

**JEWISH COMMUNITY CENTER
OF GREATER ROCHESTER, INC.**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2017

INDEPENDENT AUDITORS' REPORT

To the Audit Committee and Board of Directors of the
Jewish Community Center of Greater Rochester, Inc.

We have audited the accompanying financial statements of the Jewish Community Center of Greater Rochester, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Jewish Community Center of Greater Rochester, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years 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 Jewish Community Center of Greater Rochester, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
January 8, 2018

**JEWISH COMMUNITY CENTER
OF GREATER ROCHESTER, INC.
Statements of Financial Position
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 25,000	\$ -
Cash - Pledge Collateral	187,774	-
Unconditional promises to give	2,379,606	1,995,695
Accounts receivable, net of allowance for doubtful accounts of \$86,302 and \$82,927, respectively	7,586	16,725
Prepaid expenses	1,152,649	1,153,309
Total current assets	<u>3,752,615</u>	<u>3,165,729</u>
Property and Equipment - Net	<u>24,871,340</u>	<u>20,704,740</u>
Other Assets		
Long-term unconditional promises to give, net of allowance for doubtful promises to give and PV discount of \$249,624	3,545,439	5,605,418
Long-term investments	9,248,409	9,013,024
Total other assets	<u>12,793,848</u>	<u>14,618,442</u>
Total Assets	<u>\$ 41,417,803</u>	<u>\$ 38,488,911</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Debt - current portion	\$ 3,444,025	\$ 3,659,305
Accounts payable	404,435	1,213,972
Accrued payroll, taxes, and withholdings	387,358	294,422
Deferred revenues	2,769,694	2,703,997
Other current liabilities	11,358	63,787
Total current liabilities	<u>7,016,870</u>	<u>7,935,483</u>
Long-Term Liabilities		
Debt - net of current portion	<u>9,114,170</u>	<u>4,278,788</u>
Total Liabilities	<u>16,131,040</u>	<u>12,214,271</u>
Net Assets		
Unrestricted	7,281,589	7,432,283
Temporarily restricted	15,330,613	16,186,602
Permanently restricted	2,674,561	2,655,755
Total net assets	<u>25,286,763</u>	<u>26,274,640</u>
Total Liabilities and Net Assets	<u>\$ 41,417,803</u>	<u>\$ 38,488,911</u>

The accompanying notes are an integral part of these financial statements.

**JEWISH COMMUNITY CENTER
OF GREATER ROCHESTER, INC.**
Statement of Activities
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>				<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Support and Revenues					
Program services	\$ 5,831,076	\$ -	\$ -	\$ 5,831,076	\$ 5,622,253
Membership dues	3,387,655	-	-	3,387,655	2,653,395
Gifts, grants, and donations	665,432	923,672	18,806	1,607,910	2,550,998
Other revenue	483,667	-	-	483,667	557,310
Special events	318,941	-	-	318,941	163,512
Jewish Community Federation	154,506	-	-	154,506	139,055
Realized gain on investments	215,694	191,275	-	406,969	41,071
Interest and dividend income	49,360	125,847	-	175,207	228,980
Unrealized loss on investments	(2,752)	(2,440)	-	(5,192)	(161,292)
Loss on promises to give	-	(6,949)	-	(6,949)	(28,649)
United Way	-	-	-	-	932
Total support and revenues	<u>11,103,579</u>	<u>1,231,405</u>	<u>18,806</u>	<u>12,353,790</u>	<u>11,767,565</u>
Expenses					
Program services	10,115,393	-	-	10,115,393	9,303,103
Management and general	1,208,985	-	-	1,208,985	1,388,689
Fundraising	328,540	-	-	328,540	223,102
Depreciation	1,348,716	-	-	1,348,716	913,051
Interest expense	340,033	-	-	340,033	139,554
Total expenses	<u>13,341,667</u>	<u>-</u>	<u>-</u>	<u>13,341,667</u>	<u>11,967,499</u>
Net Assets Released from Restrictions	<u>2,087,394</u>	<u>(2,087,394)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(150,694)	(855,989)	18,806	(987,877)	(199,934)
Net Assets - Beginning	<u>7,432,283</u>	<u>16,186,602</u>	<u>2,655,755</u>	<u>26,274,640</u>	<u>26,474,574</u>
Net Assets - Ending	<u>\$ 7,281,589</u>	<u>\$ 15,330,613</u>	<u>\$ 2,674,561</u>	<u>\$ 25,286,763</u>	<u>\$ 26,274,640</u>

The accompanying notes are an integral part of these financial statements.

**JEWISH COMMUNITY CENTER
OF GREATER ROCHESTER, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

	<u>Program and Member Services</u>											
	<u>Health and Physical Fitness</u>	<u>Arts and Theater</u>	<u>Early Childhood</u>	<u>Children and Youth</u>	<u>Seniors</u>	<u>Adults</u>	<u>Special Needs</u>	<u>Total Program and Member Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Salaries	2,324,980	\$ 251,218	\$ 1,644,205	\$ 1,079,235	\$ 37,726	\$ 75,143	\$ 54,999	\$ 5,467,506	\$ 653,473	\$ 177,580	\$ 6,298,559	\$ 5,877,337
Occupancy costs	441,750	47,732	312,402	205,057	7,168	14,277	10,450	1,038,836	124,161	33,741	1,196,737	982,416
Supplies, food, and resale items	394,572	42,634	279,038	183,157	6,402	12,752	9,334	927,889	110,901	30,137	1,068,927	1,143,138
Professional fees	316,344	34,181	223,715	146,844	5,133	10,224	7,483	743,925	88,913	24,162	857,000	855,387
Payroll taxes and related expenses	239,672	25,897	169,494	111,254	3,889	7,746	5,670	563,621	67,364	18,306	649,290	424,288
Vehicle expenses and travel	181,620	19,624	128,440	84,306	2,947	5,870	4,296	427,104	51,047	13,872	492,022	276,126
Insurance	123,869	13,384	87,599	57,499	2,010	4,003	2,930	291,295	34,815	9,461	335,571	345,026
Employee health and retirement	93,116	10,061	65,850	43,223	1,511	3,009	2,203	218,974	26,172	7,112	252,257	253,524
Printing, publications, and advertising	66,995	7,239	47,378	31,098	1,087	2,165	1,585	157,547	18,830	5,117	181,494	314,219
Bank/credit card fees	43,076	4,654	30,463	19,996	699	1,392	1,019	101,299	12,107	3,290	116,697	160,226
Telephone	25,245	2,728	17,853	11,718	410	816	597	59,367	7,095	1,928	68,390	64,588
Other	22,940	2,479	16,223	10,648	372	741	543	53,946	6,448	1,752	62,146	114,067
Postage	9,824	1,062	6,948	4,560	159	318	232	23,104	2,761	750	26,615	29,718
Conferences	7,250	783	5,127	3,365	118	234	172	17,049	2,038	554	19,643	36,659
Professional dues	6,965	753	4,926	3,233	113	225	165	16,380	1,958	532	18,870	28,741
Small equipment	3,212	347	2,271	1,491	52	104	76	7,552	903	245	8,700	9,434
Total expenses	<u>\$ 4,301,429</u>	<u>\$ 464,776</u>	<u>\$ 3,041,931</u>	<u>\$ 1,996,685</u>	<u>\$ 69,797</u>	<u>\$ 139,021</u>	<u>\$ 101,754</u>	<u>\$ 10,115,393</u>	<u>\$ 1,208,985</u>	<u>\$ 328,540</u>	<u>\$ 11,652,918</u>	<u>\$ 10,914,894</u>

The accompanying notes are an integral part of these financial statements.

**JEWISH COMMUNITY CENTER
OF GREATER ROCHESTER, INC.
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (987,877)	\$ (199,934)
Adjustments		
Loss on promises to give	6,949	28,649
Depreciation	1,348,716	913,051
Realized gain on investments	(406,969)	(41,071)
Unrealized loss on investments	5,192	161,292
Discount on unconditional promises to give	-	(87,776)
Accrued interest income	(1,952)	-
Changes in assets and liabilities		
Unconditional promises to give	1,672,494	806,017
Accounts receivable	5,764	6,819
Other current assets	660	(398,613)
Accounts payable	(809,537)	(599,689)
Accrued payroll, taxes, and withholdings	92,936	(175,819)
Deferred revenues	65,697	130,272
Prepaid expenses	(52,429)	(9,100)
Net cash flows from operating activities	<u>939,644</u>	<u>534,098</u>
Cash Flows from Investing Activities		
Net long-term investment activity	168,344	377,849
Purchases of property and equipment	(5,515,316)	(9,024,989)
Net cash flows from investing activities	<u>(5,346,972)</u>	<u>(8,647,140)</u>
Cash Flows from Financing Activities		
Net borrowings under revolving term/pledge loan	615,188	5,956,466
Repayment of construction loan	(125,880)	(125,880)
Repayment of Avi Chai loan	-	(19,032)
Net borrowings from demand note	2,038,703	-
Net borrowings on line of credit	93,091	602,375
Net borrowing from endowment funds	1,999,000	-
Collateral transfer	(187,774)	(267,678)
Net cash flows from financing activities	<u>4,432,328</u>	<u>6,146,251</u>
Net Change in Cash and Cash Equivalents	25,000	(1,966,791)
Cash and Cash Equivalents - Beginning	-	1,966,791
Cash and Cash Equivalents - Ending	<u>\$ 25,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

JEWISH COMMUNITY CENTER OF GREATER ROCHESTER, INC.
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Nature of the Organization

Nature of the Organization - The Jewish Community Center of Greater Rochester, Inc. (the Organization) is a not-for-profit, voluntary health agency whose mission is to strengthen Jewish identity and continuity by providing opportunities to participate in quality experiences that enrich personal, cultural, social and physical growth, and by promoting the well-being of the entire Jewish community and the community as a whole.

The Board of Directors and management employees of the Organization acknowledge that, to the best of their knowledge, all assets received have been used for the purpose for which they were contributed, or have been accumulated to allow management to conduct the operations of the Organization as effectively and efficiently as possible.

Method of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - ASC 958-205, *Financial Statements of Not-for-Profit Entities*, requires the Organization to report information regarding its net assets and changes therein in the following categories:

Unrestricted - Represent resources over which the Board of Directors has discretionary control and are used to carry out the general activities and operations of the Organization.

Temporarily Restricted - Temporarily restricted net assets are those whose use has been restricted by donors to a specific time period or purpose including investment earnings on permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Permanently Restricted - Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Cash and Cash Equivalents - Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. Cash and cash equivalents exclude amounts held within investment portfolios. The Organization maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits.

Unconditional Promises to Give - Unconditional promises to give include pledges and bequests made to the Organization. Pledges are recorded as receivables in the year the pledge commitment is made. Bequests are recognized when the Organization receives notification of the bequest and when a probate court declares the will valid. The Organization records unrestricted pledges and bequests receivable in future periods as temporarily restricted support. Management estimates an allowance for doubtful promises to give based on a regular review of overdue pledges. Pledges are recorded at their estimated net present value using discount rates ranging from 0.58% to 1.49%. Amounts are reported as unconditional promises to give on the statement of financial position.

JEWISH COMMUNITY CENTER OF GREATER ROCHESTER, INC.
Notes to Financial Statements

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable are stated at unpaid balances and are net of an allowance for doubtful accounts. The Organization estimates the allowance based on its analysis of specific balances, taking into consideration the age of past due accounts and anticipated collections resulting from legal action. Receivables are considered impaired if payment is not received in accordance with terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Investments - Investments are reported at their fair values in accordance with ASC 820-10. The Organization is required to report investments in equity securities with readily determinable fair values and all debt securities at fair value, with gains and losses reflected in the statement of activities. Following these guidelines, securities donated would be initially valued at fair value as of the date donated. Due to the risks associated with investment securities and the uncertainty related to changes in the fair market value of investment securities, it is at least reasonably possible that changes in fair market value could affect the net assets of the Organization.

The net increase or decrease in the fair market value of non-current investments is reflected as an increase or reduction in the appropriate statement of activities. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. The fair value of investments is disclosed in Note 3.

Investments that represent 10 percent or more of the Organization's total investments are as follows at June 30:

	<u>2017</u>	<u>2016</u>
SPDR S&P 500 ETF (SPY)	\$ 2,033,538	\$ 2,152,356

Property and Equipment - Property and equipment are recorded at cost, if purchased, or at fair market value, if donated, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. It is the Organization's policy to capitalize all assets with an estimated useful life of more than one year. Maintenance and repairs are charged to expense. The cost of property and equipment retired or otherwise disposed of and related accumulated depreciation is removed from the accounts.

Estimated useful lives of property and equipment are as follows:

Building and improvements	10 - 48 Years
Furnishings and equipment	3 - 12 Years
Land improvements	15 Years

Deferred Revenues - Membership dues and certain program fees are recorded as revenues when earned. Accordingly, amounts billed and paid prior to being earned are recorded as deferred revenues and recognized when services are rendered.

Beginning August 1, 2014, the Organization entered into a 78-year lease of a cell tower on the Organization's property that included a prepayment for the full amount of the lease. The deferred revenue will be amortized into income over the term of the lease.

JEWISH COMMUNITY CENTER OF GREATER ROCHESTER, INC.
Notes to Financial Statements

Contributions - Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets and unrestricted if they are received without donor stipulations. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as income of unrestricted net assets.

Volunteers have donated significant amounts of time in support of the Organization's activities. However, the value of these services is not reflected in the accompanying statements, as these services do not meet the criteria for recognition in accordance with generally accepted accounting principles.

During the years ended June 30, 2017 and 2016, the Organization recognized \$- and \$125,000 of in-kind donations, respectively. These consisted of costs related to the construction project.

Functional Expenses - Expenses by function have been allocated among program and supporting services classifications on the basis of time records and on estimates made by the Organization's management.

Income Taxes - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Total Columns - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events through the date of the report, which is the date the consolidated financial statements were available to be issued.

Note 2. Unconditional Promises to Give

Unconditional promises to give consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Gross amounts receivable in future years	\$ 6,174,669	\$ 7,814,420
Discount for present value of future payments	(213,307)	(213,307)
Allowance for doubtful promises to give	(36,317)	(37,333)
Net unconditional promises to give	<u>\$ 5,925,045</u>	<u>\$ 7,563,780</u>

Payments expected to be received on unconditional promises to give are as follows:

2018		2,379,606
2019		1,460,995
2020		515,625
2021		352,211
2022		340,030
Thereafter		876,578
Total		<u>\$ 5,925,045</u>

JEWISH COMMUNITY CENTER OF GREATER ROCHESTER, INC.
Notes to Financial Statements

Note 3. Fair Value Measurements

The Organization measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the liability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value:

Cash and cash equivalents, mutual funds, and government securities - Valued at the net asset value of shares held at year end (Level 1).

Israel bonds - Valued at the purchase price paid for the investment purchased from a third party (Level 2).

Asset-backed securities - Valued by the underlying investments held within the security (Level 2).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

JEWISH COMMUNITY CENTER OF GREATER ROCHESTER, INC.
Notes to Financial Statements

Investments measured at fair value are summarized below:

Investments at Fair Value as of June 30, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 776,956	\$ -	\$ 776,956
Note Receivable - Unrestricted Fund at 2.9% payable monthly, Due June 2019	1,999,000	-	1,999,000
Israel bonds	-	286,000	286,000
Exchange Traded Funds (ETF's)			
Balanced funds	4,946,967	-	4,946,967
Value funds	428,521	-	428,521
Fixed Income funds	212,064	-	212,064
Commodities	185,683	-	185,683
 Total Exchange Traded Funds	 5,773,235	 -	 5,773,235
Government securities	63,543	-	63,543
Asset-backed securities	-	349,675	349,675
Total investments at fair value	<u>\$ 8,612,734</u>	<u>\$ 635,675</u>	<u>\$ 9,248,409</u>

Investments at Fair Value as of June 30, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,652,845	\$ -	\$ 1,652,845
Israel bonds	-	286,000	286,000
Exchange Traded Funds (ETF's)			
Balanced funds	4,810,704	-	4,810,704
Value funds	462,659	-	462,659
Fixed income funds	595,702	-	595,702
Commodities	197,247	-	197,247
Total Exchange Traded Funds	6,066,312	-	6,066,312
Government securities	398,064	-	398,064
Asset-backed securities	-	609,803	609,803
Total investments at fair value	<u>\$ 8,117,221</u>	<u>\$ 895,803</u>	<u>\$ 9,013,024</u>

Note 4. Endowment Funds

Interpretation of Relevant Law - The Board of the Organization has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent explicit donor stipulations to the contrary, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of

JEWISH COMMUNITY CENTER OF GREATER ROCHESTER, INC.
Notes to Financial Statements

investments, (6) other resources of the Organization, (7) the Organization's investment policies, and (8) alternatives to expenditure of the endowment fund.

Investment Return Objectives, Risk Parameters and Strategies - The Organization has adopted investment and spending policies, approved by the Investment Committee of the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds, if possible.

In addition, the Board has the option to approve an additional 2% to provide for capital improvements. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of at least 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy - The Organization has a spending policy of appropriating for distribution no more than 7% of its donor-designated endowment fund's average market value for the preceding 20 quarters. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects on inflation.

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - July 1, 2015	\$ 1,693,500	\$ 2,588,197	\$ 4,281,697
Contributions	-	67,558	67,558
Investment income	91,352	-	91,352
Net Realized and Unrealized Losses	(52,891)	-	(52,891)
Amounts appropriated for expenditure	(357,211)	-	(357,211)
Endowment net assets - June 30, 2016	\$ 1,374,750	\$ 2,655,755	\$ 4,030,505
Contributions	923,672	18,806	942,478
Investment income	125,847	-	125,847
Net Realized and Unrealized Gains	188,835	-	188,835
Amounts appropriated for expenditure	(357,640)	-	(357,640)
Endowment net assets - June 30, 2017	<u>\$ 2,255,464</u>	<u>\$ 2,674,561</u>	<u>\$ 4,930,025</u>

JEWISH COMMUNITY CENTER OF GREATER ROCHESTER, INC.
Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 38,415,926	\$ 22,083,452
Furnishings and equipment	5,487,906	5,225,427
Land improvements	456,633	456,633
Sub-total	<u>44,360,465</u>	<u>27,765,512</u>
Less, accumulated depreciation	(20,277,598)	(18,928,882)
Sub-total	<u>24,082,867</u>	<u>8,836,630</u>
Add, land	788,473	788,473
Add, construction in progress	-	11,079,637
Property and equipment - net	<u>\$ 24,871,340</u>	<u>\$ 20,704,740</u>

Note 6. Debt

Debt consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Term-out loan facility, payable in monthly installments of \$10,490, plus interest at the bank prime rate (4.00% as of June 30, 2017) matures June 30, 2029. The loan is secured by all non-real estate assets of the Organization.	\$ 1,521,050	\$ 1,646,930
Term loan note, with monthly interest payments at the LIBOR rate (3.25% as of June 30, 2017). Minimum annual principal payments due each December 31 based on expected collections of pledges receivable. The note is secured by certain investments of the Organization with a minimum value of \$5,500,000.	6,303,976	5,688,788
Note Payable – Endowment Fund – interest payable monthly at 2.9% due June 30, 2019	1,999,000	-
Demand Note for \$2,100,000 dated March 17, 2017 bearing interest at the bank prime rate plus .25% (4.25% as of June 30, 2017) matures November 15, 2024.	2,038,703	-
Working capital line of credit, with a maximum borrowing capacity of \$800,000. Advances bear interest at the bank's prime rate plus .25% (4.50% and 3.50% for the years ended June 30, 2017 and 2016, respectively). The line of credit is secured by the accounts receivable and equipment of the Organization.	<u>695,466</u>	<u>602,375</u>
Total	12,558,195	7,938,093
Less, current portion	(3,444,025)	(3,659,305)
Long-term portion	<u>\$ 9,114,170</u>	<u>\$ 4,278,788</u>

JEWISH COMMUNITY CENTER OF GREATER ROCHESTER, INC.
Notes to Financial Statements

The minimum future scheduled maturities of long-term debt for the years succeeding June 30, 2017, are as follows:

	Term Loans	Demand Notes	Line of Credit	Total
2018	\$ 709,856	\$2,038,703	\$695,466	\$3,444,025
2019	1,485,880	1,999,000	-	3,484,880
2020	1,215,880	-	-	1,215,880
2021	405,880	-	-	405,880
2022	405,880	-	-	405,880
Thereafter	3,601,650	-	-	3,601,650

The terms of the debt require the Organization to maintain a financial covenant, encompassing total liabilities to adjusted tangible net worth ratio. As of June 30, 2017, the Organization was in compliance with the required covenant and had \$104,534 available on the working capital line of credit.

Note 7. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Nature of Restriction		
Temporarily restricted for endowment	\$ 2,255,464	\$ 1,374,750
Time restriction - capital	13,075,149	14,811,852
Temporarily restricted net assets	<u>\$15,330,613</u>	<u>\$16,186,602</u>

Changes in temporarily restricted net assets with time restrictions for capital for the years ended June 30, 2017 and 2016 are as follows:

Time restriction - capital - July 1, 2015	\$ 12,841,850
Contributions	2,122,134
Change in unearned income discount	(87,776)
Payments	<u>(64,356)</u>
Time restriction - capital - June 30, 2016	\$ 14,811,852
Contributions	-
Loss on promises to give	(6,949)
Released from restrictions - completed construction	<u>(1,729,754)</u>
Time restriction - capital - June 30, 2017	<u>\$ 13,075,149</u>

Permanently restricted net assets are to be held in perpetuity, the income from which is expendable to support the Organization. The principal balances were \$2,674,561 and \$2,655,755 as of June 30, 2017 and 2016, respectively.

Note 8. Defined Contribution Plan

The Organization offers all employees meeting minimum age and service requirements a defined contribution plan (the Plan). The terms of the Plan are in accordance with the 403(b) provisions of the Internal Revenue Code (Code). Under the Plan, all employees may make contributions as permitted by the Code.

JEWISH COMMUNITY CENTER OF GREATER ROCHESTER, INC.
Notes to Financial Statements

Note 9. Post-Employment Benefits

Post-employment benefits for the years ended June 30, 2017 and 2016 were as follows:

Deferred Compensation Plan - The Organization provides nonelective employer contributions to a Section 457 Deferred Compensation Plan (the Plan) for the purpose of providing additional retirement benefits for a select group of highly compensated management employees that is designed in accordance with Section 457(b) of the Internal Revenue Code. The liability related to the Plan was \$48,618 and \$43,003 at June 30, 2017 and 2016, respectively. Payment of the Plan is made from unrestricted net assets as there are no separately held assets related to the Plan.

Accrued Severance - The Organization entered into a separation agreement pursuant to the retirement of the executive director as of December 31, 2015. The agreement required two payments of \$36,000 in January 2016 and January 2017. There is no remaining liability as of June 30, 2017.

Note 10. Commitments

The Organization maintains several operating leases for the rental of office and fitness equipment and a vehicle expiring through the fiscal year ended June 30, 2022. Lease payments amounted to \$327,563 and \$157,167 for the years ended June 30, 2017 and 2016, respectively.

The following is a schedule of future minimum rental expense under the leases as of June 30, 2017:

2018	277,009
2019	277,009
2020	66,767
2021	55,880
Thereafter	56,649
Total	<u>\$ 733,314</u>

Note 11. Supplemental Cash Flow Information

	<u>2017</u>	<u>2016</u>
Cash paid during the year for:		
Interest	<u>\$ 340,033</u>	<u>\$ 139,554</u>
Non-cash investing transactions:		
Construction in progress acquisitions in accounts payable	<u>\$ -</u>	<u>\$ 1,055,790</u>

Note 12. Subsequent Events

On September 19, 2017, in connection with a capital improvement project, the organization borrowed \$200,000 under the terms of a supplemental working capital bank note at 4.485%. On August 21, 2017 the organization borrowed \$1,000,000 under a 4.5% bank term demand loan note due June 30, 2018 and \$1,000,000 from the endowment fund at 2.9% due April 15, 2018.