

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mandel Jewish Community Center of the Palm Beaches, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Mandel Jewish Community Center of the Palm Beaches, Inc. (the "Center"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mandel Jewish Community Center of the Palm Beaches, Inc. as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Decrease in Net Assets

As discussed in Note 1 to the financial statements, the Center incurred a decrease in net assets of \$1,464,589 and \$1,710,939 for the years ended June 30, 2018 and 2017, respectively, net of depreciation. Management has provided us with their plan to reduce its future losses (NOTE 1). The Center was able to meet its obligations in the normal course through loans (NOTE 7) from the Jewish Federation of Palm Beach County, Inc. ("Federation") and advance payments on tuition and camp. Management believes that the loss for the year ending June 30, 2019 will be reduced significantly through improved results from operations. The Center continues to rely on the support of the Federation in order to meet its obligations. On December 12, 2018, the Federation approved a letter of support to continue to assist the Center in their fundraising efforts and to support the Center's continued operations through the year ending June 30, 2020. The Center would not be able to meet its obligations subsequent to year end and beyond without the Federation's commitment. Our opinion has not been modified with respect to this matter.

Monison, Brown, Aigiz & Lema

Boca Raton, Florida
February 19, 2019

An independent member of Baker Tilly International

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

| ASSETS | 2018 | 2017 |
|--|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 107,805 | \$ 108,363 |
| Restricted cash | 143,594 | 202,120 |
| Accounts receivable, net | 45,790 | 118,222 |
| Capital campaign and pledges receivable, net | 244,000 | 348,000 |
| Allocation from Jewish Federation of Palm Beach County, Inc. | 989,385 | 965,289 |
| Prepaid expenses and other assets | 148,553 | 110,102 |
| TOTAL CURRENT ASSETS | 1,679,127 | 1,852,096 |
| CAPITAL CAMPAIGN AND PLEDGES RECEIVABLE, NET OF CURRENT PORTION | 141,792 | 195,813 |
| INVESTMENTS HELD AT THE JEWISH FEDERATION OF PALM BEACH COUNTY, INC. | 330,008 | 717,088 |
| CERTIFICATE OF DEPOSIT, NET | 35,006 | 35,006 |
| SECURITY DEPOSITS AND OTHER | 3,387 | 3,104 |
| PROPERTY AND EQUIPMENT, NET | 15,475,386 | 16,071,177 |
| TOTAL ASSETS | \$ 17,664,706 | \$ 18,874,284 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 861,896 | \$ 944,780 |
| Deferred revenue | 1,933,385 | 1,904,434 |
| Due to Jewish Federation of Palm Beach County, Inc., current portion | 157,091 | 160,913 |
| Notes payable, net of deferred financing costs | - | 656,040 |
| Capital lease obligations, current portion | 31,235 | 40,952 |
| TOTAL CURRENT LIABILITIES | 2,983,607 | 3,707,119 |
| LOAN PAYABLE | 727,000 | 727,000 |
| CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION | 23,116 | 50,040 |
| DUE TO JEWISH FEDERATION OF PALM BEACH COUNTY, INC., NET OF CURRENT PORTION | 4,491,771 | 2,849,786 |
| TOTAL LIABILITIES | 8,225,494 | 7,333,945 |
| NET ASSETS | | |
| Unrestricted | 7,478,511 | 9,294,784 |
| Temporarily restricted | 1,690,537 | 1,980,338 |
| Permanently restricted | 270,164 | 265,217 |
| TOTAL NET ASSETS | 9,439,212 | 11,540,339 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 17,664,706 | \$ 18,874,284 |

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

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

| | 2018 | | | | 2017 | | | |
|--|---------------------|---------------------------|---------------------------|---------------------|---------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| PUBLIC SUPPORT AND REVENUES: | | | | | | | | |
| Public support: | | | | | | | | |
| Jewish Federation of Palm Beach County, Inc. contribution/allocation | \$ - | \$ 1,040,000 | \$ - | \$ 1,040,000 | \$ - | \$ 1,040,000 | \$ - | \$ 1,040,000 |
| Contributed facilities from Jewish Federation of Palm Beach County, Inc. | 1,113,785 | - | - | 1,113,785 | 1,113,785 | - | - | 1,113,785 |
| Capital campaign contributions, net | - | - | - | - | - | 242,625 | - | 242,625 |
| General contributions | 894,792 | 256,217 | - | 1,151,009 | 736,225 | 234,831 | - | 971,056 |
| Net assets released from restrictions | 1,600,511 | (1,600,511) | - | - | 2,499,433 | (2,499,433) | - | - |
| TOTAL PUBLIC SUPPORT | 3,609,088 | (304,294) | - | 3,304,794 | 4,349,443 | (981,977) | - | 3,367,466 |
| Revenues: | | | | | | | | |
| Tuition and program fees | 6,680,421 | - | - | 6,680,421 | 6,329,580 | - | - | 6,329,580 |
| Membership fees | 930,343 | - | - | 930,343 | 991,214 | - | - | 991,214 |
| Fundraising - special events | 510,618 | - | - | 510,618 | 895,679 | - | - | 895,679 |
| Investment income, net | 6,626 | 14,493 | 4,947 | 26,066 | 50,786 | 27,595 | 10,912 | 89,293 |
| Other | 4,438 | - | - | 4,438 | 631 | - | - | 631 |
| TOTAL REVENUES | 8,132,446 | 14,493 | 4,947 | 8,151,886 | 8,267,890 | 27,595 | 10,912 | 8,306,397 |
| TOTAL PUBLIC SUPPORT AND REVENUES | 11,741,534 | (289,801) | 4,947 | 11,456,680 | 12,617,333 | (954,382) | 10,912 | 11,673,863 |
| EXPENSES: | | | | | | | | |
| Program services: | | | | | | | | |
| Community, educational and recreational | 11,580,550 | - | - | 11,580,550 | 11,414,503 | - | - | 11,414,503 |
| Support services: | | | | | | | | |
| General and administrative | 1,526,499 | - | - | 1,526,499 | 1,907,476 | - | - | 1,907,476 |
| Fundraising | 450,758 | - | - | 450,758 | 690,829 | - | - | 690,829 |
| TOTAL EXPENSES | 13,557,807 | - | - | 13,557,807 | 14,012,808 | - | - | 14,012,808 |
| CHANGE IN NET ASSETS | (1,816,273) | (289,801) | 4,947 | (2,101,127) | (1,395,475) | (954,382) | 10,912 | (2,338,945) |
| NET ASSETS - BEGINNING OF YEAR | 9,294,784 | 1,980,338 | 265,217 | 11,540,339 | 10,690,259 | 2,934,720 | 254,305 | 13,879,284 |
| NET ASSETS - END OF YEAR | \$ 7,478,511 | \$ 1,690,537 | \$ 270,164 | \$ 9,439,212 | \$ 9,294,784 | \$ 1,980,338 | \$ 265,217 | \$ 11,540,339 |

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

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

| | 2018 | 2017 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (2,101,127) | \$ (2,338,945) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 636,538 | 628,006 |
| Amortization of loan costs | 3,368 | 9,806 |
| Net realized/unrealized gains on investments | (19,957) | (77,343) |
| Provision for doubtful accounts | 89,288 | 93,748 |
| Accretion of discount on capital campaign and pledge contributions | (43,969) | (9,301) |
| Capital campaign contributions | - | (306,050) |
| Changes in operating assets and liabilities: | | |
| Restricted cash | 58,526 | 393,547 |
| Accounts receivable, capital campaign and pledges receivable | 18,284 | (122,307) |
| Allocation from Jewish Federation of Palm Beach County, Inc. | (24,096) | 15,763 |
| Prepaid expenses and other assets | (35,366) | 266,167 |
| Accounts payable and accrued expenses | (82,884) | 123,941 |
| Deferred revenue | 28,951 | (228,104) |
| TOTAL ADJUSTMENTS | 628,683 | 787,873 |
| NET CASH USED IN OPERATING ACTIVITIES | (1,472,444) | (1,551,072) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments | (50,000) | (114,300) |
| Proceeds on sale of investments | 457,037 | 678,918 |
| Purchases of property and equipment | (40,747) | (151,784) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 366,290 | 412,834 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Collections from capital campaign | 166,850 | 652,100 |
| Borrowings on loan payable | - | 727,000 |
| Borrowings from Jewish Federation of Palm Beach County, Inc. | 1,638,163 | 2,878 |
| Principal payments on notes payable | (662,776) | (480,127) |
| Principal payments on capital lease obligations | (36,641) | (30,672) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 1,105,596 | 871,179 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (558) | (267,059) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 108,363 | 375,422 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 107,805 | \$ 108,363 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Interest paid | \$ 146,523 | \$ 126,262 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Property and equipment acquired through capital lease | \$ - | \$ 49,870 |

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

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

| | Program Services | General and Administrative | Fundraising | Total |
|---|----------------------|-------------------------------|-------------------|----------------------|
| Salaries and related expenses: | | | | |
| Salaries | \$ 5,722,135 | \$ 684,397 | \$ 267,963 | \$ 6,674,495 |
| Payroll taxes | 430,865 | 65,284 | 20,775 | 516,924 |
| Health and other employee benefits | 571,176 | 55,567 | 16,698 | 643,441 |
| Total salaries and related expenses | 6,724,176 | 805,248 | 305,436 | 7,834,860 |
| Operating expenses: | | | | |
| General insurance | 284,562 | 2,874 | - | 287,436 |
| Contributed facilities from Jewish Federation of Palm Beach County, Inc. | 1,079,831 | 33,954 | - | 1,113,785 |
| Occupancy expense | 813,445 | 46,164 | - | 859,609 |
| Administrative costs | - | 203,901 | - | 203,901 |
| Telephone | - | 25,470 | - | 25,470 |
| Supplies and computer expenses | 107,236 | 9,716 | 1,033 | 117,985 |
| Postage | 21,563 | 3,360 | 755 | 25,678 |
| Printing and publicity | 195,174 | 31,996 | 5,654 | 232,824 |
| Equipment rental | - | 17,939 | - | 17,939 |
| Program expense | 1,516,352 | - | 136,296 | 1,652,648 |
| Professional development | 28,249 | 36,377 | 1,378 | 66,004 |
| Dues and subscriptions | 1,650 | 1,694 | 206 | 3,550 |
| Conferences and travel | 15,481 | 4,619 | - | 20,100 |
| Credit card, bank and interest charges | 219,946 | 150,246 | - | 370,192 |
| Bad debt expense | - | 89,288 | - | 89,288 |
| Depreciation and amortization | 572,885 | 63,653 | - | 636,538 |
| Total operating expenses | 4,856,374 | 721,251 | 145,322 | 5,722,947 |
| Total expenses | \$ 11,580,550 | \$ 1,526,499 | \$ 450,758 | \$ 13,557,807 |

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

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

| | Program Services | General and Administrative | Fundraising | Total |
|---|----------------------|-------------------------------|-------------------|----------------------|
| Salaries and related expenses: | | | | |
| Salaries | \$ 5,163,494 | \$ 1,025,876 | \$ 429,295 | \$ 6,618,665 |
| Payroll taxes | 387,542 | 68,269 | 29,027 | 484,838 |
| Health and other employee benefits | 433,466 | 109,764 | 28,503 | 571,733 |
| Total salaries and related expenses | 5,984,502 | 1,203,909 | 486,825 | 7,675,236 |
| Operating expenses: | | | | |
| General insurance | 256,042 | 2,586 | - | 258,628 |
| Contributed facilities from Jewish Federation of Palm Beach County, Inc. | 1,079,831 | 33,954 | - | 1,113,785 |
| Occupancy expense | 873,312 | 61,121 | - | 934,433 |
| Administrative costs | - | 122,936 | - | 122,936 |
| Telephone | - | 35,888 | - | 35,888 |
| Supplies and computer expenses | 148,473 | 9,301 | 17,722 | 175,496 |
| Postage | 23,530 | 4,307 | 2,890 | 30,727 |
| Printing and publicity | 242,258 | 752 | 32,850 | 275,860 |
| Equipment rental | - | 27,275 | - | 27,275 |
| Program expense | 1,991,514 | - | - | 1,991,514 |
| Special program event expense | - | - | 121,256 | 121,256 |
| Fundraising expense | - | - | 26,698 | 26,698 |
| Professional development | 14,583 | 42,496 | 130 | 57,209 |
| Dues and subscriptions | 4,625 | 64,783 | 2,386 | 71,794 |
| Conferences and travel | 18,575 | 5,551 | 72 | 24,198 |
| Credit card, bank and interest charges | 212,053 | 136,068 | - | 348,121 |
| Bad debt expense | - | 93,748 | - | 93,748 |
| Depreciation and amortization | 565,205 | 62,801 | - | 628,006 |
| Total operating expenses | 5,430,001 | 703,567 | 204,004 | 6,337,572 |
| Total expenses | \$ 11,414,503 | \$ 1,907,476 | \$ 690,829 | \$ 14,012,808 |

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

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. NATURE OF ORGANIZATION

The Mandel Jewish Community Center of the Palm Beaches, Inc. (the "Center") was incorporated in 1974 as a not-for-profit nonsectarian organization under the laws of the State of Florida offering various programs that are primarily Jewish in nature. The Center is committed to enhancing the quality of Jewish family life and promoting the physical, intellectual and spiritual wellness of the individuals. It provides health-related activities and cultural and educational programs that reflect the Jewish heritage. Although primarily a membership agency, the Center also delivers services to the community at large, including populations at risk. Through its wide array of programs, the Center pursues its mission of "creating a strong Jewish community by providing high quality Jewish programs, close to where people live, that connects them to Jewish life." Program services provided by the Center include preschool, youth, adult and senior educational and recreational programs as well as child care for infants and toddlers.

Effective October 10, 2017, the Center changed its name from the Jewish Community Center of the Greater Palm Beaches, Inc. to Mandel Jewish Community Center of the Palm Beaches Inc.

Public support includes contributions from the Jewish Federation of Palm Beach County, Inc., (the "Federation") under a beneficiary agency program, and other general contributions. Revenues include tuition, program and membership fees generated from summer camp, preschool and use of the Center's facilities.

Contributions from the Federation including the recognition of the contributed facilities represented approximately 19% and 18% of the total public support and revenues excluding revenue from the capital campaign for the years ended June 30, 2018 and 2017, respectively. As such, the Center is dependent on the continued financial support from the Federation. The Center relies on the continued support of the Federation in order to meet its financial commitments. The reduction of support from the Federation in future years could significantly impact the Center's ability to provide program services.

Management Plans and the Decrease in Net Assets

The Center incurred a decrease in net assets of \$1,464,589 and \$1,710,939 for the years ended June 30, 2018 and 2017, respectively, net of depreciation. Management has provided their plan to reduce its future losses. During the year ended June 30, 2018, the Federation loaned the Center \$2,500,000 including guaranteeing the Center's loan payable. In addition to financial support, the Federation established a financial oversight committee to assist the Center in analyzing and overseeing its operations in order to improve operating results. Management believes the Center reduced its operating expenses significantly during the year ending June 30, 2019 and enrollment for its camp and school also improved significantly. The Center will continue to rely on receipt of advance camp and tuition payments. The Center still has the ability to borrow additional monies from the Federation if required. The Center continues to rely on the support of the Federation in order to meet its obligations. On December 12, 2018, the Federation approved a letter of support to continue to assist the Center in their fundraising efforts and to support the Center's continued operations through the year ending June 30, 2020. The Center would not be able to meet its obligations subsequent to year end and beyond without the Federation's commitment.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Center have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Center is required to report information regarding their financial position and activities into three classes of net assets based on the existence or absence of donor-imposed restrictions. The three classes of net asset categories are as follows:

Unrestricted – Net assets which are free of donor-imposed restrictions; all revenues, gains, and losses that are not changes in temporarily restricted or permanently restricted net assets.

Temporarily Restricted – Net assets where the use by the Center is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Center pursuant to those stipulations.

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Permanently Restricted – Net assets where the use by the Center is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Center.

Cash and Cash Equivalents

The Center considers all highly liquid investments held at financial institutions with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash consists of funds limited in use by the donor. The Center has restricted cash for the Jewish Film Festival, Early Childhood Programs, Capital Projects, and the Maccabi Games.

Certificate of Deposit, Net

The certificate of deposit is permanently restricted for the annual film festival awards. The interest income on the certificate of deposit is used for the annual film festival awards. At June 30, 2018 and 2017 the certificate of deposit yielded interest of 0.60%, and is reflected as a long term asset on the statements of financial position. The certificate of deposit is set to mature on June 28, 2020.

Concentrations of Credit Risk

Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of cash, accounts receivable and capital campaign pledges receivable.

The Center limits its exposure by placing its cash and cash equivalents with two financial institutions located in South Florida. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018 and 2017, and at certain times during these years, the Center had amounts on deposit which were in excess of the federally insured limits. The Center has not experienced any losses in such accounts.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of members comprising the Center's membership base. As of June 30, 2018 and 2017, the Center had no significant concentrations of credit risk relating to accounts receivable.

Concentrations of credit risk with respect to capital campaign pledges receivable are limited since the pledges are made by seven donors which represented approximately 37% of the gross pledges receivable balance at June 30, 2018. At June 30, 2017, there were several capital campaign pledges receivable, however the balances from seven donors represented approximately 45% of the gross pledges receivable balance. Management believes the donors have the wherewithal to fulfill these pledges, as all of the donors have a history of fulfilling pledges to the Center.

Accounts Receivable, Net

Accounts receivable are stated at the amount management expects to collect from outstanding balances and consists primarily of amounts due from the individual members and program participants residing in Palm Beach County. The Center's allowance for doubtful accounts is based on management's estimates of current economic conditions and historical information, and, in the opinion of management, is believed to be an amount sufficient to respond to normal business conditions. In estimating the allowance, management analyzes the accounts receivable aging, historical bad debts and other factors. Management sets specific reserves for member and pledge receivables in which collection is in doubt and sets other reserves for the remaining members or donors based upon historical collection experience. Should business conditions deteriorate or any major donor default on its obligations to the Center, this allowance may need to be significantly increased, which would have a negative impact upon the Center's operations. The Center reviews its receivables aging on a regular basis to determine if any of the receivables are past due. Bad debt expense (recovery) for the years ended June 30, 2018 and 2017 was approximately \$16,000 and \$(12,000), respectively.

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Campaign and Pledges Receivable, Net

The Center records pledges as unconditional promises to give and as revenue when the promise is made. Conditional promises to give are recognized as revenue in the period the conditions on which they depend are substantially met. The pledges receivable have been discounted to their net present value as of June 30, 2018 and 2017 (NOTE 3).

Pledges determined to be uncollectible during the year in which such pledges are received are shown as a reduction of contributions. Pledges determined to be uncollectible subsequent to the year in which such pledges are received are charged to the allowance for uncollectible pledges. The allowance for uncollectible pledges is based on the Center's historical pledge collection experience and management's evaluation of other pertinent factors. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of June 30, 2018 and 2017, the allowance for uncollectible pledges was approximately \$152,000 and \$211,000, respectively.

Pledges receivable (NOTE 3) pertaining to the capital campaign fund are temporarily restricted and represent commitments from various individuals to fund capital improvements and the newer center in North Palm Beach County. Those restrictions are considered to expire once the funds are used for construction or capital campaign related expenses are incurred. Interest earned on the temporary investment of such support is classified as temporarily restricted. The pledges have been classified as long-term on the statements of financial position as they are restricted for capital improvements. Bad debt expense for the years ended June 30, 2018 and 2017 was approximately \$73,000 and \$106,000, respectively.

Property and Equipment, Net

The Center follows the practice of capitalizing expenditures greater than \$1,000 for property and equipment or, if contributed, the estimated fair value at the time of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions are recorded as unrestricted support. Depreciation and amortization is determined using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

The carrying value of long-lived assets is reviewed if facts and circumstances, such as significant declines in revenues, earnings or cash flows or material adverse changes indicate that assets may have been impaired. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets is adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows.

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 and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Revenue Recognition

Allocations

The Center receives allocations from the Federation, under a beneficiary agency program. Allocation revenue is recognized as contributions when written documentation of the promise is made and received. For each of the years ended June 30, 2018 and 2017, the Center received Federation allocations of \$2,153,785, which include \$1,113,785 for the fair value of the free rental facilities provided by the Federation (NOTE 5).

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Tuition and Program Fees

Tuition and program fees consist primarily of summer camp and preschool fees. Tuition and program fees are recognized on a pro-rata basis when the program/session starts. Any advances or unearned revenue is deferred until the conduct of the related program or delivery of specific services and transactions in subsequent periods.

Membership Fees

Membership fees may be collected monthly or in advance for the use of Center facilities. Revenues collected in advance are deferred and recognized on a straight-line basis as revenue over the term of the membership.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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 within the caption net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Expenses are recorded when incurred in accordance with the accrual basis of accounting. The Center reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Goods, Building and Services

The Center recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. In addition, the Center receives services from a large number of volunteers who give significant amounts of their time to the Center's programs, fundraising campaigns and management which do not meet the criteria for financial statement recognition. The value of contributed services meeting the aforementioned requirements was not material and therefore not recorded in these financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Center is registered with the Internal Revenue Service as a non-profit organization under Internal Revenue Code ("IRC") Section 501(c)(3) and, accordingly, is exempt from income taxes, except for any taxes which may arise from unrelated business income.

The Center recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction is the major tax jurisdiction where the Center files income tax returns. The Center is generally no longer subject to U.S. Federal examinations by tax authorities for fiscal years before 2015.

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncement

Fair Value Measurement

In May 2015, the Financial Accounting Standards Board ("FASB") issued an accounting standard update that removes the requirement to include investments in the fair value hierarchy for which fair value is measured at net asset value ("NAV") using the practical expedient. The update also changes certain disclosure requirements. The update is effective retrospectively for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early application is permitted. The Center has applied the provisions retrospectively. As a result of adoption and retrospective application a separate Fair Value Measurement footnote was not required as the Center's Investments are value at NAV. There were no material effects on the statements of financial position or the statements of activities.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Center is currently evaluating the effect the update will have on its financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The Center is currently evaluating the effect the update will have on its financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Center is currently evaluating the effect the update will have on its financial statements.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Center is currently evaluating the effect the update will have on its financial statements.

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Restricted Cash

In November 2016, the FASB issued an accounting standard update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Center is currently evaluating the effect the update will have on its financial statements.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Center is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

Subsequent Events

The Center has evaluated subsequent events through February 19, 2019, which is the date the financial statements were available to be issued.

3. CAPITAL CAMPAIGN AND PLEDGES RECEIVABLE, NET

Pledges receivable resulting from capital campaign fundraising are summarized as follows at June 30, 2018 and 2017:

| | Capital Campaign | Pledges Receivable | Total 2018 |
|--|-----------------------------|-------------------------------|-----------------------|
| Gross pledges receivable | \$ 206,000 | \$ 358,200 | \$ 564,200 |
| Less allowance for doubtful accounts | (41,200) | (111,220) | (152,420) |
| Less discount on long-term pledges | (22,369) | (3,619) | (25,988) |
| Capital campaign and pledges receivable, net | \$ 142,431 | \$ 243,361 | \$ 385,792 |
| | Capital Campaign | Pledges Receivable | Total 2017 |
| Gross pledges receivable | \$ 464,000 | \$ 360,800 | \$ 824,800 |
| Less allowance for doubtful accounts | (78,100) | (132,930) | (211,030) |
| Less discount on long-term pledges | (44,672) | (25,285) | (69,957) |
| Capital campaign and pledges receivable, net | \$ 341,228 | \$ 202,585 | \$ 543,813 |

Capital campaign pledges, which are due within one year, are reported at their net realizable value. Pledges, which are due after one year, have been discounted using a rate of 4.5% for the each of the years ended June 30, 2018, and 2017.

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

3. CAPITAL CAMPAIGN AND PLEDGES RECEIVABLE, NET (CONTINUED)

Gross payments due on pledges receivable are as follows at June 30,:

| | 2018 | 2017 |
|--------------------|-------------------|-------------------|
| Less than one year | \$ 244,000 | \$ 348,000 |
| One to five years | 320,200 | 476,800 |
| | \$ 564,200 | \$ 824,800 |

Capital campaign pledges and pledges receivable are reflected as long-term assets on the statements of financial position to the extent that liabilities have not been incurred for the purchase of capital assets and pledges are used for endowment purposes.

4. INVESTMENTS HELD AT THE JEWISH FEDERATION OF PALM BEACH COUNTY, INC.

Investments held at the Federation consist of investments held and administered by the Federation in a pooled account. The pooled account investments include mutual funds, money market cash, Israel bonds, alternative investments and real estate equities and are carried at NAV. The investments held at the Federation and valued at NAV have no unfunded commitments at June 30, 2018 and 2017. Additionally, there are no explicit restrictions on the redemptions of such investments.

Investments at net asset value consist of the following at June 30,:

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Investments held at Jewish Federation of Palm Beach County, Inc. | \$ 330,008 | \$ 717,088 |

The following schedule summarizes the investment income, net in the statements of activities for the years ended June 30,:

| | 2018 | 2017 |
|------------------|------------------|------------------|
| Interest income | \$ 7,115 | \$ 14,354 |
| Realized gains | 12,040 | 13,849 |
| Unrealized gains | 7,917 | 63,494 |
| Fees | (1,006) | (2,404) |
| Total | \$ 26,066 | \$ 89,293 |

5. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at June 30,:

| | Estimated Useful Lives | 2018 | 2017 |
|---|-----------------------------------|----------------------|----------------------|
| Transportation vehicles | 5 years | \$ 130,287 | \$ 130,287 |
| Building and building improvements | 5 - 39 years | 17,143,589 | 17,106,316 |
| Furniture and equipment | 5 years | 1,813,474 | 1,810,763 |
| Computer equipment | 3 years | 295,465 | 294,702 |
| Artwork | N/A | 15,000 | 15,000 |
| Total (including equipment under capital leases of \$178,291 as June 30, 2018 and 2017) | | 19,397,815 | 19,357,068 |
| Less: Accumulated depreciation and amortization (accumulated amortization on capital leases of \$80,207 and \$57,115 at June 30, 2018 and 2017, respectively) | | (3,922,429) | (3,285,891) |
| | | \$ 15,475,386 | \$ 16,071,177 |

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

5. PROPERTY AND EQUIPMENT, NET (CONTINUED)

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was approximately \$637,000 and \$628,000, respectively.

The campus site in Boynton Beach is owned by the Palm Beach Jewish Community Campus ("Campus Corp."). The Center's space is provided as a contribution from Campus Corp. for use of the facilities. The estimated fair rental value was determined using a rental rate of \$17 per square foot. The fair value of this rental arrangement is reflected on the statements of activities within the caption Contributed facilities from Jewish Federation of Palm Beach County, Inc. and on the statements of functional expenses in the amount of \$1,113,785 in each of the years ended June 30, 2018 and 2017.

Land

On October 4, 2012 the Center entered into a ninety-nine year lease with the Federation for the land now occupied by the Center, which is to be used solely for a Jewish community center. The Center has recognized the estimated market value of the lease at approximately \$195,000 a year, and is included within Contributed facilities from the Jewish Federation of Palm Beach County, Inc. on the statements of activities. In addition, the corresponding amounts were expensed to program and supporting services. Due to the conditional nature of the ninety-nine year lease, the donated use of land is evaluated on a yearly basis by the Federation to determine if the Center has met the conditions stipulated in the lease agreement.

6. DEFERRED REVENUE

The Center's deferred revenue consisted of the following at June 30,:

| | <u>2018</u> | <u>2017</u> |
|---|----------------------------|----------------------------|
| Membership dues | \$ 126,598 | \$ 196,986 |
| Programs, summer camp and preschool income, net of discounts | <u>1,806,787</u> | <u>1,707,448</u> |
| | <u>\$ 1,933,385</u> | <u>\$ 1,904,434</u> |

7. TRANSACTIONS WITH THE JEWISH FEDERATION OF PALM BEACH COUNTY, INC.

Note Payable

In prior years the Federation, advanced monies to the Center in the amount of \$2,849,805. On October 12, 2017, in an effort to support the financial needs of the Center, the Federation agreed to lend the Center up to an additional \$2,500,000, by amending its existing note receivable between the Federation and the Center and consolidating all outstanding amounts. In addition, the note payable effectuated October 12, 2017, is now collateralized by the Center's building and building improvements located in Palm Beach Gardens.

Furthermore, on October 26, 2017, the Federation agreed to guarantee a loan (NOTE 9) with a \$750,000 borrowing capacity that the Center has with a financial institution, which is due October 26, 2022. The Federation has reduced the \$2,500,000 borrowing capacity of the Center note by the amount the Federation guarantees under the Center's line of credit. Should the Center default on its debt payments, the Federation is responsible for the payment.

As of June 30, 2018 and 2017, the Center has a note payable to the Federation of \$4,491,771 and \$2,849,786, respectively. The loan bears interest based on the one month London Interbank Offered Rate plus 1.35%. As of June 30, 2018 and 2017, the interest rate on the loan was 3.00% and 2.07%, respectively. The interest on the loan is due monthly and deducted from the Federation allocation payment made to the Center. The Center is currently not obligated to make payments on the loan payable. The Center is currently evaluating with the Federation its ability to repay the loan. Interest expense under the loan payable for each of the years ended June 30, 2018 and 2017 was approximately \$98,000 and \$45,000, respectively.

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

7. TRANSACTIONS WITH THE JEWISH FEDERATION OF PALM BEACH COUNTY, INC. (CONTINUED)

Note Payable (Continued)

Additionally, on October 26, 2017, the Center and the Federation amended the note receivable, at which time the Center assigned its pledges receivable of approximately \$315,000 to the Federation as additional collateral since the Federation paid off a loan that the Center had with a financial institution totaling approximately \$335,000.

On December 12, 2018, the Federation issued a letter of support to the Center. The Federation promised to provide the Center with assistance regarding fiscal management including fundraising and financial oversight. The Federation has committed to funding the Center's continued operations through June 2020.

Other Payables

Additionally, at June 30, 2018 and 2017, the Center is indebted to the Federation \$157,091 and \$160,913, respectively, for various operating expenses. Advances from the Federation are non-interest bearing and due on demand. The repayment of the outstanding advance as of June 30, 2018 will be discussed at a future date with the Federation.

8. NOTES PAYABLE

Notes payable consisted of the following at June 30,:

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------------|
| In October 2012, the Center entered into a 5 year loan agreement with a financial institution in the amount of \$6,000,000 for the construction of the Palm Beach Campus. This loan agreement required interest only payments until January 1, 2014. After January 1, 2014, principal payments were required based on the amount of pledges collected in the preceding month. The note matured on September 1, 2017 at which time the balance under the loan was due in full. During the year ended June 30, 2018, the loan was paid in full. The interest rate at June 30, 2017 was 5.25%. Interest expense for the years ended June 30, 2018 and 2017 was approximately \$6,400 and \$46,000, respectively. | \$ - | \$ 550,579 |
| In September 2015, the Center entered into a promissory note with a bank, which provided approximately \$162,000 for the purchase of fitness equipment. The promissory note bore interest at 4.00% and is payable in monthly payments. The note was scheduled to mature on September 2, 2020. During the year ended June 30, 2018, the loan was paid in full. Interest expense for the years ended June 30, 2018 and 2017 was approximately \$1,400 and \$5,100, respectively. | - | 108,829 |
| Total | - | 659,408 |
| Less deferred financing costs | - | (3,368) |
| Notes payable | <u>\$ -</u> | <u>\$ 656,040</u> |

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

9. LOAN PAYABLE

The Center entered into a line of credit with a bank on March 21, 2013 which provided for borrowings up to \$510,000 bearing interest at the lender's prime rate (which can fluctuate daily) plus 1%. On June 19, 2015, the Center entered into an amendment to increase the borrowing capacity to \$1,000,000. On October 26, 2017, the Center converted its line of credit to a loan payable in the amount of \$750,000 with a maturity date of October 26, 2022. The Center is required to make regular monthly payments of accrued interest. The Center will pay the remaining balance in one payment of all outstanding principal plus all accrued unpaid interest on October 22, 2022. The outstanding balance as of June 30, 2018 and 2017 was \$727,000. The interest rate as of June 30, 2018 and 2017 was 5.75% and 5.25%, respectively. For the years ended June 30, 2018 and 2017, the interest on the line of credit was approximately \$38,000 and \$22,000, respectively. The loan is secured by the membership operating dues of the Center. Pursuant to a guaranty agreement with the lender, the Federation guarantees the loan (NOTE 7).

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are time and purpose restricted as follows at June 30,:

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Capital campaign- pledges | \$ 142,431 | \$ 293,528 |
| Capital campaign- cash | 33,357 | 33,357 |
| Special needs- pledges | 131,707 | 116,920 |
| Special needs- investments | 150,640 | 148,271 |
| Early Childhood- pledges | 89,600 | 162,495 |
| Early Childhood- cash and investments | 117,386 | 163,897 |
| Maccabi games and other restricted cash | 36,031 | 54,893 |
| Allocation receivable - Jewish Federation of Palm Beach County, Inc. | 989,385 | 1,006,977 |
| | \$ 1,690,537 | \$ 1,980,338 |

11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are purpose restricted as follows at June 30,:

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Restricted cash (Jewish Film Festival) | \$ 62,224 | \$ 62,224 |
| Certificate of deposit (Jewish Film Festival) | 35,006 | 35,006 |
| Investments held at the Jewish Federation of Palm Beach County, Inc. | 172,934 | 167,987 |
| | \$ 270,164 | \$ 265,217 |

12. ENDOWMENTS

The Center's endowment consists of funds established for operational purposes. The endowment is comprised of unrestricted endowment funds designated by the Board of Directors to function as an endowment and donor restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

12. ENDOWMENTS (CONTINUED)

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Center has interpreted the FUPMIFA 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 Center 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. 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 Center in a manner consistent with the standard of prudence prescribed by the FUPMIFA.

The Center 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 Center 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 Center
- (7) The investment policy of the Center

For the years ended June 30, 2018 and 2017, the Organization has elected to not add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

**Summary of endowment net assets
at June 30, 2018:**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Donor-restricted endowment funds | \$ - | \$ 157,074 | \$ 270,164 | \$ 427,238 |
| Board-designated endowment funds | - | - | - | - |
| | \$ - | \$ 157,074 | \$ 270,164 | \$ 427,238 |

**Summary of endowment net assets
at June 30, 2017:**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Donor-restricted endowment funds | \$ - | \$ 248,610 | \$ 265,217 | \$ 513,827 |
| Board-designated endowment funds | 300,491 | - | - | 300,491 |
| | \$ 300,491 | \$ 248,610 | \$ 265,217 | \$ 814,318 |

**Changes in endowment net assets for
the year ended June 30, 2018:**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|------------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Net asset balance at July 1, 2017 | \$ 300,491 | \$ 248,610 | \$ 265,217 | \$ 814,318 |
| Contributions | - | 50,000 | - | 50,000 |
| Withdrawals | (302,568) | (153,429) | (7,150) | (463,147) |
| Investment income | 101 | 3,513 | 3,501 | 7,115 |
| Net appreciation | 1,976 | 8,380 | 8,596 | 18,952 |
| Net asset balance at June 30, 2018 | \$ - | \$ 157,074 | \$ 270,164 | \$ 427,238 |

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

12. ENDOWMENTS (CONTINUED)

| Changes in endowment net assets for the year ended June 30, 2017: | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|-------------------|---------------------------|---------------------------|-------------------|
| Net asset balance at July 1, 2016 | \$ 453,850 | \$ 588,370 | \$ 254,305 | \$ 1,296,525 |
| Contributions | - | 114,300 | - | 114,300 |
| Withdrawals | (200,000) | (485,410) | (5,455) | (690,865) |
| Investment income | 6,573 | 5,031 | 2,750 | 14,354 |
| Net appreciation | 40,068 | 26,319 | 13,617 | 80,004 |
| Net asset balance at June 30, 2017 | <u>\$ 300,491</u> | <u>\$ 248,610</u> | <u>\$ 265,217</u> | <u>\$ 814,318</u> |

Permanently Restricted Net Assets:

The portion of perpetual endowment funds that is either required to be retained permanently either by explicit donor stipulation or by FUPMIFA

| 2018 | 2017 |
|-------------------|-------------------|
| <u>\$ 270,164</u> | <u>\$ 265,217</u> |

Summary of Endowment Assets:

Investments held at the Jewish Federation at Jewish Federation of Palm Beach County

Certificate of deposit

Restricted cash

Total

| 2018 | 2017 |
|-------------------|-------------------|
| \$ 172,934 | \$ 167,987 |
| 35,006 | 35,006 |
| 62,224 | 62,224 |
| <u>\$ 270,164</u> | <u>\$ 265,217</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with individual temporarily and permanently donor restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Center to retain as a fund of perpetual duration. There were no such deficiencies during the years ended June 30, 2018 and 2017.

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include funds designated by the Board of Directors to function as an endowment. The Center expects its endowment funds, over time, to provide a rate of return in excess of the original endowment fund established by the Board of Directors. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy long-term rate-of-return objectives, a portion of the Center's assets are invested with the Federation's general pool (NOTE 4). The Federation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Center has a policy of appropriating for distribution each year 5% of its endowment funds average fair value over the prior 3 years through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Center considered the long-term expected return on its endowment. Accordingly, over the long term, the Center expects the current spending policy to allow its endowment to grow.

**MANDEL JEWISH COMMUNITY CENTER
OF THE PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

13. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Center leases equipment and real property under agreements accounted for as operating leases. For each of the years ended June 30, 2018 and 2017, total expense under the operating leases amounted to approximately \$28,000.

The approximate future minimum lease payments required under these non-cancelable operating leases are as follows as of June 30, 2018:

| | |
|------------------------|-----------|
| Years ending June 30,: | |
| 2019 | \$ 17,388 |
| 2020 | 16,188 |
| 2021 | 12,141 |
| | <hr/> |
| | \$ 45,717 |

Capital Leases

The Center leases telephone and fitness equipment under capital leases, which expire on various dates through May 2022. The following is a schedule of future minimum lease payments as of June 30, 2018:

| | |
|------------------------------------|-----------|
| Years ending June 30,: | |
| 2019 | \$ 31,235 |
| 2020 | 12,026 |
| 2021 | 12,026 |
| 2022 | 3,019 |
| | <hr/> |
| Total minimum lease payments | 58,306 |
| Less amounts representing interest | (3,955) |
| | <hr/> |
| | \$ 54,351 |

Interest expense for the years ended June 30, 2018 and 2017 was approximately \$4,000 and \$7,600, respectively.

Litigation

The Center may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Center's financial statements or results of operations.

14. EMPLOYEE RETIREMENT PLAN

The Center offers a 401(k) plan which covers all full-time employees who have attained the age of twenty-one and have completed at least one year of service. The plan allows employees to contribute up to a maximum of 100% of compensation, not to exceed IRC elective deferral limits. The Center's contributions are determined by the Board of Directors. All contributions are subject to the maximum amount deductible for federal income tax purposes. The Center's Board of Directors elected to cease matching contributions effective January 31, 2009 and no matching contribution was made for the years ended June 30, 2018 and 2017.