

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

FINANCIAL STATEMENTS

JUNE 30, 2015

INDEPENDENT AUDITORS' REPORT

Jewish Community Center
of Greater Rochester, Inc.
Rochester, New York

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, 2015, and the related statements of activities, functional expenses, 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.

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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Community Center of Greater Rochester, Inc. as of June 30, 2015, 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 Jewish Community Center of Greater Rochester, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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
(Formerly EFP Rotenberg, LLP)
Rochester, New York
February 5, 2016

**JEWISH COMMUNITY CENTER
OF GREATER ROCHESTER, INC.
Statements of Financial Position
June 30, 2015 and 2014**

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,966,791 | \$ 246,089 |
| Unconditional promises to give | 2,019,485 | 824,359 |
| Accounts receivable, net of allowance for doubtful accounts of \$8,427 and \$11,664, respectively | 98,044 | 120,735 |
| Other current assets | <u>745,216</u> | <u>848,856</u> |
| Total current assets | <u>4,829,536</u> | <u>2,040,039</u> |
| Other Assets | | |
| Long-term unconditional promises to give, net of allowance for doubtful promises to give of \$70,000 | 6,254,018 | 3,709,225 |
| Long-term investments | 9,511,094 | 9,563,583 |
| Property and equipment - net | <u>11,537,012</u> | <u>10,960,641</u> |
| Total other assets | <u>27,302,124</u> | <u>24,233,449</u> |
| Total Assets | <u>\$ 32,131,660</u> | <u>\$ 26,273,488</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Debt - current portion | \$ 19,032 | \$ 76,129 |
| Accounts payable | 748,391 | 1,560 |
| Accrued payroll, taxes, and withholdings | 470,241 | 440,721 |
| Deferred revenues | 2,573,725 | 2,383,433 |
| Other current liabilities | <u>72,887</u> | <u>65,736</u> |
| Total current liabilities | <u>3,884,276</u> | <u>2,967,579</u> |
| Long-Term Liabilities | | |
| Debt - net of current portion | <u>1,772,810</u> | <u>1,907,234</u> |
| Total Liabilities | <u>5,657,086</u> | <u>4,874,813</u> |
| Net Assets | | |
| Unrestricted | 9,351,027 | 9,944,170 |
| Temporarily restricted | 14,535,350 | 8,878,068 |
| Permanently restricted | <u>2,588,197</u> | <u>2,576,437</u> |
| Total net assets | <u>26,474,574</u> | <u>21,398,675</u> |
| Total Liabilities and Net Assets | <u>\$ 32,131,660</u> | <u>\$ 26,273,488</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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)**

| | 2015 | | | | 2014 |
|--|----------------------------|--|--|----------------------------|-----------------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> | <u>Total</u> |
| Support and Revenues | | | | | |
| Gifts, grants, and donations | \$ 555,100 | \$ 5,991,555 | \$ 121,760 | \$ 6,668,415 | \$ 5,252,076 |
| Program services | 5,571,544 | - | - | 5,571,544 | 5,118,669 |
| Membership dues | 2,762,094 | - | - | 2,762,094 | 2,750,218 |
| Other revenue | 686,760 | - | - | 686,760 | 585,487 |
| Special events | 272,753 | - | - | 272,753 | 161,550 |
| Interest and dividend income | 139,266 | 90,611 | - | 229,877 | 219,413 |
| Realized gain on investments | 186,334 | 32,353 | - | 218,687 | 240,164 |
| Unrealized gain (loss) on investments | (142,696) | 2,168 | - | (140,528) | 817,524 |
| Jewish Community Federation | 149,055 | - | - | 149,055 | 156,508 |
| United Way | 2,299 | - | - | 2,299 | - |
| Loss on promises to give | (40,401) | - | - | (40,401) | (35,150) |
| Total support and revenues | <u>10,142,108</u> | <u>6,116,687</u> | <u>121,760</u> | <u>16,380,555</u> | <u>15,266,459</u> |
| Expenses | | | | | |
| Program services | 9,960,205 | - | - | 9,960,205 | 9,427,165 |
| Management and general | 978,039 | - | - | 978,039 | 1,070,762 |
| Fundraising | 366,412 | - | - | 366,412 | 287,554 |
| Total expenses | <u>11,304,656</u> | <u>-</u> | <u>-</u> | <u>11,304,656</u> | <u>10,785,481</u> |
| Net Assets Released from Restrictions | <u>459,405</u> | <u>(459,405)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in Net Assets | (703,143) | 5,657,282 | 121,760 | 5,075,899 | 4,480,978 |
| Net Assets - Beginning | 9,944,170 | 8,878,068 | 2,576,437 | 21,398,675 | 16,917,697 |
| Restriction Reclassification | <u>110,000</u> | <u>-</u> | <u>(110,000)</u> | <u>-</u> | <u>-</u> |
| Net Assets - Ending | <u>\$ 9,351,027</u> | <u>\$ 14,535,350</u> | <u>\$ 2,588,197</u> | <u>\$26,474,574</u> | <u>\$ 21,398,675</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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)**

| | <u>Program 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 Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>2015 Total</u> | <u>2014 Total</u> |
| Salaries | \$ 1,560,575 | \$ 236,528 | \$ 1,860,022 | \$ 1,365,452 | \$ 39,479 | \$ 117,211 | \$ 58,769 | \$ 5,238,036 | \$ 334,155 | \$ 132,049 | \$ 5,704,240 | \$ 5,463,445 |
| Occupancy costs | 323,694 | 60,419 | 169,836 | 318,849 | 3,507 | 10,572 | 5,221 | 892,098 | 152,348 | 13,334 | 1,057,780 | 1,131,291 |
| Supplies, food, and resale items | 116,980 | 111,459 | 84,749 | 586,300 | 7,387 | 80,182 | 1,938 | 988,995 | 23,180 | 70,988 | 1,083,163 | 1,141,477 |
| Professional fees | 92,390 | 127,414 | 58,658 | 180,107 | 6,504 | 5,580 | 3,361 | 474,014 | 51,188 | 18,128 | 543,330 | 464,874 |
| Payroll taxes and related expenses | 112,835 | 16,616 | 134,690 | 93,830 | 2,917 | 9,017 | 4,093 | 373,998 | 23,675 | 9,404 | 407,077 | 390,348 |
| Insurance | 49,829 | 7,128 | 65,124 | 128,313 | 1,187 | 9,605 | 1,768 | 262,954 | 51,576 | 3,972 | 318,502 | 287,771 |
| Vehicle expenses - travel | 5,044 | 15,984 | 3,411 | 150,491 | 60 | 776 | 95 | 175,861 | 2,601 | 1,956 | 180,418 | 275,265 |
| CSL trip to Israel | - | - | - | 242,446 | - | - | - | 242,446 | - | - | 242,446 | - |
| Bank/credit card fees | 41,809 | 6,451 | 49,716 | 36,616 | 1,054 | 3,175 | 1,614 | 140,435 | 45,792 | 3,573 | 189,800 | 182,693 |
| Employee health and retirement | 48,289 | 14,001 | 94,885 | 43,333 | 4,195 | 5,067 | 4,933 | 214,703 | 23,944 | 1,844 | 240,491 | 204,223 |
| Printing, publications, and advertising | 16,897 | 58,405 | 23,585 | 17,276 | 1,133 | 1,348 | 637 | 119,281 | 18,259 | 25,931 | 163,471 | 141,552 |
| Interest expense | 13,504 | 2,047 | 16,095 | 11,814 | 342 | 1,014 | 508 | 45,324 | 14,838 | 1,445 | 61,607 | 76,307 |
| Telephone | 7,148 | 1,083 | 8,819 | 27,751 | 181 | 537 | 269 | 45,788 | 7,854 | 605 | 54,247 | 45,683 |
| Other | 1,775 | 268 | 2,117 | 2,045 | 89 | 134 | 67 | 6,495 | 1,951 | 922 | 9,368 | 3,394 |
| Golf Tournament | - | - | - | - | - | - | - | - | - | 59,427 | 59,427 | - |
| Postage | 5,114 | 8,846 | 6,096 | 5,984 | 848 | 385 | 193 | 27,466 | 5,620 | 3,846 | 36,932 | 36,048 |
| Small equipment | 5,533 | 1,663 | 2,704 | 1,276 | 31 | 93 | 46 | 11,346 | 1,348 | 854 | 13,548 | 16,671 |
| Professional dues | 8,595 | 281 | 2,219 | 5,921 | 19 | 142 | 323 | 17,500 | 839 | 385 | 18,724 | 14,238 |
| Conferences | 3,492 | 1,345 | 5,885 | 4,215 | 1 | 129 | 2 | 15,069 | 58 | 899 | 16,026 | 20,894 |
| Total expenses before depreciation | 2,413,503 | 669,938 | 2,588,611 | 3,222,019 | 68,934 | 244,967 | 83,837 | 9,291,809 | 759,226 | 349,562 | 10,400,597 | 9,896,174 |
| Depreciation of building, improvements, and equipment | 199,136 | 30,182 | 237,347 | 174,238 | 5,037 | 14,957 | 7,499 | 668,396 | 218,813 | 16,850 | 904,059 | 889,307 |
| Total Expenses | \$ 2,612,639 | \$ 700,120 | \$ 2,825,958 | \$ 3,396,257 | \$ 73,971 | \$ 259,924 | \$ 91,336 | \$ 9,960,205 | \$ 978,039 | \$ 366,412 | \$ 11,304,656 | \$ 10,785,481 |

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, 2015 and 2014**

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 5,075,899 | \$ 4,480,978 |
| Adjustments | | |
| Non-operating cash contributions | - | (11,549) |
| Loss on promises to give | 40,401 | 35,150 |
| Depreciation | 904,059 | 889,307 |
| Realized gain on investments | (218,687) | (240,164) |
| Unrealized (gain)loss on investments | 140,528 | (817,524) |
| Discount on unconditional promises to give | (20,003) | (98,545) |
| Accrued interest income | (26) | 1,090 |
| Changes in assets and liabilities | | |
| Unconditional promises to give | (3,760,317) | (3,741,453) |
| Accounts receivable | 22,691 | (25,288) |
| Other current assets | 103,640 | 19,161 |
| Accounts payable | 630 | (50,670) |
| Accrued payroll, taxes, and withholdings | 29,520 | 79,827 |
| Deferred revenues | 190,292 | 29,757 |
| Other current liabilities | 7,151 | 5,414 |
| Net cash flows from operating activities | <u>2,515,778</u> | <u>555,491</u> |
| Cash Flows from Investing Activities | | |
| Net long-term investment activity | 130,674 | 254,306 |
| Purchases of property and equipment | (734,229) | (529,390) |
| Net cash flows from investing activities | <u>(603,555)</u> | <u>(275,084)</u> |
| Cash Flows from Financing Activities | | |
| Repayments of debt | (191,521) | (76,129) |
| Proceeds from permanently restricted contributions | - | 11,549 |
| Net cash flows from financing activities | <u>(191,521)</u> | <u>(64,580)</u> |
| Net Change in Cash and Cash Equivalents | 1,720,702 | 215,827 |
| Cash and Cash Equivalents - Beginning | <u>246,089</u> | <u>30,262</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 1,966,791</u> | <u>\$ 246,089</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 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.

Pledges and Bequests Receivable - 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 a discount rate of 1% for the years ended June 30, 2015 and 2014. 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 allowance for doubtful accounts. The Organization estimates the allowance based on their 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.

Investment Valuation and Income Recognition - Investments are stated at fair market value based on quoted market prices in an active market. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis.

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

| | <u>2015</u> | <u>2014</u> |
|---------------------------|--------------|--------------|
| SPDR S&P 500 EFT TR (SPY) | \$ 2,274,643 | \$ 2,700,936 |

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 that included a prepayment for the full amount. The deferred revenue associated with the lease will be amortized into income over the term of the lease.

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.

Allocated 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.

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

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.

In accordance with ASC 740-10-50, the Organization recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management believes that the Organization is currently operating in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecognized tax benefits has been included on the Organization's financial statements. The exempt Organization's informational returns are subject to audit by various taxing authorities and its open audit periods are 2012 through 2014.

Subsequent Events - Management has evaluated subsequent events through the date of the report which is the date the 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>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Gross amounts receivable in future years | \$ 8,469,035 | \$ 4,709,112 |
| Discount for present value of future payments | (125,532) | (105,528) |
| Allowance for doubtful promises to give | (70,000) | (70,000) |
| Net unconditional promises to give | <u>\$ 8,273,503</u> | <u>\$ 4,533,584</u> |

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

| | | |
|-------|--|---------------------|
| 2016 | | \$ 2,019,485 |
| 2017 | | 1,385,884 |
| 2018 | | 3,978,303 |
| 2019 | | 889,831 |
| Total | | <u>\$ 8,273,503</u> |

Note 3. Fair Value Measurements

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.

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

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 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.

Assets measured at fair value are summarized below:

Assets at Fair Value as of June 30, 2015

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|---------------------------------|-----------------------|-----------------------|---------------------|
| Cash and cash equivalents | \$ 1,772,386 | \$ - | \$ 1,772,386 |
| Israel bonds | - | 285,913 | 285,913 |
| Mutual funds | | | |
| Balanced funds | 5,098,315 | - | 5,098,315 |
| Commodities | 152,100 | - | 152,100 |
| Fixed income funds | 686,806 | - | 686,806 |
| Value funds | 491,769 | - | 491,769 |
| Total mutual funds | 6,428,990 | - | 6,428,990 |
| Government securities | 312,965 | - | 312,965 |
| Asset-backed securities | - | 710,840 | 710,840 |
| Total investments at fair value | \$ 8,514,341 | \$ 996,753 | \$ 9,511,094 |

Assets at Fair Value as of June 30, 2014

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|---------------------------------|-----------------------|-----------------------|---------------------|
| Cash and cash equivalents | \$ 1,776,141 | \$ - | \$ 1,776,141 |
| Israel bonds | - | 285,889 | 285,889 |
| Mutual funds | | | |
| Balanced funds | 5,348,908 | - | 5,348,908 |
| Fixed income funds | 562,852 | - | 562,852 |
| Value funds | 506,880 | - | 506,880 |
| Total mutual funds | 6,418,640 | - | 6,418,640 |
| Government securities | 327,100 | - | 327,100 |
| Asset-backed securities | - | 755,813 | 755,813 |
| Total investments at fair value | \$ 8,521,881 | \$ 1,041,702 | \$ 9,563,583 |

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

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 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 each year 5% of its donor-designated endowment fund's value as of the previous fiscal year-end. 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.

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

Changes in endowment net assets for the year ended June 30, 2014, are as follows:

| | Temporarily Restricted | Permanently Restricted | Total |
|---|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets - July 1, 2013 | \$ 1,454,584 | \$ 2,564,888 | \$ 4,019,472 |
| Contributions | - | 11,549 | 11,549 |
| Investment income | 88,573 | - | 88,573 |
| Net appreciation | 476,269 | - | 476,269 |
| Amounts appropriated for expenditure | <u>(282,177)</u> | <u>-</u> | <u>(282,177)</u> |
| Endowment net assets - June 30, 2014 | \$ 1,737,249 | \$ 2,576,437 | \$ 4,313,686 |
| Contributions | - | 121,760 | 121,760 |
| Investment income | 90,611 | - | 90,611 |
| Restriction reclassification | - | (110,000) | (110,000) |
| Net appreciation | 34,521 | - | 34,521 |
| Amounts appropriated for expenditure | <u>(168,881)</u> | <u>-</u> | <u>(168,881)</u> |
| Endowment net assets - June 30, 2015 | <u>\$ 1,693,500</u> | <u>\$ 2,588,197</u> | <u>\$ 4,281,697</u> |

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------|----------------------|----------------------|
| Building and improvements | \$ 21,946,325 | \$ 21,738,568 |
| Furnishings and equipment | 5,109,766 | 4,971,140 |
| Land improvements | 456,633 | 456,633 |
| Sub-total | <u>27,512,724</u> | <u>27,166,341</u> |
| Less, accumulated depreciation | <u>(18,014,443)</u> | <u>(17,111,773)</u> |
| Sub-total | 9,498,281 | 10,054,568 |
| Add, land | 788,473 | 788,473 |
| Add, construction in progress | 1,250,258 | 117,600 |
| Property and equipment - net | <u>\$ 11,537,012</u> | <u>\$ 10,960,641</u> |

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

Note 6. Debt

Debt consisted of the following at June 30:

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Construction line of credit | \$ 1,772,810 | \$ 1,888,200 |
| Non-interest bearing promissory note due January 2016, payable in semi-annual principal payments of \$38,065. | 19,032 | 95,162 |
| Total | <u>1,791,842</u> | <u>1,983,362</u> |
| Less, current portion | <u>(19,032)</u> | <u>(76,129)</u> |
| Long-term portion | <u>\$ 1,772,810</u> | <u>\$ 1,907,233</u> |

Annual maturities of debt with established repayment terms for the two years succeeding June 30, 2015, are as follows:

| | |
|------|------------------|
| 2016 | <u>\$ 19,032</u> |
|------|------------------|

The Organization maintains a secured construction line of credit with a maximum borrowing capacity of \$1,946,000. Monthly installments of interest only are required at the bank's prime rate (3.5% and 3.1% for the years ended June 30, 2015 and 2014, respectively). The line of credit is secured by certain investments of the Organization. As described above, the outstanding balance for June 30, 2015 and 2014 was \$1,772,810 and \$1,888,200, respectively.

In addition, the Organization maintains an additional secured line of credit with a maximum borrowing capacity of \$800,000. Monthly installments of interest only are required at the bank's prime rate. The line of credit is secured by the accounts receivable and equipment of the Organization. There was no outstanding balance owed on the operating line of credit as of June 30, 2015 and 2014.

Note 7. Temporarily and Permanently Restricted Net Assets

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

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|---------------------|---------------------|
| Nature of Restriction | | |
| Temporarily restricted for endowment | \$ 1,693,501 | \$ 1,737,249 |
| Time restriction - capital | 12,841,849 | 7,085,819 |
| Time restriction - program | - | 55,000 |
| Temporarily restricted net assets | <u>\$14,535,350</u> | <u>\$ 8,878,068</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 \$2,588,197 and \$2,576,437 as of June 30, 2015 and 2014, respectively.

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

Note 8. Transfers Between Net Asset Classes

The following funds have been loaned from permanently restricted funds:

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| The Organization borrowed \$627,838 from the endowment fund. This loan will be paid off with the proceeds of pledge receivables from the 2008 capital campaign as they are collected. There are no established repayment terms. | \$ 43,501 | \$ 43,851 |
| The Organization borrowed \$200,000 from the endowment fund. There are no established repayment terms. | 200,000 | 200,000 |
| Borrowing paid in full. | - | 24,094 |
| Total loans between permanently restricted and unrestricted net assets | 243,501 | 267,945 |
| Less, current portion | - | (24,094) |
| Long-term portion | <u>\$ 243,501</u> | <u>\$ 243,851</u> |

Note 9. Defined Contribution Plan

The Organization offers all employees meeting minimum age and service requirements a defined contribution 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.

Note 10. Commitments

The Organization maintains several operating leases for the rental of office and fitness equipment expiring through 2017. Lease payments amounted to \$164,712 and \$139,177 for the years ended June 30, 2015 and 2014, respectively.

The following is a schedule of future minimum rental expense under the leases as of June 30, 2015:

| | |
|-------|-------------------|
| 2016 | \$ 153,715 |
| 2017 | 60,775 |
| Total | <u>\$ 214,490</u> |

Note 11. Supplemental Cash Flow Information

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|------------------|
| Cash paid during the year for: | | |
| Interest | <u>\$ 61,607</u> | <u>\$ 76,307</u> |
| Non-cash investing transactions: | | |
| Construction in process acquisitions in accounts payable | <u>\$ 746,201</u> | <u>\$ -</u> |

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

Note 12. Subsequent Events

New Credit Facility

Term-Out Loan

Subsequent to year end, the \$1,730,850 existing construction line of credit outstanding as of November 5, 2015 was converted into a Term-Out Loan Facility with monthly principal repayments of \$10,490 plus interest at the Libor Rate of 2.75%.

Working Capital Line

Also on November 5, 2015 the Lender has established a discretionary demand line of credit with a maximum borrowing capacity of \$800,000 with interest accruing at the Libor Rate of 3.25%.

Revolving-Term Loan

Subsequent to year end, the Organization entered into an agreement for a revolving-term loan note on November 5, 2015. The Organization can borrow up to \$10,000,000 less outstanding Letter of Credit Obligations. No advances under the Revolving-Term Loan will be made available to the extent that cash is available in the Pledge Deposit Account to fund Project costs. Outstanding balances on the line of credit bear interest at the Libor rate of 2%. The line of credit is secured by certain investments of the Organization with a minimum value of \$5,500,000 and the Pledge Deposit Account and Campaign Pledge receivables.. The minimum aggregate principal repayments for fiscal years ending on December 31 are as follows:

| | |
|-------------------|--------------|
| December 31, 2015 | \$ 1,480,000 |
| December 31, 2016 | 1,410,000 |
| December 31, 2017 | 1,390,000 |
| December 31, 2018 | 1,360,000 |
| December 31, 2019 | 1,090,000 |
| December 31, 2020 | 280,000 |
| December 31, 2021 | 280,000 |
| December 31, 2022 | 280,000 |
| December 31, 2023 | 280,000 |