteer Services - Many volunteers have donated services to the JCC's activities, however, no amounts are included in the accompanying financial statements to reflect their services, inasmuch as they do not meet the criteria for recognition as contributed services.

k. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

l. Functional Allocation of Expense - The costs of providing the JCC's various programs and other activities have been summarized in the Statement of Activities by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

m. Reclassification - Certain amounts in the prior year financial statements have been reclassified in order to be consistent with the current year presentation.

n. Comparative figures - Totals for the prior year have been presented where appropriate in the accompanying financial statements only to facilitate financial analysis. Such data does not fully present financial position, and changes in net assets and cash flows.

Note 3 - Cash and cash equivalents

The total operating and capital cash held by the JCC at August 31, 2016 and 2015 includes \$164,538 and \$187,137, respectively, in bank deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") limits. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

Note 4 - Investments

The cost and fair value of securities at August 31 are as follows:

<u>Description</u>	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Level 1 Investments - Mutual Funds	480,900	624,113	468,735	585,336
Level 2 Investments - State of Israel Bonds	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
	<u>580,900</u>	<u>724,113</u>	<u>568,735</u>	<u>685,336</u>

Investment income was comprised of the following for the years ended August 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	14,931	13,876
Net realized gain (loss) on investments	26,612	(21,642)
Net unrealized gain on investments	<u>501</u>	<u>1,093</u>
	<u>42,044</u>	<u>(6,673)</u>

Note 5 - Pledges receivable

Pledges receivable consist of amounts due for annual campaign pledges and others which are due as follows at August 31:

	<u>2016</u>	<u>2015</u>
Pledges receivable in less than one year	59,041	129,041
Less: Allowance for doubtful pledges	<u>(1,148)</u>	<u>(5,000)</u>
Pledges receivable, net	<u>57,893</u>	<u>124,041</u>

All pledges are expected to be collected within one year, therefore no discount on pledges was recorded.

Note 6 - Property and equipment

	<u>2016</u>	<u>2015</u>
Land	583,823	583,823
Building and improvements	9,737,736	9,672,586
Outdoor swimming pool	401,669	396,168
Furniture and equipment	1,376,234	1,270,918
Transportation equipment	<u>119,814</u>	<u>156,210</u>
	12,219,276	12,079,705
Less accumulated depreciation	<u>(5,886,254)</u>	<u>(5,489,070)</u>
	<u>6,333,022</u>	<u>6,590,635</u>

Depreciation expense for the years ended August 31, 2016 and 2015 amounted to \$433,580 and \$403,731, respectively.

Note 7 - Deferred income

	<u>2016</u>	<u>2015</u>
Adult Enrichment	36,619	47,111
Aftercare	58,992	70,711
Aquatics fees	25,267	21,264
Athletic fees	8,705	11,251
Camp fees	69,056	107,223
Fitness fees	38,790	27,664
Membership dues	155,651	189,390
Nursery School fees	363,052	304,053
Sponsorships	12,034	8,442
Miscellaneous	<u>15,445</u>	<u>4,500</u>
	<u>783,611</u>	<u>791,609</u>

Note 8 - Lines of credit

The JCC has a \$750,000 unsecured line of credit with Investors Bank that matures on May 31, 2017. Interest on the outstanding balance is calculated at the Prime Rate of interest as published in the Wall Street Journal with a floor of 3.50%. The JCC had no advances outstanding on this line of credit as of August 31, 2016 and an advance of \$200,000 as of August 31, 2015.

Note 9 - Notes payable

Notes payable consists of the following at August 31:

	<u>2016</u>	<u>2015</u>
\$375,000 note payable to Investors Bank used to consolidate and refinance prior loans with Investors bank and for general working capital purposes, due August 1, 2020. Monthly principal and interest installments of \$6,860 beginning September 1, 2015 at fixed interest rate of 3.625% per annum. The loan agreement contains various financial covenants on the property.	298,331	375,000
Less current portion:	<u>72,239</u>	<u>69,671</u>
Notes payable non-current portion:	<u>226,092</u>	<u>305,309</u>

Annual maturities of the notes payable outstanding at August 31, 2016 are as follows:

<u>Year ending August 31,</u>	
2017	72,239
2018	74,902
2019	77,663
2020	<u>73,527</u>
Total	<u>298,331</u>

Note 10 - Capital Leases

The JCC has entered into several capital leases for office and exercise equipment which expire through 2020. The economic substance of the leases are that the JCC is financing the acquisition of the assets through the lease and accordingly, it is recorded in the JCC's assets and liabilities. The assets are amortized over their estimated productive life. Amortization expense for the years ended August 31, 2016 and 2015 amounted to \$33,759 and \$4,760, respectively and is included in depreciation expense.

Property and equipment held under capital lease:

	<u>2016</u>	<u>2015</u>
Leased equipment	218,205	168,793
Less accumulated amortization	<u>38,519</u>	<u>4,760</u>
Net Leased equipment	<u>179,686</u>	<u>164,033</u>

Future minimum payments, including interest, required on capital leases as of August 31, 2016 are as follows:

<u>Years ending August 31,</u>	
2017	70,051
2018	53,851
2019	16,071
2020	<u>4,543</u>
Total minimum lease payment	144,517
Less: Amount representing interest	<u>8,713</u>
Present value of net minimum lease payments	135,804
Less: Current portion	<u>65,480</u>
Long term portion	<u>70,324</u>

Note 11 - Grants

Grant income for the years ended August 31, 2016 and 2015 is comprised of:

	<u>2016</u>	<u>2015</u>
Hyde & Watson Foundation	20,000	-
Jewish Community Foundation of Greater MetroWest NJ	20,833	4,167
Plainfield Foundation	7,000	2,500
Union County Division on Aging - Social/Recreation	39,612	22,985
Union County Division on Aging - Nutrition	41,645	22,660
Van Winkle Foundation	3,000	3,000
Westfield United Fund	27,000	27,250
Westfield Foundation	<u>3,684</u>	<u>2,650</u>
	<u>162,774</u>	<u>85,212</u>

Note 12 - Related Party Transactions

During the years ended August 31, 2016 and 2015, the JCC paid membership dues of \$66,012 and \$64,344, respectively, to the JCCA of North America which provides various management and advisory services.

The Jewish Federation of Greater MetroWest NJ (the "Federation") provides certain support and also occupies certain space within the facility owned by the JCC for which it reimburses the JCC various occupancy costs. There is an informal agreement that has been in place since the opening of the new building in 1997 between the Federation and the JCC that spells out the method of this cost allocation, including utilities as indicated below:

	<u>2016</u>	<u>2015</u>
Direct income: Maintenance overtime	2,910	3,420
Management fee	120,000	120,000
Capital cost reimbursement	<u>7,184</u>	<u>-</u>
	130,094	123,420
Indirect income: Annual allocation	<u>136,193</u>	<u>131,720</u>
	<u>266,287</u>	<u>255,140</u>

Note 13 - Retirement Plan

The JCC sponsors a defined contribution retirement plan that qualifies under Section 401(k) of the Internal Revenue Code. This plan covers substantially all full-time employees who have satisfied the eligibility requirements as defined in the plan. Under this plan, participants are permitted to make income tax deferred contributions based upon their compensation. Each year, in addition to depositing voluntary 401(k) salary deferrals with an independent trustee, the JCC may contribute to the plan discretionary profit sharing contributions. No discretionary contributions were made by the JCC for the years ended August 31, 2016 and 2015.

Note 14 - Temporarily restricted net assets

Temporarily restricted net assets are comprised of:

	<u>Cumulative Contributions</u>	<u>Cumulative Spent or Released</u>	<u>Unspent as of 8/31/16</u>
Zakarian Scholarships	<u>13,817</u>	<u>7,890</u>	<u>5,927</u>

	<u>Cumulative Contributions</u>	<u>Cumulative Spent or Released</u>	<u>Unspent as of 8/31/15</u>
Zakarian Scholarships	11,238	5,890	5,348
J2O Outdoor Pool Capital Project	155,643	155,643	-
Climbing wall	<u>2,546</u>	<u>2,546</u>	<u>-</u>
	<u>169,427</u>	<u>164,079</u>	<u>5,348</u>

Note 15 - Commitments

The JCC contracts MediFit Corporate Services, Inc. ("MediFit") to provide on-site management and supervision of the Fitness & Wellness Center and Member Services operations. The JCC pays MediFit an agreed upon monthly fee and reimburses Medifit for all costs associated with professional staff and programming services. The agreement terminated on August 31, 2016 and was not extended. For the years ended August 31, 2016 and 2015, the JCC paid MediFit management fees \$40,000 per year and reimbursement fees of \$530,842 and \$549,501, respectively.

Note 16 - Subsequent event

The JCC evaluated subsequent events through March 23, 2017 the date the financial statements were available to be issued.

Between September 1, 2016 and March 23, 2017, the JCC borrowed an additional \$450,000 on its outstanding line of credit.