

JCC OF CENTRAL NEW JERSEY, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

JCC OF CENTRAL NEW JERSEY, INC.

AUGUST 31, 2017

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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, 2017, 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.

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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the JCC of Central New Jersey, Inc.'s 2016 financial statements, and our report dated March 23, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ketcham & Tupper, LLC

Westfield, New Jersey
December 18, 2017

JCC OF CENTRAL NEW JERSEY, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2017

with comparative amounts for 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
<u>Assets</u>		
Cash and cash equivalents	367,999	405,852
Investments	777,008	724,113
Accounts and grants receivable, net of allowance for doubtful accounts of \$4,473 and \$5,343, respectively	74,458	82,392
Pledges receivable, net of allowance for doubtful accounts of \$2,648 and \$1,148, respectively	111,562	57,893
Prepaid expenses	93,711	74,852
Property and equipment	<u>6,260,900</u>	<u>6,333,022</u>
Total Assets	<u>7,685,638</u>	<u>7,678,124</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts payable & accrued expenses	828,593	845,809
Accrued vacation	31,229	26,369
Deferred income	893,236	783,611
Deposits	500	10,966
Lines of credit	175,000	-
Notes payable	225,836	298,331
Capital lease obligations	<u>70,998</u>	<u>135,804</u>
Total Liabilities	<u>2,225,392</u>	<u>2,100,890</u>
<u>Net Assets</u>		
Unrestricted	5,410,246	5,571,307
Temporarily restricted	<u>50,000</u>	<u>5,927</u>
Total Net Assets	<u>5,460,246</u>	<u>5,577,234</u>
Total Liabilities and Net Assets	<u>7,685,638</u>	<u>7,678,124</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, 2017

with comparative amounts for 2016

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenue				
Fund-raising events	219,263	-	219,263	288,254
Grants	173,638	-	173,638	172,774
Program income	6,530,542	-	6,530,542	6,482,717
Rental revenue				
Jewish Federation	117,902	-	117,902	130,094
Other rental income	<u>49,423</u>	<u>-</u>	<u>49,423</u>	<u>55,152</u>
Total direct revenue	<u>7,090,768</u>	<u>-</u>	<u>7,090,768</u>	<u>7,128,991</u>
Contributions	223,480	52,600	276,080	160,319
Investment income	55,970	-	55,970	42,044
Membership dues	1,122,705	-	1,122,705	1,054,488
Jewish Federation	178,827	-	178,827	136,193
United Way	15,000	-	15,000	17,931
In-kind contributions	22,059	-	22,059	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350</u>
Total indirect revenue	<u>1,618,041</u>	<u>52,600</u>	<u>1,670,641</u>	<u>1,412,325</u>
Total revenue	<u>8,708,809</u>	<u>52,600</u>	<u>8,761,409</u>	<u>8,541,316</u>
Expenses				
Building	817,468	-	817,468	703,762
Management and general	1,827,219	-	1,827,219	1,813,057
Program	<u>5,824,271</u>	<u>-</u>	<u>5,824,271</u>	<u>5,660,579</u>
Total expense	<u>8,468,958</u>	<u>-</u>	<u>8,468,958</u>	<u>8,177,398</u>
Change in net assets from operations	239,851	52,600	292,451	363,918
Satisfaction of usage restrictions	8,527	(8,527)	-	-
Depreciation	<u>(409,439)</u>	<u>-</u>	<u>(409,439)</u>	<u>(433,580)</u>
Change in net assets	(161,061)	44,073	(116,988)	(69,662)
Net assets, September 1	<u>5,571,307</u>	<u>5,927</u>	<u>5,577,234</u>	<u>5,646,896</u>
Net assets, August 31	<u>5,410,246</u>	<u>50,000</u>	<u>5,460,246</u>	<u>5,577,234</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from support and fees	8,423,030	8,365,810
Cash paid to employees	(4,710,013)	(3,966,228)
Interest and dividends received	18,693	14,931
Cash paid for operating expenses	<u>(3,454,328)</u>	<u>(3,787,479)</u>
Net cash provided by operating activities	<u>277,382</u>	<u>627,034</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from lines of credit	625,000	300,000
Principal repayments of lines of credit	(450,000)	(500,000)
Principal repayments of notes payable	(72,495)	(76,669)
Proceeds from capital lease obligation	-	49,412
Principal repayments of capital lease obligation	<u>(64,805)</u>	<u>(57,322)</u>
Net cash provided by (used in) financing activities	<u>37,700</u>	<u>(284,579)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(337,317)	(175,967)
Proceeds from sale of equipment	-	1,350
Purchase of investments	<u>(15,618)</u>	<u>(11,664)</u>
Net cash used in investing activities	<u>(352,935)</u>	<u>(186,281)</u>
NET (DECREASE) INCREASE IN CASH	(37,853)	144,193
CASH, Beginning of Year	<u>405,852</u>	<u>261,659</u>
CASH, End of Year	<u>367,999</u>	<u>405,852</u>
<u>RECONCILIATION OF ACCRUAL BASIS INCOME TO NET CASH PROVIDED BY OPERATIONS</u>		
Change in net assets	(116,988)	(69,662)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	409,439	433,580
Bad debt expense	5,339	10,631
Gain on investments	(37,277)	(27,113)
Capitalized in-kind contributions	(5,340)	-
(Increase) decrease in:		
Accounts and grants receivable	7,934	7,285
Pledges receivable	(53,669)	66,148
Prepaid expenses	(18,859)	2,975
Increase (decrease) in:		
Accounts payable & accrued expenses	(17,216)	201,683
Accrued vacation	4,860	(1,461)
Deferred income & deposits	<u>99,159</u>	<u>2,968</u>
Net cash provided by operating activities	<u>277,382</u>	<u>627,034</u>
Supplementary information:		
Income taxes	<u>0</u>	<u>0</u>
Interest	<u>23,738</u>	<u>28,458</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED AUGUST 31, 2017

	<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	1,566,433	815,120	38,755	307,511	63,711	118,500	246,166	456,345	25,688	3,638,229	224,656	615,147	231,981	4,710,013
Employee benefits	59,850	10,877	5,400	9,000	-	-	9,256	5,850	-	100,233	20,107	62,236	-	182,576
Payroll taxes	<u>115,928</u>	<u>60,768</u>	<u>2,681</u>	<u>23,179</u>	<u>4,871</u>	<u>9,063</u>	<u>18,664</u>	<u>33,707</u>	<u>1,955</u>	<u>270,816</u>	<u>16,590</u>	<u>77,280</u>	<u>17,236</u>	<u>381,922</u>
Total	1,742,211	866,765	46,836	339,690	68,582	127,563	274,086	495,902	27,643	4,009,278	261,353	754,663	249,217	5,274,511
Advertising & promotion	-	650	-	-	-	-	-	-	-	650	-	-	89,912	90,562
Association dues	1,170	3,647	-	-	-	-	775	-	-	5,592	-	67,291	-	72,883
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	5,339	-	5,339
Conferences & training	11,024	17,730	-	-	-	2,490	10	-	-	31,254	1,067	44,864	-	77,185
Contract & service fees	-	-	-	-	-	-	-	-	-	-	166,675	256,136	-	422,811
Food	56,604	86,942	-	8,324	4	43,269	-	-	-	195,143	-	-	-	195,143
Fundraising	6,466	-	-	-	16,222	24	2,245	-	-	24,957	-	429	51,691	77,077
Insurance	-	-	-	-	-	-	-	-	-	-	-	115,997	-	115,997
Interest expense	-	-	-	-	-	-	-	-	-	-	-	23,738	-	23,738
Miscellaneous & sundry	1,579	5,285	10	285	108	248	635	11,232	397	19,779	885	9,482	468	30,614
Office and printing	-	-	-	-	-	-	-	-	-	-	-	38,261	60,760	99,021
Postage	38	-	-	-	-	-	-	-	-	38	-	24,183	-	24,221
Professional Fees	-	-	-	-	-	-	-	-	-	-	76	11,137	1,103	12,316
Program expense	88,132	424,890	24,906	20,703	21,691	39,772	19,838	11,903	66,878	718,713	312	-	-	719,025
Repairs & maintenance	-	-	-	-	-	-	-	3,915	-	3,915	70,363	-	-	74,278
Scholarships	18,829	52,118	-	8,012	-	-	-	15,554	-	94,513	-	-	-	94,513
Supplies	31,845	59,423	-	604	-	-	15,927	7,943	-	115,742	71,733	8,255	-	195,730
Telephone	1,430	2,253	886	-	-	-	715	660	-	5,944	1,546	13,633	660	21,783
Transportation	180	497,278	-	95,707	-	5,588	-	-	-	598,753	-	-	-	598,753
Utilities & occupancy	-	-	-	-	-	-	-	-	-	-	<u>243,458</u>	-	-	<u>243,458</u>
Total expense	<u>1,959,508</u>	<u>2,036,981</u>	<u>72,638</u>	<u>473,325</u>	<u>106,607</u>	<u>218,954</u>	<u>314,231</u>	<u>547,109</u>	<u>94,918</u>	<u>5,824,271</u>	<u>817,468</u>	<u>1,373,408</u>	<u>453,811</u>	<u>8,468,958</u>

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	-	-	-	-	-	-	-	-	-	-	<u>229,819</u>	-	-	<u>229,819</u>
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>

JCC OF CENTRAL NEW JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

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 a vital holistic community center and program provider. The JCC serves over 550 children in the operation of an infant toddler program, an accredited preschool and a full day kindergarten for children ages 3 months to 6 years and programs for youth that includes after school childcare with homework support and recreational activities. Our Infant Toddler Program was enhanced from 10 months to 12 months a year to better serve our community. 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, 2017, 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. The

receipt of contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as unrestricted revenues.

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 2014, 2015 and 2016.

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, 2017 and 2016 includes \$178,044 and \$164,538, 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>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Level 1 Investments - Mutual Funds	496,748	677,008	480,900	624,113
Level 2 Investments - State of Israel Bonds	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
	<u>596,748</u>	<u>777,008</u>	<u>580,900</u>	<u>724,113</u>

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	18,693	14,931
Net realized gain on investments	230	501
Net unrealized gain on investments	<u>37,047</u>	<u>26,612</u>
	<u>55,970</u>	<u>42,044</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>2017</u>	<u>2016</u>
Pledges receivable in less than one year	74,210	59,041
Pledges receivable in one to five years	40,000	-
Less: Allowance for doubtful pledges	<u>(2,648)</u>	<u>(1,148)</u>
Pledges receivable, net	<u>111,562</u>	<u>57,893</u>

No discount was recorded on pledges expected to be collected in excess of one year since the amount is not material to the financial statements.

Note 6 - Property and equipment

	<u>2017</u>	<u>2016</u>
Land	583,823	583,823
Building and improvements	9,416,698	9,737,736
Outdoor swimming pool	401,669	401,669
Furniture and equipment	987,354	1,376,234
Transportation equipment	<u>119,814</u>	<u>119,814</u>
	11,509,358	12,219,276
Less accumulated depreciation	<u>(5,248,458)</u>	<u>(5,886,254)</u>
	<u>6,260,900</u>	<u>6,333,022</u>

Depreciation expense for the years ended August 31, 2017 and 2016 amounted to \$409,439 and \$433,580, respectively. During the year ended August 31, 2017, the JCC removed fully depreciated assets no longer in use of \$504,252 from building and improvements and \$542,992 from furniture and equipment, as well as associated accumulated depreciation of \$1,047,244.

Note 7 - Deferred income

	<u>2017</u>	<u>2016</u>
Adult Enrichment	19,173	36,619
Aftercare	85,784	58,992
Aquatics fees	37,468	25,267
Athletic fees	13,678	8,705
Camp fees	146,376	69,056
Fitness fees	19,510	38,790
Membership dues	147,475	155,651
Nursery School fees	376,895	363,052
Sponsorships	20,005	12,034
Miscellaneous	<u>26,872</u>	<u>15,445</u>
	<u>893,236</u>	<u>783,611</u>

Note 8 - Lines of credit

The JCC has a \$750,000 unsecured line of credit with Investors Bank that matures on May 31, 2018. 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 an advance of \$175,000 on this line of credit as of August 31, 2017 and no advances outstanding as of August 31, 2016.

Note 9 - Notes payable

Notes payable consists of the following at August 31:

	<u>2017</u>	<u>2016</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, 2016 at fixed interest rate of 3.625% per annum. The loan agreement contains various financial covenants on the property.	225,836	298,331
Less current portion:	<u>74,902</u>	<u>72,495</u>
Notes payable non-current portion:	<u>150,934</u>	<u>225,836</u>

Annual maturities of the notes payable outstanding at August 31, 2017 are as follows:

<u>Year ending August 31,</u>	
2018	74,902
2019	77,663
2020	<u>73,271</u>
Total	<u>225,836</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, 2017 and 2016 amounted to \$43,641 and \$33,759 respectively and is included in depreciation expense.

Property and equipment held under capital lease:

	<u>2017</u>	<u>2016</u>
Leased equipment	218,205	218,205
Less accumulated amortization	<u>82,159</u>	<u>38,519</u>
Net Leased equipment	<u>136,046</u>	<u>179,686</u>

Future minimum payments, including interest, required on capital leases as of August 31, 2017 are as follows:

<u>Years ending August 31,</u>	
2018	53,851
2019	16,071
2020	<u>4,543</u>
Total minimum lease payment	74,465
Less: Amount representing interest	<u>3,467</u>
Present value of net minimum lease payments	70,998
Less: Current portion	<u>51,671</u>
Long term portion	<u>19,327</u>

Note 11 - Grants

Grant income for the years ended August 31, 2017 and 2016 is comprised of:

	<u>2017</u>	<u>2016</u>
Hyde & Watson Foundation	25,000	20,000
Karma Foundation	12,500	10,000
Jewish Community Foundation of Greater MetroWest NJ	25,000	20,833
JCCA of North America	3,000	-
Plainfield Foundation	5,000	7,000
Union County Division on Aging - Social/Recreation	30,119	39,612
Union County Division on Aging - Nutrition	38,953	41,645
Van Winkle Foundation	3,000	3,000
Westfield United Fund	27,750	27,000
Westfield Foundation	<u>3,316</u>	<u>3,684</u>
	<u>173,638</u>	<u>172,774</u>

Note 12 - Related Party Transactions

During each of the years ended August 31, 2017 and 2016, the JCC paid membership dues of \$66,012 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>2017</u>	<u>2016</u>
Direct income:		
Maintenance overtime	941	2,910
Management fee	105,000	120,000
Capital cost reimbursement	<u>11,961</u>	<u>7,184</u>
	<u>117,902</u>	<u>130,094</u>
Indirect income:		
Annual allocation	128,827	136,193
One-time supplemental donation for security	<u>50,000</u>	<u>-</u>
	<u>178,827</u>	<u>136,193</u>
Total reimbursement and support	<u>296,729</u>	<u>266,287</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, 2017 and 2016.

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 8/31/17</u>
Zakarin Scholarships	16,417	16,417	-
Future Capital Improvements	<u>50,000</u>	<u>-</u>	<u>50,000</u>
	<u>66,417</u>	<u>16,417</u>	<u>50,000</u>

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

Note 15 - Commitments

In November 2016, the JCC entered into a Cogeneration Power Purchase Agreement and Ground Lease with Premise Power, LLC for the installation, operation and maintenance of a cogeneration plant on the JCC premises. The contract term is twenty years to begin on the Commercial Operation Date, anticipated to be March 2018.

In May 2017, the JCC entered into a Solar Power Purchase Agreement with Keystone Power Holdings, LLC for the installation, operation and maintenance of a solar generated electric energy system on the JCC premises. The contract term is twenty years to begin on the Commercial Operation Date, anticipated to be May 31, 2018.

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

Note 16 - Subsequent event

The JCC evaluated subsequent events through December 18, 2017 the date the financial statements were available to be issued.

Between September 1, 2017 and December 18, 2017, the JCC borrowed an additional \$350,000 on its outstanding line of credit.