

JCC OF CENTRAL NEW JERSEY, INC.

FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2018

JCC OF CENTRAL NEW JERSEY, INC.
FOR THE TEN MONTHS ENDED JUNE 30, 2018

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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 June 30, 2018, and the related statements of activities, functional expense and cash flows for the ten-month period 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 June 30, 2018, and the changes in its net assets and its cash flows for the ten-month period 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 2017 financial statements, and our report dated December 18, 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, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ketcham & Tupper, LLC

Westfield, New Jersey
October 25, 2018

JCC OF CENTRAL NEW JERSEY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

with comparative amounts as of August 31, 2017

	<u>June 30,</u> <u>2018</u>	<u>August 31,</u> <u>2017</u>
ASSETS		
<u>Assets</u>		
Cash and cash equivalents	1,106,734	367,999
Investments	762,717	777,008
Accounts and grants receivable, net of allowance for doubtful accounts of \$9,817 and \$4,473, respectively	31,303	74,458
Pledges receivable, net of allowance for doubtful accounts of \$568 and \$2,648, respectively	256,915	111,562
Prepaid expenses	279,658	93,711
Property and equipment	<u>6,120,714</u>	<u>6,260,900</u>
Total Assets	<u>8,558,041</u>	<u>7,685,638</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts payable & accrued expenses	206,756	828,593
Accrued vacation	62,458	31,229
Deferred income	3,064,057	893,236
Deposits	100	500
Lines of credit	-	175,000
Notes payable	163,355	225,836
Capital lease obligations	<u>64,200</u>	<u>70,998</u>
Total Liabilities	<u>3,560,926</u>	<u>2,225,392</u>
<u>Net Assets</u>		
Unrestricted	4,757,115	5,410,246
Temporarily restricted	<u>240,000</u>	<u>50,000</u>
Total Net Assets	<u>4,997,115</u>	<u>5,460,246</u>
Total Liabilities and Net Assets	<u>8,558,041</u>	<u>7,685,638</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE TEN MONTHS ENDED JUNE 30, 2018
with comparative amounts for the year ended August 31, 2017

	<u>Ten Months Ended June 30, 2018</u>			<u>Year Ended August 31, 2017</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenue				
Fund-raising events	153,906	-	153,906	219,263
Grants	120,475	-	120,475	173,638
Program income	4,144,181	-	4,144,181	6,530,542
Rental revenue				
Jewish Federation	91,303	-	91,303	117,902
Other rental income	52,559	-	52,559	49,423
Total direct revenue	<u>4,562,424</u>	<u>-</u>	<u>4,562,424</u>	<u>7,090,768</u>
Contributions	148,593	250,000	398,593	276,080
Investment income	29,120	-	29,120	55,970
Membership dues	937,803	-	937,803	1,122,705
Jewish Federation	110,303	-	110,303	178,827
United Way	-	-	-	15,000
In-kind contributions	5,117	-	5,117	22,059
Total indirect revenue	<u>1,230,936</u>	<u>250,000</u>	<u>1,480,936</u>	<u>1,670,641</u>
Total revenue	<u>5,793,360</u>	<u>250,000</u>	<u>6,043,360</u>	<u>8,761,409</u>
Expenses				
Building	680,360	-	680,360	817,468
Management and general	1,650,221	-	1,650,221	1,827,219
Program	3,819,587	-	3,819,587	5,824,271
Total expense	<u>6,150,168</u>	<u>-</u>	<u>6,150,168</u>	<u>8,468,958</u>
Change in net assets from operations	(356,808)	250,000	(106,808)	292,451
Satisfaction of usage restrictions	60,000	(60,000)	-	-
Depreciation	<u>(356,323)</u>	<u>-</u>	<u>(356,323)</u>	<u>(409,439)</u>
Change in net assets	(653,131)	190,000	(463,131)	(116,988)
Net assets at beginning of period	<u>5,410,246</u>	<u>50,000</u>	<u>5,460,246</u>	<u>5,577,234</u>
Net assets at end of period	<u>4,757,115</u>	<u>240,000</u>	<u>4,997,115</u>	<u>5,460,246</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.
STATEMENT OF CASH FLOWS
FOR THE TEN MONTHS ENDED JUNE 30, 2018
AND FOR THE YEAR ENDED AUGUST 31, 2017

	Ten Months Ended	Year Ended
	<u>June 30, 2018</u>	<u>August 31, 2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from support and fees	5,607,092	8,423,030
Cash paid to employees	(3,749,568)	(4,710,013)
Interest and dividends received	18,063	18,693
Cash paid for operating expenses	(706,901)	(3,454,328)
Net cash provided by operating activities	<u>1,168,686</u>	<u>277,382</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from lines of credit	350,000	625,000
Principal repayments of lines of credit	(525,000)	(450,000)
Principal repayments of notes payable	(62,481)	(72,495)
Proceeds from capital lease obligation	46,871	-
Principal repayments of capital lease obligation	(53,669)	(64,805)
Net cash (used in) provided by financing activities	<u>(244,279)</u>	<u>37,700</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(216,137)	(337,317)
Proceeds from sale of marketable securities	5,135	-
Purchase of investments	(14,670)	(15,618)
Proceeds from sale of investments	40,000	-
Net cash used in investing activities	<u>(185,672)</u>	<u>(352,935)</u>
NET INCREASE(DECREASE) IN CASH	738,735	(37,853)
CASH, Beginning of period	<u>367,999</u>	<u>405,852</u>
CASH, End of period	<u>1,106,734</u>	<u>367,999</u>
<u>RECONCILIATION OF ACCRUAL BASIS INCOME TO NET</u>		
<u>CASH PROVIDED BY OPERATIONS</u>		
Change in net assets	(463,131)	(116,988)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	356,323	409,439
Bad debt expense	4,920	5,339
Gain on investments	(11,057)	(37,277)
Contribution of marketable securities	(5,117)	-
Capitalized in-kind contributions	-	(5,340)
(Increase) decrease in:		
Accounts and grants receivable	43,155	7,934
Pledges receivable	(145,353)	(53,669)
Prepaid expenses	(185,947)	(18,859)
Increase (decrease) in:		
Accounts payable & accrued expenses	(626,757)	(17,216)
Accrued vacation	31,229	4,860
Deferred income & deposits	<u>2,170,421</u>	<u>99,159</u>
Net cash provided by operating activities	<u>1,168,686</u>	<u>277,382</u>
Supplementary information:		
Income taxes	<u>0</u>	<u>0</u>
Interest	<u>22,766</u>	<u>23,738</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE TEN MONTHS ENDED JUNE 30, 2018

	<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	1,505,771	220,171	34,005	290,181	53,514	100,779	201,857	380,967	18,160	2,805,405	190,467	553,973	199,723	3,749,568
Employee benefits	58,950	10,800	4,500	9,000	-	-	2,250	6,750	-	92,250	16,200	52,078	-	160,528
Payroll taxes	<u>112,145</u>	<u>15,623</u>	<u>2,406</u>	<u>21,822</u>	<u>4,093</u>	<u>7,701</u>	<u>15,447</u>	<u>28,216</u>	<u>1,389</u>	<u>208,842</u>	<u>14,047</u>	<u>52,337</u>	<u>15,121</u>	<u>290,347</u>
Total	1,676,866	246,594	40,911	321,003	57,607	108,480	219,554	415,933	19,549	3,106,497	220,714	658,388	214,844	4,200,443
Advertising & promotion	-	-	-	-	-	-	-	-	-	-	-	-	100,390	100,390
Association dues	885	2,734	-	-	-	-	1,975	-	-	5,594	-	56,337	-	61,931
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	4,920	-	4,920
Conferences & training	4,674	2,422	993	-	-	2,935	-	413	-	11,437	178	44,221	625	56,461
Contract & service fees	259	3,972	-	-	-	-	-	-	-	4,231	127,570	269,146	-	400,947
Food	57,538	568	-	8,135	-	38,895	-	-	-	105,136	-	-	-	105,136
Fundraising	15,678	-	1,273	-	23,287	191	1,451	-	-	41,880	-	2,041	21,858	65,779
Insurance	-	-	-	-	-	-	-	-	-	-	-	96,521	-	96,521
Interest expense	-	-	-	-	-	-	-	-	-	-	-	22,766	-	22,766
Miscellaneous & sundry	6,420	1,696	19	1,129	-	-	537	3,526	383	13,710	4,377	17,287	317	35,691
Office and printing	-	-	-	-	-	-	-	-	-	-	-	37,437	53,169	90,606
Postage	-	-	-	-	-	49	-	-	-	49	-	7,838	-	7,887
Professional Fees	-	-	-	-	-	79	-	-	-	79	-	20,968	-	21,047
Program expense	139,275	26,254	26,254	9,096	31,929	33,970	15,249	13,032	30,405	315,768	-	145	-	315,913
Repairs & maintenance	-	-	-	-	-	-	-	1,100	-	1,100	55,439	-	-	56,539
Scholarships	10,710	-	-	4,715	-	-	740	7,220	-	23,385	-	-	-	23,385
Supplies	49,380	1,297	-	361	-	-	12,061	7,598	150	70,847	67,063	7,414	250	145,574
Telephone	1,140	1,932	614	-	-	-	550	550	-	4,786	880	12,954	385	19,005
Transportation	218	75	-	114,795	-	-	-	-	-	115,088	-	-	-	115,088
Utilities & occupancy	-	-	-	-	-	-	-	-	-	-	<u>204,139</u>	-	-	<u>204,139</u>
Total expense	<u>1,963,043</u>	<u>277,848</u>	<u>70,064</u>	<u>459,234</u>	<u>112,823</u>	<u>184,599</u>	<u>252,117</u>	<u>449,372</u>	<u>50,487</u>	<u>3,819,587</u>	<u>680,360</u>	<u>1,258,383</u>	<u>391,838</u>	<u>6,150,168</u>

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.

NOTES TO FINANCIAL STATEMENTS

TEN MONTHS ENDED JUNE 30, 2018

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 JCC changed its fiscal year end from August 31 to June 30 to better align the timing of the fiscal year with the JCC's annual business cycle, leveraging the significant net revenues generated by the two-month camp summer camp program at the beginning of the fiscal year. As such, the financial statements for the current financial period are for the ten months from September 1, 2017 to June 30, 2018 and do not include seasonal revenues or expenses related to the JCC's summer camp program. A portion of these revenue and expense items are reflected in deferred income and prepaid expenses, respectively on the Statements of Financial Position as of June 30, 2018. The comparative information presented herein is for the full year ended August 31, 2017.

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 ten months ended June 30, 2018, 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 2015, 2016 and 2017.

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. 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.

n. Recent Accounting Pronouncements - In August 2016, the FASB issued ASU 2016-14 Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities. The new ASU is intended to simplify and improve not-for-profit financial reporting. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. The JCC is assessing the impact that ASU 2016-14 will have on its financial statements and related disclosures.

Note 3 - Cash and cash equivalents

The total operating and capital cash held by the JCC at June 30, 2018 and August 31, 2017 includes \$994,058 and \$178,044, 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 June 30, 2018 and August 31, 2017 are as follows:

Description	June 30, 2018		August 31, 2017	
	Cost	Market	Cost	Market
Level 1 Investments - Mutual Funds	471,580	662,717	496,748	677,008
Level 2 Investments - State of Israel Bonds	100,000	100,000	100,000	100,000
	<u>571,580</u>	<u>762,717</u>	<u>596,748</u>	<u>777,008</u>

Investment income was comprised of the following for the ten months ended June 30, 2018 and the year ended August 31, 2017:

	Ten Months ended	Year ended
	<u>June 30, 2018</u>	<u>August 31, 2017</u>
Interest and dividends	18,063	18,693
Net realized gain on investments	180	230
Net unrealized gain on investments	<u>10,877</u>	<u>37,047</u>
	<u>29,120</u>	<u>55,970</u>

Note 5 - Pledges receivable

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

	<u>June 30,</u>	<u>August 31,</u>
	<u>2018</u>	<u>2017</u>
Pledges receivable in less than one year	77,483	74,210
Pledges receivable in one to five years	180,000	40,000
Less: Allowance for doubtful pledges	<u>(568)</u>	<u>(2,648)</u>
Pledges receivable, net	<u>256,915</u>	<u>111,562</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>June 30,</u>	<u>August 31,</u>
	<u>2018</u>	<u>2017</u>
Land	583,823	583,823
Building and improvements	9,532,914	9,416,698
Outdoor swimming pool	413,074	401,669
Furniture and equipment	1,075,870	987,354
Transportation equipment	<u>119,814</u>	<u>119,814</u>
	11,725,495	11,509,358
Less accumulated depreciation	<u>(5,604,781)</u>	<u>(5,248,458)</u>
	<u>6,120,714</u>	<u>6,260,900</u>

Depreciation expense for the ten months ended June 30, 2018 and the year ended August 31, 2017 amounted to \$356,323 and \$409,439, 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

	June 30, <u>2018</u>	August 31, <u>2017</u>
Adult Enrichment	6,446	19,173
Aftercare	11,250	85,784
Aquatics fees	12,804	37,468
Athletic fees	56,250	13,678
Camp fees	2,442,618	146,376
Fitness fees	22,551	19,510
Membership dues	149,101	147,475
Nursery School fees	328,949	376,895
Sponsorships	8,152	20,005
Miscellaneous	<u>25,936</u>	<u>26,872</u>
	<u>3,064,057</u>	<u>893,236</u>

Note 8 - Lines of credit

The JCC has a \$750,000 unsecured line of credit with Investors Bank that matures on May 31, 2019. 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 June 30, 2018 and an advance of \$175,000 outstanding as of August 31, 2017.

Note 9 - Notes payable

Notes payable consists of the following:

	June 30, <u>2018</u>	August 31, <u>2017</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.	163,355	225,836
Less current portion:	<u>77,195</u>	<u>74,902</u>
Notes payable non-current portion:	<u>86,160</u>	<u>150,934</u>

Annual maturities of the notes payable outstanding at June 30, 2018 are as follows:

<u>Year ending June 30,</u>	
2019	77,195
2020	80,040
2021	<u>6,120</u>
Total	<u>163,355</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 ten months ended June 30, 2018 and the year ended August 31, 2017 amounted to \$36,366 and \$43,641, respectively and is included in depreciation expense.

Property and equipment held under capital lease:

	June 30, <u>2018</u>	August 31, <u>2017</u>
Leased equipment	265,076	218,205
Less accumulated amortization	<u>118,525</u>	<u>82,159</u>
Net Leased equipment	<u>146,551</u>	<u>136,046</u>

Future minimum payments, including interest, required on capital leases as of June 30, 2018 are as follows:

<u>Years ending June 30,</u>	
2019	36,696
2020	22,569
2021	<u>8,364</u>
Total minimum lease payment	67,629
Less: Amount representing interest	<u>3,429</u>
Present value of net minimum lease payments	64,200
Less: Current portion	<u>34,269</u>
Long term portion	<u>29,931</u>

Note 11 - Grants

Grant income for the ten months ended June 30, 2018 and the year ended August 31, 2017 is comprised of:

	Ten Months Ended <u>June 30, 2018</u>	Year Ended <u>August 31, 2017</u>
EJ Grassman Foundation	10,000	-
Hyde & Watson Foundation	-	25,000
Karma Foundation	-	12,500
Jewish Community Foundation of Greater MetroWest NJ	12,500	25,000
JCCA of North America	1,000	3,000
Plainfield Foundation	-	5,000
Union County	1,100	-
Union County Division on Aging - Social/Recreation	36,810	30,119
Union County Division on Aging - Nutrition	34,615	38,953
Van Winkle Foundation	3,000	3,000
Westfield United Fund	18,500	27,750
Westfield Foundation	<u>2,950</u>	<u>3,316</u>
	<u>120,475</u>	<u>173,638</u>

Note 12 - Related Party Transactions

During the ten months ended June 30, 2018 and the year ended August 31, 2017, the JCC paid membership dues of \$55,010 and \$66,012, 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 agreement in place between the Federation and the

JCC that details the method of this cost allocation, including utilities as indicated below for the ten months ended June 30, 2018 and the year ended August 31, 2017:

	Ten Months Ended	Year Ended
	<u>June 30, 2018</u>	<u>August 31, 2017</u>
Direct income:		
Maintenance overtime	802	941
Management fee	75,000	105,000
Capital cost reimbursement	<u>15,501</u>	<u>11,961</u>
	<u>91,303</u>	<u>117,902</u>
Indirect income:		
Annual allocation	100,003	128,827
Supplemental:		
Program donations	9,000	-
Reimbursements	1,300	-
One-time donation for security	<u>-</u>	<u>50,000</u>
	<u>110,303</u>	<u>178,827</u>
Total reimbursement and support	<u>201,606</u>	<u>296,729</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 ten months ended June 30, 2018 and the year ended August 31, 2017.

Note 14 - Temporarily restricted net assets

Temporarily restricted net assets are comprised of:

	<u>Cumulative</u>	<u>Cumulative</u>	<u>Unspent</u>
	<u>Contributions</u>	<u>Spent or Released</u>	<u>as of 6/30/18</u>
Senior Programs	250,000	50,000	200,000
Future Capital Improvements	<u>50,000</u>	<u>10,000</u>	<u>40,000</u>
	<u>300,000</u>	<u>60,000</u>	<u>240,000</u>
	<u>Cumulative</u>	<u>Cumulative</u>	<u>Unspent</u>
	<u>Contributions</u>	<u>Spent or Released</u>	<u>as of 8/31/17</u>
Future Capital Improvements	<u>50,000</u>	<u>-</u>	<u>50,000</u>

Note 15 - Commitments

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 Solar Power Purchasing Agreement (PPA) with

Keystone Power Holdings was entered into to reduce the JCC's cost of electricity and dependency on grid electricity consumption and pricing. The JCC agreed to purchase all electricity generated by the solar array for a term of twenty years beginning on the Commercial Operation Date of March 27, 2018, with options to buy the systems at fair market value after ten years. The JCC is paying Keystone a flat rate for the first five years of the agreement with a 2% escalator built in annually thereafter. At the end of the twenty year PPA term, the JCC has the option of paying Keystone (or assignee) fair market value for the solar system, or may opt to require Keystone (or assignee) to remove the system at their cost.

Note 16 - Subsequent event

The JCC evaluated subsequent events through October 25, 2018 the date the financial statements were available to be issued.

On September 26, 2018 the JCC borrowed \$150,000 on its outstanding line of credit.