

JCC OF CENTRAL NEW JERSEY, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

JCC OF CENTRAL NEW JERSEY, INC.

FOR THE YEAR ENDED JUNE 30, 2021

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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, 2021, 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the JCC of Central New Jersey, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ketcham & Tupper, LLC

Westfield, New Jersey
November 23, 2021

JCC OF CENTRAL NEW JERSEY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 4,223,018	\$ 2,550,808
Investments at fair value	1,054,367	929,283
Accounts and grants receivable, net	35,439	90,631
Pledges receivable, net	49,657	32,960
Prepaid expenses and other assets	222,146	150,905
Property and equipment, net	<u>5,652,485</u>	<u>6,031,143</u>
Total Assets	<u>\$ 11,237,112</u>	<u>\$ 9,785,730</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 246,120	\$ 940,513
Accrued vacation and payroll expenses	452,933	139,565
Deferred revenue	3,148,527	1,737,839
Lines of credit	-	750,000
Refundable advance – Paycheck Protection Program	377,845	267,750
Notes payable	400,000	5,386
Capital lease obligations	<u>32,288</u>	<u>61,820</u>
Total Liabilities	<u>\$ 4,657,713</u>	<u>\$ 3,902,873</u>
Net Assets		
Without donor restrictions		
Undesignated	\$ 5,414,504	\$ 5,004,284
Designated by Board	<u>447,488</u>	<u>196,350</u>
	5,861,992	5,200,634
With donor restrictions	<u>717,407</u>	<u>682,223</u>
Total Net Assets	<u>6,579,399</u>	<u>5,882,857</u>
Total Liabilities and Net Assets	<u>\$ 11,237,112</u>	<u>\$ 9,785,730</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
with comparative totals for the year ended June 30, 2020**

	2021			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2020</u>
Revenue and support				
Program income	\$ 3,758,102	\$ -	\$ 3,758,102	\$ 6,441,438
Membership dues	852,155	-	852,155	862,632
Special events	100,773	-	100,773	86,029
Grant income	214,774	-	214,774	263,393
Rental income	4,326	-	4,326	47,475
Contributions	471,488	108,785	580,273	873,910
Investment return, net	165,987	8,743	174,730	43,894
Jewish Federation	500,867	-	500,867	410,504
In-kind contributions	20,386	-	20,386	9,833
Gain on sale of equipment	-	-	-	1,440
Other income	-	-	-	1,520
Satisfaction of usage restrictions	<u>82,344</u>	<u>(82,344)</u>	<u>-</u>	<u>-</u>
Total Revenue and support	<u>6,171,202</u>	<u>35,184</u>	<u>6,206,386</u>	<u>9,042,068</u>
Expenses				
Program services	4,941,266	-	4,941,266	7,658,693
Supporting services	<u>1,550,636</u>	<u>-</u>	<u>1,550,636</u>	<u>1,700,563</u>
Total Expenses	<u>6,491,902</u>	<u>-</u>	<u>6,491,902</u>	<u>9,359,256</u>
Change in net assets from operations	(320,700)	35,184	(285,516)	(317,118)
Paycheck Protection Program grant income	<u>982,058</u>	<u>-</u>	<u>982,058</u>	<u>825,540</u>
Change in net assets	661,358	35,184	696,542	508,352
Net assets, beginning of year	<u>5,200,634</u>	<u>682,223</u>	<u>5,882,857</u>	<u>5,374,505</u>
Net assets, end of year	<u>\$ 5,861,992</u>	<u>\$ 717,407</u>	<u>\$ 6,579,399</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, 2021**

	<u>Program Services</u>								<u>Supporting Services</u>			
	<u>Children's Services</u>	<u>Camp</u>	<u>Fitness</u>	<u>Aquatics</u>	<u>Cultural Arts</u>	<u>Seniors</u>	<u>Embrace</u>	<u>Subtotal</u>	<u>Mgmt & General</u>	<u>Fundraising</u>	<u>Subtotal</u>	<u>Total</u>
Salaries	\$ 1,750,945	\$ 443,138	\$ 470,087	\$ 222,994	\$ 90,867	\$ 108,636	\$ 65,624	\$ 3,152,291	\$ 618,050	\$ 107,108	\$ 725,158	\$ 3,877,449
Employee benefits	118,500	-	37,000	11,000	-	-	-	166,500	59,325	-	59,325	225,825
Payroll taxes	<u>120,757</u>	<u>28,901</u>	<u>30,099</u>	<u>15,001</u>	<u>5,848</u>	<u>7,166</u>	<u>4,469</u>	<u>212,241</u>	<u>63,335</u>	<u>7,937</u>	<u>71,272</u>	<u>283,513</u>
Total compensation costs	1,990,202	472,039	537,186	248,995	96,715	115,802	70,093	3,531,032	740,710	115,045	855,755	4,386,787
Program costs	14,623	23,561	8,016	5,167	1,855	24,081	7,775	85,078	-	-	-	85,078
Advertising & promotion	18,529	17,560	15,307	4,834	9,667	4,028	-	69,925	12,084	-	12,084	82,009
Food	22,078	5,512	-	-	-	-	-	27,590	-	-	-	27,590
Transportation	591	4,737	-	-	-	-	-	5,328	-	-	-	5,328
Scholarships	38,071	9,088	3,335	586	-	-	-	51,080	-	-	-	51,080
Fundraising & special events	3,390	3,741	-	-	3,388	26	2,225	12,770	-	38,915	38,915	51,685
Conferences & training	3,828	2,487	247	-	810	-	1,248	8,620	3,118	15	3,133	11,753
Employee & recruitment	8,775	8,493	1,547	930	-	-	-	19,745	7,038	-	7,038	26,783
Equipment & supplies	61,038	24,602	9,596	22,839	-	18	737	118,830	97,007	678	97,685	216,515
Occupancy	124,482	87,075	57,960	30,225	19,757	19,757	9,878	349,134	41,404	4,600	46,004	395,138
Professional dues	-	6,797	-	-	-	-	300	7,097	27,708	411	28,119	35,216
Professional fees	-	-	-	12,305	-	-	-	12,305	16,258	-	16,258	28,563
Service contracts	88,771	62,095	41,333	21,554	14,089	14,089	7,045	248,976	29,526	3,281	32,807	281,783
Telephone	1,430	1,989	1,155	550	-	-	-	5,124	11,870	-	11,870	16,994
Bank & credit card fees	-	-	-	-	-	-	-	-	146,040	-	146,040	146,040
Insurance	-	-	-	-	-	-	-	-	130,003	-	130,003	130,003
Interest expense	-	-	-	-	-	-	-	-	27,978	-	27,978	27,978
Other expenses	1,612	157	15	15	-	55	59	1,913	28,381	322	28,703	30,616
Depreciation & amortization	<u>242,351</u>	<u>90,993</u>	<u>7,812</u>	<u>25,841</u>	<u>7,516</u>	<u>12,206</u>	<u>-</u>	<u>386,719</u>	<u>56,870</u>	<u>11,374</u>	<u>68,244</u>	<u>454,963</u>
Total Expense	<u>\$ 2,619,771</u>	<u>\$ 820,926</u>	<u>\$ 683,509</u>	<u>\$ 373,841</u>	<u>\$ 153,797</u>	<u>\$ 190,062</u>	<u>\$ 99,360</u>	<u>\$ 4,941,266</u>	<u>\$ 1,375,995</u>	<u>\$ 174,641</u>	<u>\$ 1,550,636</u>	<u>\$ 6,491,902</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.

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

	<u>Program Services</u>								<u>Supporting Services</u>			
	<u>Children's Services</u>	<u>Camp</u>	<u>Fitness</u>	<u>Aquatics</u>	<u>Cultural Arts</u>	<u>Seniors</u>	<u>Embrace</u>	<u>Subtotal</u>	<u>Mgmt & General</u>	<u>Fundraising</u>	<u>Subtotal</u>	<u>Total</u>
Salaries	\$ 2,290,887	\$ 863,906	\$ 684,915	\$ 260,260	\$ 107,749	\$ 169,393	\$ 27,589	\$ 4,404,699	\$ 646,031	\$ 119,852	\$ 765,883	\$ 5,170,582
Employee benefits	115,175	-	27,450	12,500	-	-	-	155,125	75,259	-	75,259	230,384
Payroll taxes	<u>160,258</u>	<u>59,984</u>	<u>46,011</u>	<u>17,325</u>	<u>6,875</u>	<u>11,474</u>	<u>2,110</u>	<u>304,037</u>	<u>105,953</u>	<u>8,857</u>	<u>114,810</u>	<u>418,847</u>
Total compensation costs	2,566,320	923,890	758,376	290,085	114,624	180,867	29,699	4,863,861	827,243	128,709	955,952	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	1,263	37,925	39,188	83,957
Conferences & training	9,914	6,157	503	1,213	1,030	-	-	18,817	22,203	404	22,607	41,424
Employee & recruitment	9,285	10,329	2,651	1,193	-	322	116	23,896	10,881	99	10,980	34,876
Equipment & supplies	43,919	44,400	13,120	17,809	-	1,215	121	120,584	106,455	212	106,667	227,251
Occupancy	140,058	97,970	65,212	34,007	22,229	22,229	-	381,705	46,585	5,176	51,761	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	80,622	56,395	37,538	19,575	12,796	12,796	-	219,722	26,816	2,979	29,795	249,517
Telephone	1,100	3,586	1,049	605	-	-	-	6,340	12,462	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	<u>240,091</u>	<u>92,278</u>	<u>16,858</u>	<u>20,789</u>	<u>9,158</u>	<u>13,007</u>	<u>-</u>	<u>392,181</u>	<u>46,138</u>	<u>23,070</u>	<u>69,208</u>	<u>461,389</u>
Total Expense	<u>\$ 3,420,940</u>	<u>\$ 2,279,877</u>	<u>\$ 1,015,869</u>	<u>\$ 408,526</u>	<u>\$ 206,217</u>	<u>\$ 293,630</u>	<u>\$ 33,634</u>	<u>\$ 7,658,693</u>	<u>\$ 1,501,695</u>	<u>\$ 198,868</u>	<u>\$ 1,700,563</u>	<u>\$ 9,359,256</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 696,542	\$ 508,352
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation & amortization	454,963	461,389
Bad debt expense	-	7,200
Realized gain on investments	(7,872)	(628)
Unrealized gain on investments	(142,024)	(10,020)
Gain on sale of equipment	-	(1,440)
(Increase) decrease in:		
Accounts and grants receivable	55,192	(46,134)
Pledges receivable	(16,697)	182,365
Prepaid expenses and other assets	(71,241)	164,132
Increase (decrease) in:		
Accounts payable and accrued expenses	(694,393)	605,587
Accrued vacation and payroll expenses	313,368	30,555
Deferred revenue	1,410,688	(1,485,734)
Refundable advance – Paycheck Protection Program	<u>110,095</u>	<u>267,750</u>
Net cash provided by operating activities	<u>2,108,621</u>	<u>683,374</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(76,305)	(526,277)
Proceeds from sale of equipment	-	1,440
Purchase of investments	(71,992)	(63,621)
Proceeds from sale of investments	<u>96,804</u>	<u>25,597</u>
Net cash used in investing activities	<u>(51,493)</u>	<u>(562,861)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	753,877	900,000
Principal repayments on line of credit	(1,503,877)	(150,000)
Proceeds from note payable	400,000	-
Principal repayments on note payable	(5,386)	(80,432)
Proceeds from capital lease obligation	-	65,694
Principal repayments on capital lease obligation	<u>(29,532)</u>	<u>(33,900)</u>
Net cash provided by financing activities	<u>(384,918)</u>	<u>701,362</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,672,210	821,875
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,550,808</u>	<u>1,728,933</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 4,223,018</u>	<u>\$ 2,550,808</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid for interest	<u>\$ 23,310</u>	<u>\$ 10,635</u>

See accompanying notes to financial statements

JCC OF CENTRAL NEW JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 AND 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. The JCC provides a communal, nutritional lunch program as well as social and educational activities 4 days a week for senior adults. Virtual programming was added to reach homebound seniors. 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 ("U.S. GAAP"). 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 subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed 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. Donor imposed restrictions are released when a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, or both.

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 Financial Accounting Standards Board guidance on 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, 2021 and 2020 was \$12,107 and \$13,163, respectively.

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, 2021 and 2020 was \$8,310 and \$9,995, respectively.

Property and Equipment

Property and equipment are stated at cost for purchased items and fair value for contributed items at the date of donation. Assets acquired through capital lease agreements are recorded in accordance with U.S. GAAP. 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 revenue from program service fees and membership dues during the period in which the related services are provided. The performance obligation of delivering the services is simultaneously received and consumed by the members; therefore, the revenue is recognized ratably over the course of the fiscal year for which it pertains. The JCC bills its members in advance. Payments received prior to being earned are recorded as deferred revenue and are recognized when services are rendered.

The JCC recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The JCC's revenue derived from cost-reimbursable government contracts and grants are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the JCC has incurred expenditures in compliance with specific contract or grant provisions. Amounts received on cost reimbursement grants, prior to incurring qualifying expenditures, are reported as due governmental agencies in the statement of financial condition, if applicable. Under the terms of funding agreements with various governmental agencies, certain reported expenditures are subject to audit and acceptance by the funding agencies. In the opinion of management, adjustments, if any, resulting from future audits, should not have a material effect on the JCC's financial position or changes in its net assets.

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 \$20,386 and \$9,833 of in-kind donations during the years ended June 30, 2021 and 2020, respectively.

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 U.S. GAAP.

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). U.S. GAAP prescribes 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 U.S. GAAP.

The JCC's tax and information returns are generally subject to examination by taxing authorities for three years, including 2018, 2019 and 2020.

Advertising

The JCC expenses advertising costs as they are incurred.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the JCC's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from other activities considered to be of a more unusual or nonrecurring nature

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 reasonable bases established by management.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to conform to the current year's presentation.

Comparative Financial Information

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the JCC's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Note 3 - Fair Value Measurements

Assets measured at fair value on a recurring basis as of June 30 are as follows:

	2021		
	Total		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Mutual Funds	\$ 901,402	\$ 901,402	\$ -
State of Israel Bonds	125,000	-	125,000
Other Investments	<u>27,965</u>	<u>27,965</u>	<u>-</u>
	<u>\$ 1,054,367</u>	<u>\$ 929,367</u>	<u>\$ 125,000</u>

	2020		
	Total		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Mutual Funds	\$ 777,691	\$ 777,691	\$ -
State of Israel Bonds	100,000	-	100,000
Other Investments	<u>51,592</u>	<u>51,592</u>	<u>-</u>
	<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 observable market transactions.

Note 4 - Pledges Receivable

Pledges receivable consist of amounts due for annual campaign pledges and other programs as follows as of June 30:

	2021	2020
Pledges receivable in less than one year	\$ 57,967	\$32,955
Pledges receivable in one to five years	-	10,000
Less: Allowance for doubtful pledges	<u>(8,310)</u>	<u>(9,955)</u>
Pledges receivable, net	<u>\$ 49,657</u>	<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

	2021	2020
Land	\$ 659,438	\$ 659,438
Building and improvements	9,880,851	9,699,420
Equipment	1,850,743	1,714,995
Furniture and fixtures	127,919	127,919
Computers and software	82,586	56,958
Construction in progress	<u>11,577</u>	<u>278,079</u>
	12,613,114	12,536,809
Less accumulated depreciation & amortization	<u>(6,960,629)</u>	<u>(6,505,666)</u>
	<u>\$ 5,652,485</u>	<u>\$ 6,031,143</u>

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$454,963 and \$461,389, respectively and includes the amount of amortization attributed to capital leases.

Note 6 - Lines of Credit

The JCC had an unsecured line of credit with Investors Bank for \$750,000 which expired on February 1, 2021 and was not renewed. Interest on the outstanding balance was calculated at the Prime Rate of interest as published in the Wall Street Journal with a floor of 3.5%. The JCC had an advance of \$750,000 outstanding on this line of credit as of June 30, 2020.

On January 14, 2021, the JCC entered into a new line of credit with Northfield Bank for \$2,000,000, expiring January 1, 2022. The line is secured by a first mortgage lien on the Martine Avenue property. Interest on the outstanding balance is calculated at the Prime Rate of interest as published in the Wall Street Journal with a floor of 3.25%. An advance of \$753,877 on the Northfield Bank line of credit was used to pay off the outstanding \$750,000 line of credit balance with Investors Bank prior to its expiration. The JCC had no advances outstanding on this line of credit as of June 30, 2021.

Note 7 - Notes Payable

Notes payable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Note payable to the Jewish Community Response and Impact Fund with an original principal balance of \$400,000 which requires quarterly payments of \$33,333 including principal and interest at 0.0%, maturing April 1, 2024 and subject to various non-financial covenants.	\$ 400,000	\$ -
Note payable to Investors Bank with an original principal balance of \$375,000 which requires monthly payments of \$5,386 including principal and interest at 3.625%, maturing August 1, 2020 and subject to various financial covenants on the property.	<u>-</u>	<u>5,386</u>
Total	<u>\$ 400,000</u>	<u>\$ 5,386</u>

Principal amounts due under the above agreements at June 30 are as follows:

2022	\$ 133,333
2023	133,333
2024	<u>133,334</u>
	<u>\$ 400,000</u>

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 years ended June 30, 2021 and 2020 amounted to \$22,513 and \$15,944, respectively and is included in depreciation expense.

Property and equipment held under capital lease are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Leased equipment	\$ 112,565	\$ 112,565
Less accumulated amortization	<u>(47,831)</u>	<u>(25,318)</u>
Net Leased equipment	<u>\$ 64,734</u>	<u>\$ 87,247</u>

Future minimum payments, including interest, required on capital leases as of June 30, 2021 are:

<u>Years ending June 30,</u>	
2022	\$ 23,796
2023	<u>9,915</u>
Total minimum lease payment	33,711
Less: amount representing interest	<u>(1,423)</u>
Present value of net minimum lease payments	32,288
Less: Current portion	<u>(22,516)</u>
Long term portion	<u>\$ 9,772</u>

Note 9 - Investment Return

Investment income as was comprised of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 25,188	\$ 33,843
Realized gain on investments	7,872	628
Unrealized gain on investments	142,024	10,020
Investment fees	<u>(354)</u>	<u>(597)</u>
	<u>\$ 174,730</u>	<u>\$ 43,894</u>

Note 10 - Related Party Transactions

During the years ended June 30, 2021 and 2020, the JCC paid membership dues of \$26,070 and \$40,384, respectively 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. The Federation paid the following to the JCC for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Annual allocation	\$166,000	\$ 122,000
Rent	40,000	50,000
Security personnel cost reimbursement	3,692	2,788
COVID-19 emergency funding	289,500	168,896
Donation for programs	1,675	-
Donation for capital improvements	<u>-</u>	<u>66,820</u>
Total reimbursement and support	<u>\$ 500,867</u>	<u>\$ 410,504</u>

Future minimum rental payments under the lease are \$30,000 per year in each of the years ending June 31, 2022, 2023 and 2024, respectively.

Note 11 - Retirement Plan

The JCC sponsors a defined contribution retirement plan that qualifies under Section 401(k) of the Internal Revenue Code. This plan covers substantially all full-time employees who have satisfied the eligibility requirements as defined in the plan. Under this plan, participants are permitted to make income tax deferred contributions based upon their compensation. Each year, in addition to depositing voluntary 401(k) salary deferrals with an independent trustee, the JCC may contribute to the plan discretionary profit sharing contributions. No discretionary contributions were made by the JCC for the years ended June 30, 2021 and 2020.

Note 12 – Board Designated Net Assets

Board designated net assets consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Special capital projects	\$ 432,333	\$ 186,511
Financial aid	<u>15,155</u>	<u>9,839</u>
Total board designated net assets	<u>\$ 447,488</u>	<u>\$ 196,350</u>

Note 13 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Senior Programs	\$ 50,000	\$ 100,000
Future Capital Improvements	57,558	20,000
Aquatics	13,000	-
JEmbrace	<u>527,130</u>	<u>501,637</u>
	<u>647,688</u>	<u>621,637</u>
Endowments subject to appropriation		
J&E Peris Special Needs Development Fund	30,000	30,000
Michelle Posnock Sion Aquatics Fund	30,976	30,586
Accumulated investment return	<u>8,743</u>	<u>-</u>
	<u>69,719</u>	<u>60,586</u>
Total net assets with donor restrictions	<u>\$ 717,407</u>	<u>\$ 682,223</u>

Net assets with donor restrictions released from restriction during the year ended June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Senior Programs	\$ 50,000	\$ 50,000
Future Capital Improvements	<u>32,344</u>	<u>10,000</u>
Total	<u>\$82,344</u>	<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.
- Aquatics – purchase of equipment for the aquatics program.
- 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.
- Jeff & Eleanor Peris Special Needs Development Fund - restricted for special needs inclusion training and development for camp counselors and shadows staff.
- Michelle Posnock Sion Aquatics Fund – to provide special instruction for swimmers with disabilities.

Note 14 - Endowments

The JCC's endowments consist of donor-restricted endowment funds which are classified within net assets with donor restrictions. 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 JCC's Board of Directors 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 classifies as endowment net assets (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.

Additionally, in accordance with NJ 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 assets consisted of the following at June 30:

	<u>With Donor Restrictions</u>	
	<u>2021</u>	<u>2020</u>
Original donor-restricted gift amounts	\$ 60,976	\$ 60,586
Accumulated investment return	<u>8,743</u>	<u>-</u>
Donor-restricted endowment funds	<u>\$ 69,719</u>	<u>\$ 60,586</u>

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

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 60,586	\$ -
Contributions	390	60,586
Investment return	<u>8,743</u>	<u>-</u>
Endowment net assets, end of year	<u>\$69,719</u>	<u>\$ 60,586</u>

The JCC's current policy provides that the endowment assets will be invested in a manner that is intended to produce expected return of 4%-6% per annum while maintaining an acceptable level of investment risk. Actual returns in any given year may vary from this amount. 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).

As set forth by specified instructions in the donor agreements, appropriations for expenditure may not exceed 4% of the endowment fund value per fiscal year, subject to approval by the JCC's Board of Directors for their specified purpose. For the years end June 30, 2021 and 2020, no appropriations were made by the Board.

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. As of June 30, 2021 and 2020 there was no deficiency incurred.

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 - Risks and uncertainties

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 2020 to mid-July 2020, programs and services were continued in virtual format. In September 2020 we opened up our school program for 200 children for in-person classroom learning. This number represented limited capacity in our classrooms due to COVID-19 health safety restrictions. We were able to maintain in-person programming for the entire academic year. Many of our programs (e.g.: Cultural Arts, Seniors, some fitness classes) remained virtual in fiscal year 2021.

The JCC continues to actively monitoring the on-going COVID-19 pandemic and its potential impact on the employees, clients, donors and operations. The extent of COVID-19's effect on the JCC's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and cannot be predicted.

Note 18 – 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 at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 4,223,018	\$ 2,550,808
Investments at fair value	1,054,367	929,283
Accounts and grants receivable, net	35,439	90,631
Pledges receivable, net	<u>49,657</u>	<u>32,960</u>
Financial assets, at year end	<u>5,362,481</u>	<u>3,603,682</u>
Less amounts unavailable for general expenditures within one year:		
Donor restrictions	(717,407)	(682,223)
Board designations for program and capital support	<u>(447,488)</u>	<u>(196,350)</u>
	<u>(1,164,895)</u>	<u>(878,573)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,197,586</u>	<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 \$2,000,000 with Northfield Bank (see Note 6). In response to the COVID-19 pandemic, a COVID-19 Task Force has met monthly throughout the last 20 months and continues to meet periodically to review the JCC's cash flow projections and liquidity.

Note 19 – Paycheck Protection Program Grant

The JCC applied for and received two Paycheck Protect Program loans pursuant to the Small Business Administration ("SBA") Paycheck Protections 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 JCC elected the 24 week covered period for both PPP loans. The recipient also has to maintain certain payroll levels, or satisfy one of the safe harbor provisions within the program.

The JCC received its first PPP loan of \$1,093,290 from Investors Bank on May 5, 2020 and its second PPP loan of \$1,092,152 from Northfield Bank on January 25, 2021. The JCC applied for forgiveness of its PPP loan with Investors Bank in October 2020. As of the date of these financial statements, the JCC has met the conditions for full forgiveness.

In accordance with FASB 958, the JCC recognized \$267,750 and \$825,540 of income during the years ended June 30, 2021 and 2020, respectively, on its PPP loan from Investors Bank and \$714,307 of income during the year ended June 30, 2021, with the balance of \$377,845 included as refundable advance on the Statement of Financial Position on its PPP loan from Northfield Bank.

Any amounts 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 or Northfield Banks.

Note 20 - Subsequent Events

The JCC evaluated subsequent events through November 23, 2021 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 September 2021, the JCC's application for forgiveness for its first PPP loan with was approved.