JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

MORRISON BROWN ARGIZ & FARRA, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.

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MORRISON BROWN ARGIZ & FARRA, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Jewish Community Center of the Greater Palm Beaches, Inc. (the "Center"), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 Jewish Community Center of the Greater Palm Beaches, Inc. as of June 30, 2016 and 2015, 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

As discussed in NOTE 1 to the financial statements, the Center had a working capital deficit as of June 30, 2016 and incurred a loss of $1,541,742 for the year ended June 30, 2016. Subsequently, the Center experienced cash flow shortages which were financed through a line of credit and use of temporarily restricted funds. The Center is in the process of refinancing its line of credit (NOTE 12). The Center relies on the continued support of the Jewish Federation of Palm Beach County, Inc. Management's plans regarding those matters also are described in NOTE 1. Our opinion is not modified with respect to this matter.

Morrison, Brown, Argiz & Farra

Boca Raton, Florida
April 18, 2017

JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 375,422	$ 895,485
Restricted cash	595,667	220,683
Accounts receivable, net	131,283	257,929
Capital campaign and pledges receivable	72,150	35,000
Allocation from Jewish Federation of Palm Beach County, Inc.	973,966	1,009,047
Prepaid expenses and other assets	279,980	221,995
TOTAL CURRENT ASSETS	2,428,468	2,640,139
RESTRICTED CASH, NET OF CURRENT PORTION	-	491,054
CAPITAL CAMPAIGN AND PLEDGES RECEIVABLE, NET OF CURRENT PORTION	766,792	1,751,670
INVESTMENTS HELD AT THE JEWISH FEDERATION OF PALM BEACH COUNTY, INC.	1,204,363	1,306,983
CERTIFICATE OF DEPOSIT, NET	35,006	35,006
SECURITY DEPOSITS AND OTHER	2,639	24,631
PROPERTY AND EQUIPMENT, NET	16,497,529	16,835,701
TOTAL ASSETS	**$ 20,934,797**	**$ 23,085,184**

LIABILITIES AND NET ASSETS	2016	2015
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 716,999	$ 856,478
Deferred revenue	2,132,538	1,907,515
Due to Jewish Federation of Palm Beach County, Inc., current portion	158,035	152,400
Notes payable, current portion	30,704	-
Capital lease obligations, current portion	30,417	28,840
TOTAL CURRENT LIABILITIES	3,068,693	2,945,233
NOTES PAYABLE, NET OF CURRENT PORTION (net of loan costs of $13,174 and $22,550 at June 30, 2016 and 2015, respectively)	1,095,657	1,802,450
CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION	41,377	66,689
DUE TO JEWISH FEDERATION OF PALM BEACH COUNTY, INC., NET OF CURRENT PORTION	2,849,786	2,849,786
TOTAL LIABILITIES	7,055,513	7,664,158
NET ASSETS		
Unrestricted	10,690,259	11,108,663
Temporarily restricted	2,934,720	3,954,006
Permanently restricted	254,305	358,357
TOTAL NET ASSETS	13,879,284	15,421,026
TOTAL LIABILITIES AND NET ASSETS	**$ 20,934,797**	**$ 23,085,184**

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

JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2016				2015			
	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. allocations and other	$ 86,487	$ 1,042,887	$ -	$ 1,129,374	$ 93,856	$ 1,085,387	$ -	$ 1,179,243
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	-	65,000	-	65,000	-	324,559	-	324,559
General contributions	1,084,009	374,206	-	1,458,215	1,633,108	473,985	6,367	2,113,460
Net assets released from restrictions	2,579,741	(2,480,858)	(98,883)	-	2,690,737	(2,690,737)	-	-
TOTAL PUBLIC SUPPORT	4,864,022	(998,765)	(98,883)	3,766,374	5,531,486	(806,806)	6,367	4,731,047
Revenues:								
Tuition and program fees	6,110,256	-	-	6,110,256	6,530,223	-	-	6,530,223
Membership fees	1,024,834	-	-	1,024,834	919,845	-	-	919,845
Fundraising - special events	692,790	-	-	692,790	848,273	-	-	848,273
Investment (loss) income, net	(15,962)	(20,521)	(5,169)	(41,652)	11,731	14,150	3,831	29,712
Other	(256)	-	-	(256)	12,511	-	-	12,511
TOTAL REVENUES	7,811,662	(20,521)	(5,169)	7,785,972	8,322,583	14,150	3,831	8,340,564
TOTAL PUBLIC SUPPORT AND REVENUES	12,675,684	(1,019,286)	(104,052)	11,552,346	13,854,069	(792,656)	10,198	13,071,611
EXPENSES:								
Program services:								
Community, educational and recreational	10,644,366	-	-	10,644,366	10,832,864	-	-	10,832,864
Support services:								
General and administrative	1,875,760	-	-	1,875,760	1,467,561	-	-	1,467,561
Fundraising	573,962	-	-	573,962	673,777	-	-	673,777
TOTAL EXPENSES	13,094,088	-	-	13,094,088	12,974,202	-	-	12,974,202
CHANGE IN NET ASSETS	(418,404)	(1,019,286)	(104,052)	(1,541,742)	879,867	(792,656)	10,198	97,409
NET ASSETS - BEGINNING OF YEAR	11,108,663	3,954,006	358,357	15,421,026	10,228,796	4,746,662	348,159	15,323,617
NET ASSETS - END OF YEAR	**$ 10,690,259**	**$ 2,934,720**	**$ 254,305**	**$ 13,879,284**	**$ 11,108,663**	**$ 3,954,006**	**$ 358,357**	**$ 15,421,026**

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

JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (1,541,742)	$ 97,409
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	585,737	588,269
Amortization of loan costs	9,376	8,963
Net realized/unrealized losses (gains) on investments	44,364	(14,845)
Provision for doubtful accounts	467,812	9,446
Discount on capital campaign and pledge contributions	(92,085)	(92,658)
Capital campaign contributions	(77,000)	(201,145)
Changes in operating assets and liabilities:		
Restricted cash	(374,984)	38,564
Accounts and pledges receivable	(136,365)	(204,818)
Allocation from Jewish Federation of Palm Beach County, Inc.	35,081	123,563
Prepaid expenses and other assets	(35,993)	42,664
Accounts payable and accrued expenses	(139,479)	110,810
Deferred revenue	225,023	(406,582)
TOTAL ADJUSTMENTS	511,487	2,231
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(1,030,255)	99,640
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	491,054	(76,535)
Due from Jewish Federation of Palm Beach County, Inc.	-	2,582,093
Net sales (purchases) of investments	58,256	(139,866)
Purchases of property and equipment	(247,565)	(1,332,389)
NET CASH PROVIDED BY INVESTING ACTIVITIES	301,745	1,033,303
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections from capital campaign	912,012	1,456,150
Borrowings on notes payable	161,759	-
Advances from related parties	5,635	-
Principal payments on notes payable	(847,224)	(3,175,000)
Principal payments on capital lease obligations	(23,735)	(21,104)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	208,447	(1,739,954)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(520,063)	(607,011)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	895,485	1,502,496
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 375,422**	**$ 895,485**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	**$ 125,789**	**$ 166,546**

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

JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	General and Administrative	Fundraising	Total
Salaries and related expenses:				
Salaries	$ 4,834,298	$ 548,394	$ 352,705	$ 5,735,397
Payroll taxes	366,222	5,789	23,891	395,902
Health and other employee benefits	348,643	29,292	26,348	404,283
Total salaries and related expenses	5,549,163	583,475	402,944	6,535,582
Operating expenses:				
Instructor fees	588,588	-	-	588,588
General insurance	252,392	2,549	-	254,941
Contributed facilities from Jewish Federation of Palm Beach County, Inc.	891,103	222,682	-	1,113,785
Occupancy expense	859,284	86,568	-	945,852
Administrative costs	100,291	138,774	-	239,065
Telephone	3,430	33,791	30	37,251
Supplies and computer expenses	231,539	28,267	1,814	261,620
Postage	29,660	7,490	4,822	41,972
Printing and publicity	238,837	1,668	22,163	262,668
Equipment rental	21,762	-	-	21,762
Vehicle maintenance and insurance	4,915	-	-	4,915
Program expense	1,055,413	-	-	1,055,413
Special program event expense	-	-	111,757	111,757
Fundraising expense	-	-	28,618	28,618
Food	77,813	-	-	77,813
Professional development	23,650	19,855	375	43,880
Dues and subscriptions	13,131	88,057	1,439	102,627
Conferences and travel	22,420	1,034	-	23,454
Credit card, bank and interest charges	153,812	135,164	-	288,976
Bad debt expense	-	467,812	-	467,812
Depreciation and amortization	527,163	58,574	-	585,737
Total operating expenses	5,095,203	1,292,285	171,018	6,558,506
Total expenses	**$ 10,644,366**	**$ 1,875,760**	**$ 573,962**	**$ 13,094,088**

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	General and Administrative	Fundraising	Total
Salaries and related expenses:				
Salaries	$ 4,933,135	$ 564,840	$ 380,442	$ 5,878,417
Payroll taxes	389,377	44,583	30,029	463,989
Health and other employee benefits	371,339	58,830	50,410	480,579
Total salaries and related expenses	5,693,851	668,253	460,881	6,822,985
Operating expenses:				
Instructor fees	783,923	-	-	783,923
General insurance	276,853	2,408	-	279,261
Contributed facilities from Jewish Federation of Palm Beach County, Inc.	891,103	222,682	-	1,113,785
Occupancy expense	873,572	69,151	-	942,723
Administrative costs	52,282	107,882	6,762	166,926
Telephone	30,478	2,696	624	33,798
Supplies and computer expenses	104,932	31,706	28,424	165,062
Postage	23,701	6,285	4,380	34,366
Printing and publicity	267,710	1,390	1,790	270,890
Equipment rental	18,051	-	-	18,051
Vehicle maintenance and insurance	8,743	-	-	8,743
Program expense	1,019,322	-	-	1,019,322
Special program event expense	-	-	97,054	97,054
Fundraising expense	-	-	69,447	69,447
Food	61,231	-	38	61,269
Professional development	25,783	21,869	91	47,743
Dues and subscriptions	12,583	88,339	1,034	101,956
Conferences and travel	25,757	1,089	-	26,846
Credit card, bank and interest charges	133,547	175,538	3,252	312,337
Bad debt expense	-	9,446	-	9,446
Depreciation and amortization	529,442	58,827	-	588,269
Total operating expenses	5,139,013	799,308	212,896	6,151,217
Total expenses	**$ 10,832,864**	**$ 1,467,561**	**$ 673,777**	**$ 12,974,202**

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

1. NATURE OF ORGANIZATION

The Jewish Community Center of the Greater 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.

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 (NOTE 6) represented approximately 20% and 18% of the total public support and revenues excluding revenue from the capital campaign for the years ended June 30, 2016 and 2015, 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

The Center had a working capital deficit as of June 30, 2016 and incurred a loss of $1,541,742 for the year ended June 30, 2016. Subsequently, the Center experienced cash flow shortages which were financed through $727,000 of borrowings through the use of a line of credit (NOTE 12) and use of temporarily restricted funds of $995,000. The Center is working on a business plan to reduce these losses through enhancing programs and reduction of expenses amongst other concepts.

In order to meet its obligations, the Center is working with its lender to refinance its line of credit to a term loan due over a long term period. On March 14, 2017, the Center entered into a memo of understanding agreement with the Federation to aid the Center to improve its general financial operations. The Federation setup an oversite committee to monitor the Center's activities and endeavor to fund the Center's operating deficits over the next four years.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

Restricted cash consists of funds limited in use by the donor.

Certificate of Deposit

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, 2016 and 2015 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, 2016 and 2015, 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, 2016 and 2015, 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 five and four donors, which represented approximately 75% and 68% of the gross pledges receivable balance at June 30, 2016 and 2015, respectively.

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. The allowance for doubtful accounts was approximately $49,000 and $14,000 at June 30, 2016 and 2015, respectively. Write-offs are recorded against the allowance for doubtful accounts after all collection efforts have been exhausted. Bad debt expense for the years ended June 30, 2016 and 2015 was approximately $46,000 and $9,000, respectively.

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, 2016 and 2015 (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, 2016 and 2015, the allowance for uncollectible pledges was $324,000 and $124,000, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Campaign and Pledges Receivable, Net (Continued)

Cash and pledges receivable (NOTE 3) pertaining to the capital campaign fund are temporarily restricted and represent commitments from various individuals to fund the construction of the new campus and 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 cash and pledges have been classified as long-term on the statements of financial position as they are restricted for the construction of the new campus and center. Bad debt expense for the years ended June 30, 2016 and 2015 was $422,000 and $0, 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 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

<u>Allocations</u>

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 the years ended June 30, 2016 and 2015, the Center received Federation allocations of $2,243,159 and $2,293,028, respectively, which include $1,113,785 for the fair value of the free rental facilities provided by the Federation (NOTE 6).

<u>Tuition and Program Fees</u>

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. For those sessions not completed as of June 30, the Center defers the revenues received and expenditures incurred until the following fiscal year (NOTE 7).

<u>Membership Fees</u>

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 (NOTE 7).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Expenses (Continued)

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 2013.

Recent Accounting Pronouncements

<u>Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern</u>

In August 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which requires an entity's management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The update is effective for annual periods ending after December 15, 2016 and interim periods thereafter with early application permitted. The Center is currently evaluating the effect the update will have on its financial statements.

<u>Fair Value Measurement</u>

In May 2015, the 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 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 is currently evaluating the effect the update will have on its financial statements.

<u>Lease Accounting</u>

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

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.

Adopted Accounting Pronouncement

Debt Issuance Costs

In April 2015, the FASB issued an accounting standard update that requires that debt issuance costs related to a recognized debt liability be presented as a direct deduction on the balance sheet from the carrying amount of the debt. The recognition and measurement guidance for debt issuance costs is not affected. The update is effective on a retrospective basis for reporting periods beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016 with early adoption permitted for financial statements that have not been previously issued. The Center has adopted this accounting standard update and retrospectively reclassified adjusted prior period amounts to conform to the current year presentation. The retrospective application resulted in a reclassification of $22,500 from “Loan costs, net” to “Notes payable, net of current portion” on the statements of financial position as of June 30, 2015.

Reclassification

Certain items in the 2015 financial statements were reclassified to conform to the 2016 presentation.

Subsequent Events

The Center has evaluated subsequent events through April 18, 2017, 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 for the years ended June 30:

	Capital Campaign	Pledges Receivable	Total 2016
Gross pledges receivable	$ 770,050	$ 472,150	$ 1,242,200
Less allowance for doubtful accounts	(324,000)	-	(324,000)
Less discount on long-term pledges	(45,901)	(33,357)	(79,258)
Capital campaign and pledges receivable, net	**$ 400,149**	**$ 438,793**	**$ 838,942**

	Capital Campaign	Pledges Receivable	Total 2015
Gross pledges receivable	$ 1,563,050	$ 497,500	$ 2,060,550
Less allowance for doubtful accounts	(124,000)	-	(124,000)
Less discount on long-term pledges	(106,572)	(43,308)	(149,880)
Capital campaign and pledges receivable, net	**$ 1,332,478**	**$ 454,192**	**$ 1,786,670**

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 year ended June 30, 2016. Payments due on pledges receivable are as follows at June 30, 2016:

Years ending June 30:	
Less than one year	$ 852,500
One to five years	389,700
	$ 1,242,200

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 assets and are carried at fair value (NOTE 5). Investments at fair value consist of the following at June 30:

	2016	2015
Investments held at Jewish Federation of Palm Beach County, Inc.	**$ 1,204,363**	**$ 1,306,983**

The following schedule summarizes the investment (losses) gains, net in the statements of activities for the years ended June 30:

	2016	2015
Interest income	$ 5,524	$ 17,780
Realized gains	6,440	32,942
Unrealized losses	(50,804)	(18,097)
Fees	(2,812)	(2,913)
Total	**$ (41,652)**	**$ 29,712**

5. FAIR VALUE MEASUREMENTS

The FASB established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.
- Level 2 Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The values of the assets invested with the Federation are determined by calculating the Center's net asset value ("NAV") in the pool. The Center has the ability to redeem the investment at NAV upon request and there are no unfunded commitments. The Center's investments are reflected at NAV on the statements of financial position and are reported as Level 2 under the fair value hierarchy.

The Federation has adopted an investment strategy for its general pool that emphasizes broad diversification which reduces portfolio volatility and maximizes investment returns at appropriate levels of risk over time.

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

The following table represents the Center's financial instruments measured at fair value on a recurring basis at June 30, 2016 for each of the fair value hierarchy levels:

	Fair Value Measurements			
Description	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**	**6/30/2016**
Pooled investment strategy	$ -	$ 1,204,363	$ -	$ 1,204,363

The following table represents the Center's financial instruments measured at fair value on a recurring basis at June 30, 2015 for each of the fair value hierarchy levels:

	Fair Value Measurements			
Description	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**	**6/30/2015**
Pooled investment strategy	$ -	$ 1,306,983	$ -	$ 1,306,983

6. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at June 30:

	Estimated Useful Lives	2016	2015
Transportation vehicles	5 years	$ 130,287	$ 135,631
Building and building improvements	5 - 39 years	17,009,957	17,026,909
Furniture and equipment	5 years	1,724,486	1,435,566
Computer equipment	3 years	275,683	276,742
Artwork	N/A	15,000	15,000
		19,155,413	18,889,848
Less accumulated depreciation and amortization		(2,657,884)	(2,054,147)
		$ 16,497,529	**$ 16,835,701**

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was approximately $586,000 and $588,000, respectively.

The Ross Jewish Community Center and Glantz Preschool are located on a campus site in Boynton Beach which is owned by the Federation. The Center's space is provided as a contribution from the Federation 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 for each of the years ended June 30, 2016 and 2015.

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.

7. DEFERRED REVENUE

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

	2016	2015
Membership dues	$ 224,117	$ 238,139
Programs, summer camp and preschool income, net of discounts	1,908,421	1,669,376
	$ 2,132,538	**$ 1,907,515**

Each summer, the Center conducts various camp programs. The Center defers the recognition of income it receives in advance for its camp programs. For instance, the financial statements for the year ended June 30, 2016 include revenue only for the 2015 summer camp program.

8. DUE TO JEWISH FEDERATION OF PALM BEACH COUNTY, INC.

At June 30, 2016 and 2015, the Center owes the Federation $158,035 and $152,400, 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, 2016 will be discussed at a future date with the Federation.

8. DUE TO JEWISH FEDERATION OF PALM BEACH COUNTY, INC. (CONTINUED)

Additionally, as of June 30, 2016 and 2015, the Center has a loan payable to the Federation of $2,849,786 ($715,000 borrowed during the year ended June 30, 2008, $1,685,000 during the year ended June 30, 2009 and $500,000 during the year ended June 30, 2010 less credits received from the Federation). The loan bears interest based on the one month London Interbank Offered Rate plus 1.35%. As of June 30, 2016 and 2015, the interest rate on the loan was 1.82% and 1.54%, 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, 2016 and 2015 was approximately $45,000.

9. TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Pledges receivable - capital campaign and restricted cash	$ 598,944	$ 1,332,478
Pledges receivable - special needs	166,643	322,877
Pledges receivable - early childhood	200,000	-
Allocation receivable - Jewish Federation of Palm Beach County, Inc. (NOTE 11)	973,966	1,009,047
Adult programming	592,664	852,546
Playground	27,189	27,189
Special needs	128,672	140,035
Miscellaneous	246,642	269,834
	$ 2,934,720	**$ 3,954,006**

10. PERMANENTLY RESTRICTED NET ASSETS

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

	2016	2015
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. (NOTE 4) (Special Needs)	157,075	167,312
Pledge receivable (Special Needs)	-	93,815
	$ 254,305	**$ 358,357**

11. ALLOCATION FROM JEWISH FEDERATION OF PALM BEACH COUNTY, INC.

For the years ended June 30, 2016 and 2015, the Federation allocated cash contributions of $1,042,887 and $1,085,387, respectively. These contributions have been included as temporarily restricted net assets in the statements of activities within the caption Jewish Federation of Palm Beach County, Inc. allocations and other and are included in the statements of financial position under the caption Allocation from Jewish Federation of Palm Beach County, Inc. A portion of the 2016-2017 allocation was received before June 30, 2016 and is included in restricted cash. A portion of the 2015-2016 allocation was received before June 30, 2015 and is included in restricted cash. The balance of $1,009,047 is included in the caption Allocations from Jewish Federation of Palm Beach County, Inc. on the statements of financial position.

12. LINE OF CREDIT

The Center entered into a line of credit with a bank on March 21, 2013 which provides 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 agreement to increase the borrowings up to $1,000,000, which matured on June 19, 2016. On June 19, 2016, the Center renewed the line of credit, which matured on November 30, 2016. On November 30, 2016, the Center renewed the line of credit, which is set to mature on April 30, 2017. The interest rate at June 30, 2016 and 2015 was 4.5%. The loan is secured by the membership operating dues of the Center. The outstanding principal plus all accrued unpaid interest is due and payable on or before the expiration date and the interest is payable monthly. There was no outstanding balance as of June 30, 2016 and 2015. Subsequent to the year ended June 30, 2016, the Center borrowed on the line of credit. As of March 22, 2017 the balance was $727,000. The Center is in the process of refinancing $727,000 of the line of credit into a long term note payable with its lender and anticipates maintaining $273,000 availability under its line of credit to be renewed. Management believes the refinancing will close by early May 2017 as communicated by the lender. In the event that the line of credit of $727,000 is not refinanced, the Center is expecting to receive additional assistance and support from the Federation as outlined in the recently executed memo of understanding between the Center and the Federation (NOTE 1).

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13. NOTES PAYABLE

Notes payable consist of the following as of June 30:

	2016	2015
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. Borrowings under this loan agreement bear interest only until January 1, 2014 at a rate at the highest of 4.5% or 1% over the prime rate and interest is payable monthly. After January 1, 2014, principal payments will be due as defined in the agreement based on the amount of pledges collected in the preceding month. The note matures on September 1, 2017 at which time the balance under the loan is due in full. There are no penalties for early payments on the loan. As of June 30, 2016 and 2015, the outstanding balance on the loan was $1,000,000 and $1,825,000, respectively. The interest rate at June 30, 2016 and 2015 was 4.5%. Interest expense for the years ended June 30, 2016 and 2015 was approximately $71,000 and $106,000, respectively. The loan is secured by capital campaign pledges and the property of the Center. There are no financial covenant ratios contained within the loan agreement. As of the date of these financial statements, the Center has an outstanding balance of $950,000 under the loan agreement.	$ 1,000,000	$ 1,825,000
	2016	**2015**
On September 2, 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 bears interest at 4.00% and is payable in monthly payments. The note matures on September 2, 2020. As of June 30, 2016, the outstanding balance on the loan was $139,535. The interest expense recorded for the year ended June 30, 2016 was approximately $4,600.	139,535	-
Total	1,139,535	1,825,000
Less current portion	(30,704)	-
Less loan costs	(13,174)	(22,550)
Notes payable, net of current portion	**$ 1,095,657**	**$ 1,802,450**

13. NOTES PAYABLE (CONTINUED)

Future principal payments on the notes payable are due as follows for the years ending June 30:

Years ending June 30:		
2017	$	30,704
2018		1,031,975
2019		33,295
2020		34,670
2021		8,891
	$	**1,139,535**

14. 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.

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

Changes in endowment net assets for the years ended June 30, 2016 and 2015, consisted of the following:

Summary of endowment net assets at June 30, 2016:	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 588,370	$ 162,143	$ 750,513
Board-designated endowment funds	453,850	-	-	453,850
	$ 453,850	**$ 588,370**	**$ 162,143**	**$ 1,204,363**

Summary of endowment net assets at June 30, 2015:	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 640,092	$ 167,312	$ 807,404
Board-designated endowment funds	499,579	-	-	499,579
	$ 499,579	**$ 640,092**	**$ 167,312**	**$ 1,306,983**

14. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2016:	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Net asset balance at July 1, 2015	$ 499,579	$ 640,092	$ 167,312	$ 1,306,983
Contributions	-	-	-	-
Withdrawals	(29,768)	(31,200)	-	(60,968)
Investment income	2,116	2,717	691	5,524
Net depreciation	(18,077)	(23,239)	(5,860)	(47,176)
Net asset balance at June 30, 2016	**$ 453,850**	**$ 588,370**	**$ 162,143**	**$ 1,204,363**

Changes in endowment net assets for the year ended June 30, 2015:	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Net asset balance at July 1, 2014	$ 500,349	$ 538,442	$ 113,481	$ 1,152,272
Contributions	-	100,000	50,000	150,000
Withdrawals	(12,500)	(12,500)	-	(25,000)
Investment income	7,273	8,501	2,006	17,780
Net appreciation	4,457	5,649	1,825	11,931
Net asset balance at June 30, 2015	**$ 499,579**	**$ 640,092**	**$ 167,312**	**$ 1,306,983**

Permanently Restricted Net Assets:

	2016	**2015**
The portion of perpetual endowment funds that is either required to be retained permanently either by explicit donor stipulation or by FUPMIFA	**$ 162,143**	**$ 167,312**

Summary of Endowment Assets:

	2016	**2015**
Investments held at the Jewish Federation of Palm Beach County, Inc.	**$ 1,204,363**	**$ 1,306,983**

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. As of June 30, 2016, the permanently restricted fund was deficient by $5,169. There were no such deficiencies as of June 30, 2015.

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.

14. ENDOWMENTS (CONTINUED)

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.

15. 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, 2016 and 2015, total expense under the operating leases amounted to approximately $42,000.

The approximate future minimum lease payments required under these non-cancelable operating leases are as follows:

Years ending June 30:		
2017	$	28,000
2018		4,000
2019		1,000
	$	**33,000**

Capital Leases

The Center leases telephone and fitness equipment under capital leases, which expire on various dates through May 2019. The following is a schedule of future minimum lease payments:

2017	$	30,417
2018		25,102
2019		18,069
Total minimum lease payments		73,588
Less amounts representing interest		(1,794)
	$	**71,794**

Interest expense for the years ended June 30, 2016 and 2015 was approximately $5,000 and $1,900, respectively.

Assets acquired under capital leases are presented in property and equipment on the accompanying statements of financial position as follows:

Property and equipment	$	128,421
Less accumulated amortization		(37,303)
	$	**91,118**

Litigation

The Center is a party to various litigation matters which arise in the ordinary course of business. Management does not believe that any of these matters will have a material adverse impact on the Center’s financial statements.

15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Employment agreement

The Center has an employment agreement with its CEO which contains certain severance arrangements. The CEO is no longer employed by the Center effective. April 13, 2017. The Center and former CEO are in the process of entering into a confidential settlement agreement. As of April 18, 2017, no such agreement has been effectuated.

16. 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, 2016 or 2015.