

JCC OF CENTRAL NEW JERSEY, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

JCC OF CENTRAL NEW JERSEY, INC.

FOR THE YEAR ENDED JUNE 30, 2020

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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 organization), which comprise the statement of financial position as of June 30, 2020, 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.

KETCHAM & TUPPER, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Ketcham & Tupper, LLC

Westfield, New Jersey
November 30, 2020

JCC OF CENTRAL NEW JERSEY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Assets

Cash and cash equivalents	\$ 2,550,808
Investments at fair value	929,283
Accounts and grants receivable, net	90,631
Pledges receivable, net	32,960
Prepaid expenses and other assets	150,905
Property and equipment, net	<u>6,031,143</u>

Total Assets	<u>\$ 9,785,730</u>
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LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 940,513
Accrued vacation and payroll expenses	139,565
Deferred revenue	1,737,839
Line of credit	750,000
Refundable advance – Paycheck Protection Program	267,750
Note payable	5,386
Capital lease obligations	<u>61,820</u>

Total Liabilities	<u>\$ 3,902,873</u>
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Net Assets

Without donor restrictions	
Undesignated	\$ 5,004,284
Designated by board	<u>196,350</u>
	5,200,634
With donor restrictions	
Donor restricted endowments	75,586
Purpose restricted	<u>606,637</u>
	682,223

Total Net Assets	<u>5,882,857</u>
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Total Liabilities and Net Assets	<u>\$ 9,785,730</u>
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See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Program income	\$ 6,441,438	\$ -	\$ 6,441,438
Membership dues	862,632	-	862,632
Special events	86,029	-	86,029
Grant income	263,393	-	263,393
Rental income	47,475	-	47,475
Contributions	508,117	365,793	873,910
Investment return, net	43,894	-	43,894
Jewish Federation	410,504	-	410,504
In-kind contributions	9,833	-	9,833
Gain on sale of equipment	1,440	-	1,440
Other income	1,520	-	1,520
Satisfaction of usage restrictions	<u>60,000</u>	<u>(60,000)</u>	<u>-</u>
Total revenue and support	<u>8,736,275</u>	<u>305,793</u>	<u>9,042,068</u>
Expenses			
Program services	6,760,774	-	6,760,774
Supporting services	<u>2,598,482</u>	<u>-</u>	<u>2,598,482</u>
Total expenses	<u>9,359,256</u>	<u>-</u>	<u>9,359,256</u>
Change in net assets from operations	(622,981)	305,793	(317,118)
Paycheck Protection Program grant income	<u>825,540</u>	<u>-</u>	<u>825,540</u>
Change in net assets	202,559	305,793	508,352
Net assets, beginning of year	<u>4,998,075</u>	<u>376,430</u>	<u>5,374,505</u>
Net assets, end of year	<u>\$ 5,200,634</u>	<u>\$ 682,223</u>	<u>\$ 5,882,857</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.

STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services								Supporting Services				
	Children's Services	Camp	Fitness	Aquatics	Cultural Arts	Seniors	JEmbrace	Subtotal	Mgmt & General	Building	Fundraising	Subtotal	Total
Salaries	\$ 2,178,186	\$ 785,072	\$ 632,440	\$ 232,896	\$ 89,862	\$ 151,506	\$ 27,589	\$ 4,097,551	\$ 608,545	\$ 348,799	\$ 115,687	\$ 1,073,031	\$ 5,170,582
Employee benefits	115,175	-	27,450	12,500	-	-	-	155,125	58,159	17,100	-	75,259	230,384
Payroll taxes	160,258	59,984	46,011	17,325	6,875	11,474	2,110	304,037	79,824	26,129	8,857	114,810	418,847
Total compensation costs	2,453,619	845,056	705,901	262,721	96,737	162,980	26,699	4,556,713	746,528	392,028	124,544	1,263,100	5,819,813
Program costs	96,955	306,959	77,899	10,334	17,451	24,673	3,255	537,526	150	-	-	150	537,676
Advertising & promotion	39,505	34,353	32,635	10,306	20,612	8,588	-	145,999	25,764	-	-	25,764	171,763
Food	81,182	118,739	-	-	-	25,665	105	225,691	-	-	-	-	225,691
Transportation	81,191	508,868	-	-	-	2,707	-	592,766	-	-	-	-	592,766
Scholarships	16,202	56,132	4,964	829	-	1,510	-	79,637	-	-	-	-	79,637
Fundraising & special events	13,483	16,915	4,600	1,766	7,667	-	338	44,769	1,253	10	37,925	39,188	83,957
Conferences & training	9,914	6,157	503	1,213	1,030	-	-	18,817	22,103	100	404	22,607	41,424
Employee & recruitment	9,285	10,329	2,651	1,193	-	322	116	23,896	9,707	1,174	99	10,980	34,876
Equipment & supplies	43,919	44,400	13,120	17,809	-	1,215	121	120,584	21,662	84,793	212	106,667	227,251
Occupancy	1,965	-	-	-	-	-	-	1,965	-	431,501	-	431,501	433,466
Professional dues	-	2,762	-	-	650	-	-	3,412	42,003	-	185	42,188	45,600
Professional fees	-	-	-	-	-	-	-	-	14,220	-	-	14,220	14,220
Service contracts	673	6,523	-	701	453	-	341	8,691	185,077	55,749	-	240,826	249,517
Telephone	1,100	3,586	1,049	605	-	-	-	6,340	10,702	1,760	55	12,517	18,857
Bank & credit card fees	-	-	-	-	-	-	-	-	162,667	-	-	162,667	162,667
Bad debt expense	-	-	-	-	-	-	-	-	7,200	-	-	7,200	7,200
Insurance	-	-	-	-	-	-	-	-	122,984	-	-	122,984	122,984
Interest expense	-	-	-	-	-	-	-	-	12,282	-	-	12,282	12,282
Other expenses	1,113	144	464	15	-	51	-	1,787	14,379	-	54	14,433	16,220
Depreciation & amortization	240,091	92,278	16,858	20,789	9,158	13,007	-	392,181	46,138	11,535	11,535	69,208	461,389
Total expense	<u>\$ 3,090,197</u>	<u>\$ 2,053,201</u>	<u>\$ 860,644</u>	<u>\$ 328,281</u>	<u>\$ 153,758</u>	<u>\$ 240,718</u>	<u>\$ 33,975</u>	<u>\$ 6,760,774</u>	<u>\$ 1,444,819</u>	<u>\$ 978,650</u>	<u>\$ 175,013</u>	<u>\$ 2,598,482</u>	<u>\$ 9,359,256</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 508,352
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	461,389
Bad debt expense	7,200
Realized gain on investments	(628)
Unrealized gain on investments	(10,020)
Gain on sale of equipment	(1,440)
(Increase) decrease in:	
Accounts and grants receivable	(46,134)
Pledges receivable	182,365
Prepaid expenses and other assets	164,132
Increase (decrease) in:	
Accounts payable and accrued expenses	605,587
Accrued vacation and payroll expenses	30,555
Deferred revenue	(1,485,734)
Refundable advance – Paycheck Protection Program	<u>267,750</u>
Net cash provided by operating activities	<u>683,374</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(526,277)
Proceeds from sale of equipment	1,440
Purchase of investments	(63,621)
Proceeds from sale of investments	<u>25,597</u>
Net cash used in investing activities	<u>(562,861)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from line of credit	900,000
Principal repayments on line of credit	(150,000)
Principal repayments on note payable	(80,432)
Proceeds from capital lease obligation	65,694
Principal repayments on capital lease obligation	<u>(33,900)</u>
Net cash provided by financing activities	<u>701,362</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 821,875

CASH AND CASH EQUIVALENTS, Beginning of year 1,728,933

CASH AND CASH EQUIVALENTS, End of year \$ 2,550,808

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash paid for interest \$ 10,635

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 - Nature of the Organization

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

The JCC serves more than 4,000 members and community participants at all ages and stages of life. It is a hub where people come together to make and sustain friendships and to get involved with their community. The JCC is committed to Jewish heritage, identity and values, but is also very proud to be a non-sectarian and diverse center which is open to everyone.

The JCC serves our community by providing an infant and toddler program, an accredited preschool, and a full-day kindergarten for children ages three months to six years, as well as programs for youth that includes after-school childcare, with homework support and recreational activities. 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 one indoor and two outdoor pools. Senior adults are transported to the JCC 4 days a week for a communal, nutritional lunch program, as well as social and educational activities. During the summer, the JCC's day camp provides activities for children ages 18 months through 14 years.

A current focus of the JCC is to expand and enhance programs and services for more vulnerable populations in our community, such as individuals with disabilities and older adults. The JCC is committed to the inclusion of people of all abilities, backgrounds, denominations, gender identity and religious affiliations into all our programs. The JCC is committed to making its Wilf Jewish Community Campus a barrier-free environment and its programs equally inclusive to all members and community participants.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The JCC is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and are therefore, available for the general operation of the JCC. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's direction.

Net Assets With Donor Restrictions - Net assets with donor restrictions represent those assets which are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the JCC to expend the income generated by the assets in accordance with provisions of additional donor imposed stipulations or a Board-approved spending policy.

Cash and Cash Equivalents

The JCC considers all short-term, highly liquid investments with maturities of three months or less to be cash and cash equivalents.

Fair Value of Financial Instruments

The JCC follows ASC 820, Fair Value Measurements, which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the statement of activities. Investment fees are netted against the investment return.

Accounts and Grants Receivable

Accounts and grants receivable are stated at unpaid balances and are net of an allowance for doubtful accounts. The allowance is based on the JCC's historical collection experience. Receivables are considered impaired if payment is not received in accordance with terms. It is The JCC's policy to charge off uncollectible receivables when management determines the receivable will not be collected. The allowance on accounts and grants receivable as of June 30, 2020 was \$13,163.

Pledges Receivable

Pledge contributions are recognized when the donor makes an unconditional promise to give. An allowance for estimated uncollectible pledges is recorded at the amount necessary to reduce pledges receivable to the estimated realizable value. It is the JCC's policy to charge off uncollectible pledges when management determines the pledge to no longer be collectible. The allowance on pledges receivable as of June 30, 2020 was \$9,995.

Property and Equipment

Property and equipment are stated at cost for purchased items and fair values for contributed items at the date of donation. Assets acquired through capital lease agreements are recorded in accordance with accounting principles generally accepted in the United States of America. Maintenance and repairs are expensed as incurred. Depreciation is calculated using the straight-line method over the useful lives of the respective assets. Property and equipment with a cost over \$5,000 are capitalized.

Revenue and Support

The JCC recognizes membership fees and program income in the year earned. Funds received prior to being earned are recorded as deferred revenue and are recognized when services are rendered.

Contributions, including unconditional pledges, are recognized when made and recorded at fair value as net assets with donor restrictions depending on the existence and/or the nature of any donor-imposed restrictions. Conditional pledges are recognized when the conditions on which they depend are substantially met.

In-kind contributions are reflected as contributions at fair value at date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated asset must be used. The JCC recognized \$9,833 of in-kind donation during the year ended June 30, 2020. Many volunteers have made significant contributions of their time in furtherance of the JCC's mission. The value of these services is not reflected in the accompanying financial statements as they do not meet the criteria for recognition as contributed services in accordance with accounting principles generally accepted in the United States of America.

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). Generally accepted accounting principles prescribe how the JCC should measure, recognize, present and disclose in its financial statements tax positions that the JCC has taken on its information returns. The JCC regularly reviews its tax positions taken and as reflected in its financial statements, with regard to issues affecting tax matters. The JCC has concluded that no tax benefits or liabilities are required to be recognized in accordance with generally accepted accounting principles.

The JCC's tax and information returns are generally subject to examination by taxing authorities for three years, including 2017, 2018 and 2019.

Advertising

The JCC expenses advertising costs as they are incurred.

Use of 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 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. The most significant of these accounting estimates include the allocation of functional expenses.

Functional Allocation of Expense

The costs of providing the JCC's programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on usage or other equitable bases established by management.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The JCC adopted the provisions of ASU 2014-09 effective for the year ended June 30, 2020, using the full retrospective method. The adoption of this standard had no impact on the statement of financial position and the statement of activities and changes in net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. It further clarifies when contributions should be deemed conditional. The JCC adopted the provisions of ASU 2018-08 for the year ended June 30, 2020, using the full retrospective method. The adoption of this standard had no impact on the statement of financial position and the statement of activities and changes in net assets.

Note 3 – Fair value measurements

Assets measured at fair value on a recurring basis are as follows:

	Total Fair Value	Quoted Prices Level 1	Significant Observable Inputs Level 2
Mutual Funds	\$ 777,691	\$ 777,691	\$ -
State of Israel Bonds	100,000	-	100,000
Other Investments	51,592	51,592	-
	<u>\$ 929,283</u>	<u>\$ 829,283</u>	<u>\$ 100,000</u>

Fair value for investments are determined by references to quoted market prices and other relevant information generated by market transactions.

Note 4 - Pledges receivable

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

Pledges receivable in less than one year	\$ 32,955
Pledges receivable in one to five years	10,000
Less: Allowance for doubtful pledges	<u>(9,995)</u>
Pledges receivable, net	<u>\$ 32,960</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 5 - Property and equipment

Land	\$ 659,438
Building and improvements	9,699,420
Equipment	1,714,995
Furniture and fixtures	127,919
Computers and software	56,958
Construction in progress	<u>278,079</u>
	12,536,809
Less accumulated depreciation	<u>(6,505,666)</u>
	<u>\$ 6,031,143</u>

Depreciation expense for the year ended June 30, 2020 amounted to \$461,389 and includes the amount of depreciation attributed to capital leases.

Note 6 - Lines of credit

The JCC has a \$750,000 unsecured line of credit with Investors Bank that matures on February 21, 2021. 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 has an advance of \$750,000 outstanding on this line of credit as of June 30, 2020.

Note 7 - Note payable

The JCC has a \$375,000 five year note with Investors Bank that matures on August 1, 2020 bearing interest at a rate of 3.625% per annum. The loan agreement contains various financial covenants on the property. The balance due as of June 30, 2020 was \$5,386. The outstanding balance is expected to be paid in full during the fiscal year ending June 30, 2021.

Note 8 - Capital Lease Obligations

The JCC has entered into several capital leases for office and exercise equipment which expire through 2023. 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 year ended June 30, 2020 amounted to \$43,641, and is included in depreciation expense.

Property and equipment held under capital lease for the year ended June 30, 2020:

Leased equipment	\$ 161,977
Less accumulated amortization	<u>(63,200)</u>
Net Leased equipment	<u>\$ 98,777</u>

Future minimum payments, including interest, required on capital leases as of June 30, 2020 are:

<u>Years ending June 30,</u>	
2021	\$ 32,160
2022	23,796
2023	<u>9,915</u>
Total minimum lease payment	65,871
Less: amount representing interest	<u>4,051</u>
Present value of net minimum lease payments	61,820
Less: Current portion	<u>(29,532)</u>
Long term portion	<u>\$ 32,288</u>

Note 9 – Investment return

Investment income was comprised of the following for the year ended June 30, 2020:

Interest and dividends	\$ 33,843
Realized gain on investments	628
Unrealized gain on investments	10,020
Investment fees	<u>(597)</u>
	<u>\$ 43,894</u>

Note 10 - Grants

Grant income for the year ended June 30, 2020 is comprised of:

Jewish Community Foundation of Greater MetroWest NJ	\$ 30,000
Plainfield Foundation	10,000
State of NJ Office of Homeland Security	111,638
Union County Division on Aging - Social/Recreation	42,101
Union County Division on Aging - Nutrition	33,944
Union County HEART Grant	1,000
Van Winkle Foundation	5,500
Westfield Foundation	1,760
Westfield United Fund	24,500
Various	<u>2,950</u>
Total	<u>\$ 263,393</u>

Note 11 - Related Party Transactions

During the year ended June 30, 2020, the JCC paid membership dues of \$40,384 to the JCCA of North America which provides various management and advisory services.

The JCC renewed the five-year lease with The Jewish Federation of Greater MetroWest, NJ (the "Federation") on July 1, 2019 for space occupied within the facility owned by the JCC. The Federation also provides financial support for programming at the JCC and reimburses the JCC

for 5.0% of shared capital expenditures and security costs. For the year ended June 30, 2020 the Federation paid the following to the JCC:

Annual allocation	\$ 122,000
Rent	50,000
Security personnel cost reimbursement	2,788
COVID-19 emergency funding	168,896
Donation for capital improvements	<u>66,820</u>
Total reimbursement and support	<u>\$ 410,504</u>

The following is a schedule by year of future minimum rentals under the lease as of June 30, 2020:

<u>Years ending June 30,</u>	
2021	\$ 40,000
2022	30,000
2023	30,000
2024	<u>30,000</u>
Total	<u>\$ 130,000</u>

Note 12 - 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 year ended June 30, 2020.

Note 13 - Net assets with donor restrictions

Subject to expenditure for specified purpose or period:

Senior Programs	\$ 100,000
Future Capital Improvements	20,000
JEmbrace	<u>486,637</u>
Total net assets with donor restrictions	<u>\$ 606,637</u>

Net assets released from donor restrictions, by incurring expenses satisfying the restricted purposes are as follows:

Senior Programs	\$ 50,000
Future Capital Improvements	<u>10,000</u>
Total	<u>\$ 60,000</u>

The various purposes of the above donor restricted amounts are as follows:

Senior programs – to help sustain programs and services for older adults in our community.

Future capital improvement – to provide funding to establish a reserve fund for capital improvements.

JEmbrace – restricted for the expansion and enhancement of program and services for more vulnerable populations in our community, such as individuals with disabilities and older adults.

Note 14 - Endowments

The JCC's endowments consist of donor-restricted endowment funds which are classified within net assets with donor restrictions. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The JCC follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of New Jersey. The board of directors for the JCC have interpreted the NJ UPMIFA 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 JCC retains in perpetuity (a) the original value of the initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the JCC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the JCC and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the JCC
- 7) The investment policies of the JCC

Endowment net asset consisted of the following at June 30, 2020:

	With Donor Restrictions
Donor Restricted Endowment Funds	<u>\$ 75,586</u>

Changes in endowment net assets for the fiscal year ended June 30, 2020 is as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ -
Contributions	<u>75,586</u>
Endowment net assets, end of year	<u>\$ 75,586</u>

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the JCC to retain as a fund of perpetual duration. In accordance with accounting principles

generally accepted in the United State of America, deficiencies of this nature are reported in net asset without donor restriction. As of June 30, 2020 there was no deficiency incurred.

Return objectives and risk parameters: The JCC's current policy provides that the endowment assets will be invested in a manner that is intended to produce expected return of approximately 4% per annum while maintaining an acceptable level of investment risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the JCC relies on a total return strategy in which investment returns are achieved through both capital appreciations (realized and unrealized) and current yield (interest and dividends).

Note 15 – Commitments and Contingencies

In May 2017, the JCC entered into a Solar Power Purchase Agreement (PPA) with Keystone Power Holdings, LLC with the option to buy the systems at fair market value after ten years. At the end of the twenty year PPA term, the JCC has the option of paying Keystone (or assignee) to remove the system at their cost. The PPA was entered into to reduce the JCC's cost of electricity and dependency on the grid electricity and pricing.

Note 16 – Concentrations of Credit Risk

The JCC maintains its cash balances in financial institutions located in New Jersey. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 and may, at times, exceed the federally insured limit. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

Note 17 – Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

Financial assets:	
Cash and cash equivalents	\$ 2,550,808
Investments at fair value	929,283
Accounts and grants receivable, net	90,631
Pledges receivable, net	<u>32,960</u>
Financial assets, at year end	<u>3,603,682</u>
Less amounts unavailable for general expenditures within one year:	
Donor restrictions	(682,223)
Board designations for program and capital support	<u>(196,350)</u>
	<u>(878,573)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,725,109</u>

The JCC's operations are substantially supported by program fees, membership fees, grants and contributions. As part of the JCC's liquidity management, there is a policy in place to structure

financial assets to be available as obligations become due. Additionally the JCC has access to a revolving line of credit in the amount of \$750,000 with Investors Bank (see Note 6). In response to the COVID-19 pandemic, an increase of the LOC to \$2,000,000 is being pursued. A COVID-19 Task Force has met regularly throughout the last 8 months and continues to meet monthly to review the JCC's cash flow projections and liquidity.

Note 18 - Paycheck Protection Program Grant

On May 5, 2020, the JCC received proceeds of \$1,093,290 from Investors Bank, pursuant to the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Under the CARES act, recipients are eligible for forgiveness of the proceeds to the extent that they were used to pay for payroll and related costs and certain occupancy expenses over an 8 or 24 week period, as elected by the JCC. The recipient also has to maintain certain payroll levels, or satisfy one of the safe harbor provisions within the program

The JCC has elected the 24 week covered period and applied for forgiveness with Investors Bank in October 2020. As of the date of these financial statements, management believes that the JCC has met the conditions for full forgiveness. In accordance with FASB 958, the JCC has recognized \$825,540 of income during the year ended June 30, 2020 with the balance of \$267,750 included as refundable advance on the Statement of Financial Position.

Any amount unforgiven after the forgiveness application is processed would be payable in up to two years at an interest rate of 1.0%. Payments would commence at the date that the SBA remits the borrower's loan forgiveness amount to Investors Bank.

Note 19 - Subsequent Events

The JCC evaluated subsequent events through November 30, 2020 the date the financial statements were available to be issued. Except as described below, the JCC is not aware of any subsequent events requiring recognition or disclosure in the financial statements.

In the first quarter of 2020, the outbreak of a novel strain of coronavirus, COVID-19 was declared a Pandemic. The Pandemic did not have an impact on the JCC until mid-March 2020. With the forced closure from mid-March to mid-July, programs and services were continued in virtual format; however, this closure resulted in losses of revenues in membership dues and school and other programming tuition and fees. Mitigating these losses were community donations, emergency support funding from the Federation, and the Paycheck Protection Program grant. These enabled the JCC to keep payroll intact from March 14 to June 30, 2020. In July 2020, the JCC was able to run a shortened summer camp season with limited capacity, generating significant, albeit less than typical net revenues. Operational costs have been mitigated throughout partial building use and continues virtual-only programming in some departments. Additionally, contributed support from donors, foundations, the government and the Federation continues to help sustain the JCC through this crisis.

On August 14, 2020, the JCC received a \$400,000 zero-interest loan from the Jewish Community Response and Impact Fund. Principal repayments are scheduled quarterly over four years with the first payment deferred one year. The loan is intended to assist in the ongoing operations of the JCC.