JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

Financial Statements

For the Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

and Report Thereon

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Jewish Community Center of Greater Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Jewish Community Center of Greater Washington (the Center), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Community Center of Greater Washington as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Report on Summarized Comparative Information

We have previously audited the Jewish Community Center of Greater Washington's 2012 financial statements, and our report dated January 11, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
January 13, 2014

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

STATEMENT OF FINANCIAL POSITION
June 30, 2013
(With Summarized Financial Information as of June 30, 2012)

	2013	2012
ASSETS		
Cash	$ 1,588,889	$ 989,144
Accounts receivable, net	66,623	52,528
Grants and contributions receivable, net	1,886,405	1,776,123
Prepaid expenses	197,972	225,007
Investments held for long-term purposes	7,959,060	7,572,052
Property and equipment, net	7,638,361	8,043,774
TOTAL ASSETS	$ 19,337,310	$ 18,658,628
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,002,262	$ 924,280
Deferred revenue	1,642,632	1,489,140
Notes payable	2,390,153	2,725,619
Capital lease obligations	24,795	9,248
Accrued pension obligation	2,656,479	1,946,316
TOTAL LIABILITIES	7,716,321	7,094,603
Net Assets		
Unrestricted		
Undesignated	1,406,864	2,201,314
Board designated	752,099	711,274
Total Unrestricted Net Assets	2,158,963	2,912,588
Temporarily restricted	3,180,091	2,414,865
Permanently restricted	6,281,935	6,236,572
TOTAL NET ASSETS	11,620,989	11,564,025
TOTAL LIABILITIES AND NET ASSETS	$ 19,337,310	$ 18,658,628

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

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Program fees	$ 5,016,978	$ -	$ -	$ 5,016,978	$ 4,872,397
Membership dues	2,250,249	-	-	2,250,249	2,134,199
Contributions	420,651	990,392	45,363	1,456,406	818,567
Jewish Federation of Greater Washington, Inc. award	98,784	768,156	-	866,940	875,508
Investment income (loss)	24,741	703,056	-	727,797	(77,737)
Special events:	655,638	-	-	655,638	438,686
Less: Direct benefit costs	(131,314)	-	-	(131,314)	(110,377)
Special events revenue, net	524,324	-	-	524,324	328,309
Grants	410,553	171,421	-	581,974	571,115
Other income	329,903	-	-	329,903	299,474
Wills and bequests	-	100,000	-	100,000	626,238
Sales, gross	73,321	-	-	73,321	102,538
Less: Cost of goods sold	(55,599)	-	-	(55,599)	(69,325)
Gross profit	17,722	-	-	17,722	33,213
Net transfers reflecting the fiscal year 2013 deficiency in donor-restricted endowments	88,426	(88,426)	-	-	-
Net assets released from restrictions:					
Satisfaction of time restrictions	743,559	(743,559)	-	-	-
Satisfaction of purpose restrictions	765,986	(765,986)	-	-	-
Appropriation of endowment income	369,828	(369,828)	-	-	-
TOTAL REVENUE AND SUPPORT	11,061,704	765,226	45,363	11,872,293	10,481,283
EXPENSES					
Program Services:					
Health and wellness	3,464,073	-	-	3,464,073	3,248,460
Early childhood	2,407,550	-	-	2,407,550	2,524,569
Camp, youth and teens	1,866,388	-	-	1,866,388	1,754,984
Adult services	1,198,963	-	-	1,198,963	1,213,028
Special needs	401,226	-	-	401,226	383,965
Total Program Services	9,338,200	-	-	9,338,200	9,125,006
Supporting Services:					
Management and general	1,067,616	-	-	1,067,616	1,224,748
Fundraising	818,884	-	-	818,884	624,726
Total Supporting Services	1,886,500	-	-	1,886,500	1,849,474
TOTAL EXPENSES	11,224,700	-	-	11,224,700	10,974,480
Change in net assets before unrecognized actuarial (loss) gain on pension plan	(162,996)	765,226	45,363	647,593	(493,197)
Unrecognized actuarial (loss) gain on pension plan	(590,629)	-	-	(590,629)	11,667
CHANGE IN NET ASSETS	(753,625)	765,226	45,363	56,964	(481,530)
NET ASSETS, BEGINNING OF YEAR	2,912,588	2,414,865	6,236,572	11,564,025	12,045,555
NET ASSETS, END OF YEAR	$ 2,158,963	$ 3,180,091	$ 6,281,935	$ 11,620,989	$ 11,564,025

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

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

	Program Services						Supporting Services				
	Health and Wellness	Early Childhood	Camp, Youth and Teens	Adult Services	Special Needs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2013	Total 2012
EXPENSES											
Staffing costs and benefits	$ 1,277,493	$ 1,817,404	$ 946,477	$ 671,193	$ 311,472	$ 5,024,039	$ 669,939	$ 448,032	$ 1,117,971	$ 6,142,010	$ 6,208,619
Occupancy	945,269	220,289	273,876	145,806	21,029	1,606,269	48,481	58,403	106,884	1,713,153	1,655,335
Professional fees	406,421	55,709	162,236	98,126	14,375	736,867	130,354	62,965	193,319	930,186	844,294
Depreciation and amortization	319,824	71,626	95,030	43,126	7,398	537,004	15,235	20,112	35,347	572,351	552,368
Supplies	109,873	97,690	95,880	103,514	6,919	413,876	34,381	12,427	46,808	460,684	429,263
Travel, conferences and meetings	96,122	8,386	128,183	36,028	34,874	303,593	14,445	5,281	19,726	323,319	296,980
Miscellaneous	61,585	40,398	65,846	9,755	1,702	179,286	12,959	38,063	51,022	230,308	226,282
Rental and maintenance of equipment	49,000	9,038	19,826	11,838	445	90,147	25,714	86,732	112,446	202,593	174,731
Printing and publications	20,880	9,004	13,893	44,547	22	88,346	17,607	69,247	86,854	175,200	103,923
Financial assistance, scholarships and discounts	60,954	49,047	22,980	-	-	132,981	-	-	-	132,981	106,850
Interest expense	69,581	16,450	21,825	9,905	1,699	119,460	3,499	4,619	8,118	127,578	146,631
Membership dues	3,213	50	2,850	3,169	-	9,282	75,928	165	76,093	85,375	87,663
Insurance	30,683	7,438	9,867	4,529	768	53,285	1,582	2,088	3,670	56,955	54,100
Postage	2,605	1,439	3,747	12,613	31	20,435	9,029	9,695	18,724	39,159	34,307
Telecommunications	4,734	3,582	3,872	4,814	492	17,494	8,463	1,055	9,518	27,012	26,467
Loss on disposal of equipment	5,836	-	-	-	-	5,836	-	-	-	5,836	26,667
TOTAL EXPENSES	$ 3,464,073	$ 2,407,550	$ 1,866,388	$ 1,198,963	$ 401,226	$ 9,338,200	$ 1,067,616	$ 818,884	$ 1,886,500	$ 11,224,700	$ 10,974,480

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

JEWISH COMMUNITY CENTER OF GREATER WASHINGTON

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)
Increase (Decrease) in Cash

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 56,964	$ (481,530)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	572,351	552,368
Loss on disposal of equipment	5,836	26,667
Allowance for doubtful accounts	26,000	(28,950)
Discount of contributions to present value	(7,908)	(25,583)
Net realized and unrealized (gains) losses on investments	(627,315)	190,629
Donated stock	(58,500)	(73,500)
Contributions restricted for investment in endowment	(45,363)	(70,135)
Changes in assets and liabilities:		
Accounts receivable	(19,095)	158,879
Grants and contributions receivable	(123,374)	228,633
Prepaid expenses	27,035	(40,856)
Accounts payable and accrued expenses	77,982	(37,241)
Deferred revenue	153,492	152,091
Accrued pension obligation	710,163	49,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	748,268	600,472
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,067,234	846,332
Purchases of investments	(768,427)	(888,338)
Purchases of property and equipment	(142,530)	(415,705)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	156,277	(457,711)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	45,363	70,135
Principal payments on notes payable	(335,466)	(341,254)
Repayments on capital lease obligations	(14,697)	(14,555)
NET CASH USED IN FINANCING ACTIVITIES	(304,800)	(285,674)
NET INCREASE (DECREASE) IN CASH	599,745	(142,913)
CASH, BEGINNING OF YEAR	989,144	1,132,057
CASH, END OF YEAR	$ 1,588,889	$ 989,144
SUPPLEMENTAL CASHFLOW INFORMATION		
Actual cash payment for interest	$ 202,593	$ 146,631
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired under capital lease	$ 30,244	$ -
Capital lease obligation	$ (30,244)	$ -
Donated stock	$ 58,500	$ 73,500

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

1. Organization and Summary of Significant Accounting Policies

Organization

The Jewish Community Center of Greater Washington (the Center) is a nonprofit organization that provides health, welfare and cultural benefits to the members of the Jewish community and the Washington, DC metropolitan area.

Investments

Investments consist of an interest in the United Jewish Endowment Fund, a pooled fund maintained by the Jewish Federation of Greater Washington; equity and fixed income mutual funds; an equity exchange traded fund, State of Israel bonds; a certificate of deposit; money market funds and cash held for investment purposes, and various equity securities. These investments are recorded in the accompanying statement of financial position at fair value as of June 30th.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful service lives of the assets, ranging from three to ten years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining lease term. Capital leased assets are recorded at cost and are amortized using the straight-line method over the life of the lease. Expenditures for major additions, renewals and betterments are capitalized; expenditures for repairs and maintenance are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses. The Center capitalizes property and equipment with a cost of $5,000 or more.

Revenue Recognition

Program fees are deferred upon receipt and recognized as revenue in the period in which the related program is held. Discounts are provided to members and the general public based upon volume purchases and other marketing promotions. Discounts on registrations are also provided to staff of the Center and range from 15% to 50%. Program fees are reported net of such discounts. Discounts for the year ended June 30, 2013 for members and the general public and staff totaled $137,327 and $95,391, respectively.

Membership dues are recognized as revenue in the period to which the dues relate. Dues paid by members in advance of the membership period are reported as deferred revenue in the accompanying statement of financial position.

Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. 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 accompanying statement of activities as net assets released from restrictions.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Unrestricted contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made.

Special events revenue is recognized in the period in which the event takes place.

Will and bequests revenue is recorded upon the death of the donor after the probate court declares the will to be valid and the proceeds are measurable.

The Center does not record contributions of works of art and similar assets held for public exhibition and education which are on loan to the Center for display for various time periods.

Fair Value Measurements

In accordance with the fair value measurements and disclosures topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Center has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on unadjusted quoted prices for identical assets or liabilities accessible in an active market that the Center has the ability to access. This classification is applied to any investment that has a readily available quoted market price from an active market where there is significant transparency in the executed/quoted market price.

Level 2 – Inputs whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability, such as quoted prices for similarly structured securities in active markets. This classification is applied to investments that have evaluated prices received from fixed income vendors where the data inputs to these valuations do not represent quoted prices from an active market but do represent quoted prices of similarly structured securities.

Level 3 – Inputs based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions by management of the Center about the assumptions a market participant would use in pricing the asset or liability. This classification is applied to investments for which there is no established trading market. Fair value is generally determined based on the fund's net asset value (NAV) as provided by the fund's

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

management. However, if the investment which is valued at NAV may be redeemed at NAV as of the measurement date or in the near term, the investment may be categorized as either a level 2 or a level 3 fair value measurement.

As of June 30, 2013, only the Center's investments, as described in Note 2 of these financial statements and the investments of the Center's defined benefit plan, as described in Note 8 of these financial statements, were measured at fair value on a recurring basis and subject to the disclosure requirements of the fair value measurements and disclosures topic of the ASC.

Classification of Net Assets

The net assets of the Center are classified as follows:

- Unrestricted net assets represent funds that are available for support of the Center's operations. Portions of unrestricted net assets have been designated by the Center's Board of Directors. Such funds can only be expended with Board approval.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.
- Permanently restricted net assets represent amounts that include donor-imposed restrictions that stipulate the resources be maintained in perpetuity and that only the investment earnings on such amounts be used in the manner specified by the donor.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated proportionately among the programs and supporting services based on management's estimates of shared costs.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

The Center early-adopted Accounting Standards Update 2012-05, *Statement of Cash Flows,* which requires the recognition of donated securities that have no donor-imposed restrictions and that are immediately converted into cash, as cash from operating activities. During the year ended June 30, 2013, the Center received $12,566 of donated securities that had no donor-imposed restrictions and were immediately converted into cash. These donated securities are recognized as cash from operating activities in the accompanying

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Change in Accounting Principle (continued)

statement of cash flows. The statement of cash flows for the year ended June 30, 2012, which previously reported $20,559 of donated securities that had no donor-imposed restriction and were immediately converted into cash as investing activities, has been adjusted to report this amount in operating activities.

2. Investments

The following table summarizes the Center's investments measured at fair value on a recurring basis as of June 30, 2013:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled fund of the United Jewish Endowment Fund	$ 4,707,044	$ -	$ 4,707,044	$ -
State of Israel bonds	618,178	-	618,178	-
Equity mutual funds:				
Large value	161,275	161,275	-	-
Diversified emerging markets	150,077	150,077	-	-
Foreign small/ mid blend	135,892	135,892		
Small growth	121,165	121,165	-	-
World allocation	112,019	112,019	-	-
Long/short equity	104,325	104,325	-	-
Managed futures	100,710	100,710	-	-
Market neutral	96,064	96,064	-	-
Foreign large cap	89,958	89,958	-	-
U.S. mid-cap	76,996	76,996	-	-
Total equity mutual funds	1,148,481	1,148,481	-	-
Fixed-income mutual funds:				
Intermediate term	464,578	464,578	-	-
Multi-sector	104,784	104,784	-	-
Nontraditional bond	90,534	90,534	-	-
Emerging markets	86,014	86,014	-	-
Total fixed income mutual funds	745,910	745,910	-	-

Continued

2. Investments (continued)

(continued)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 561,736	$ 561,736	$ -	$ -
U.S. large blend equity exchange-traded fund	102,493	102,493	-	-
Certificate of deposit	39,385	-	39,385	-
Cash	35,833	35,833	-	-
Total Investments	$ 7,959,060	$ 2,594,453	$ 5,364,607	$ -

The Center used the following methods and significant assumptions to estimate fair value for its investments recorded at fair value:

Pooled fund of the United Jewish Endowment Fund – This is a pooled fund whose investments include domestic and international equity funds, hedge funds, private equity funds, and real asset funds, which are subject to certain restrictions and generally have no active established trading market. Fair value is determined based on the fund's NAV as provided by the fund's management. The investment is classified as Level 2 within the valuation hierarchy as 80% of the investment may be redeemed at NAV at the measurement date and the remaining 20% may be redeemed ten days after month end.

State of Israel bonds and certificate of deposit – State of Israel bonds and the certificate of deposit are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified as Level 2 within the valuation hierarchy. A yield-based matrix system was used to arrive at an estimated market value for the bonds and the certificate of deposit (market valuation approach).

Mutual funds, exchange traded funds and money market funds – Mutual funds, exchange traded funds and money market funds are classified within Level 1 of the valuation hierarchy as they are valued at readily available quoted market prices from an active market where there is significant transparency in the executed/ quoted market price.

2. Investments (continued)

A summary of the return on investments, including the interest earned on cash, is as follows for the year ended June 30, 2013:

Unrealized gains, net	$ 337,171
Realized gains, net	290,144
Interest and dividends	100,482
Total investment gain	$ 727,797

3. Grants and Contributions Receivable

Grants and contributions receivable are due as follows at June 30, 2013:

Less than one year	$ 1,412,948
One to five years	520,000
Greater than five years	3,000
Subtotal	1,935,948
Less: Discount for present value	(20,543)
Less: Allowance for doubtful accounts	(29,000)
Total grants and contributions, net	$ 1,886,405

The discount rates used to calculate the net present value of multi-year receivables are dependent upon the date the award was received and range from 0.33% to 2.34%.

4. Property and Equipment and Accumulated Depreciation and Amortization

The Center held the following property and equipment as of June 30, 2013:

Leasehold improvements	$ 15,653,142
Furniture and equipment	1,712,720
Capital leases	36,971
Total property and equipment	17,402,833
Less: Accumulated depreciation and amortization	(9,764,472)
Property and equipment, net	$ 7,638,361

Depreciation and amortization expense was $572,351 for the year ended June 30, 2013.

5. Notes Payable and Line of Credit Agreements

In 2011, the Center refinanced a note agreement with a financial institution and entered into a $3,147,165 promissory note. The note has a ten-year term which commenced March 20, 2011. Interest accrues at an annual rate of 4.75% for the first five years. After five years, the interest rate will be adjusted to 2.50% above the five-year average monthly Treasury Constant, which is defined to be the Federal Reserve Board Statistical Release for the U.S. Government Securities Treasury Constant Maturities having a five year maturity. However, a minimum floor of 4.75% will be in effect. Payments of interest are due monthly. Principal payments of $100,000 are due annually beginning March 28, 2010. The note matures March 28, 2021, at which time a scheduled balloon payment will be due. Principal payments may be paid in advance at any time without penalty. As of June 30, 2013, the Center has prepaid principal payments of $875,662. Therefore, no annual payments are due until March, 2018. As of June 30, 2013, the outstanding balance on the note was $2,271,503.

In addition, the financial institution provided the Center with a line of credit for $500,000. Interest on any outstanding balance is payable monthly at a variable rate equal to the U.S. Prime Rate as adjusted daily, and with a specified minimum floor of 4.0%. The line of credit is payable upon demand and may be withdrawn at any time by the financial institution. As of June 30, 2013, no amounts have been advanced to the Center under this line of credit.

Under the note payable and the line of credit agreements, the Center must maintain all of its operating accounts with the financial institution, and the Center cannot incur additional debts from other financial institutions in excess of $100,000 without the bank's permission. The financial institution also requires that audited financial statements be submitted to the bank by February 1st of each year. The note and line of credit are cross-collateralized with a first position lien on the Center's assets, including leasehold improvements and fixtures, as well as a lien on eligible contributions receivable.

In 1998, the Center entered into a 21-year note payable agreement for $297,500 with Montgomery County, Maryland. Under terms of the agreement, monthly installments of principal and interest of $1,650 are due through June 30, 2020. This note bears interest at the rate of 3.00%. As of June 30, 2013, the outstanding principal balance on the note was $104,192.

In April 2010, the Center entered into a five-year commercial loan agreement for $37,000 with a financial institution for the purchase and installation of a waterslide for its outdoor pool. Installments of principal and interest of $684 are due monthly through April 20, 2015. The note is secured by the Center's certificate of deposit. As of June 30, 2013, the outstanding principal balance on the note was $14,458.

Continued

5. Notes Payable and Line of Credit Agreements (continued)

As of June 30, 2013, future principal payments under these notes are due as follows:

For the Year Ending June 30,	
2014	$ 19,135
2015	19,099
2016	13,482
2017	14,673
2018	2,287,473
Thereafter	36,291
Total	$ 2,390,153

6. Commitments and Contingencies

Concentration of Credit Risk

The Center maintains its cash with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of June 30, 2013, the Center had approximately $1,625,000 composed of demand deposits and savings accounts, which exceeded the maximum limit insured of the FDIC by approximately $1,376,000. The Center monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash.

As of June 30, 2013, approximately $1,347,000 of the total net grants and contributions receivable balance was due from four donors. This amount represents 71% of the Center's net grants and contributions receivable balance as of June 30, 2013.

Operating Lease

The Center leases one of three contiguous properties from the Greater Washington Jewish Community Foundation. The lease commenced in 1969 and has a term of 99 years with an option to renew for an additional 99 years. Under the terms of this lease, the space is rented at $1.00 per year. Additionally, the Center must pay its share of the costs of the maintenance and operations of the property and common areas.

The net present value of the donated rent for the lease term was not recognized as the amount, based upon the value of the space at the time of the donation, was not material to the Center's financial statements.

For the year ended June 30, 2013, the Center incurred expenses of $771,595 for maintenance and operating costs related to the space.

Continued

7. Net Assets

Board-Designated Net Assets

As of June 30, 2013, the board-designated net assets consist of the Stetson Fund and the Council for the Arts Fund, which function as endowment funds and totaled $730,794 and $21,305, respectively.

Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and through the passage of time. For the year ended June 30, 2013, net assets released from restrictions were as follows:

Satisfaction of time restrictions, gross	$ 769,895
Less: Appropriation of endowment income	(26,336)
Satisfaction of time restrictions, net	743,559
Satisfaction of purpose restrictions:	
Centennial campaign	292,486
Debt reduction	266,970
Special needs	188,888
Adult services	157,563
Early childhood	80,686
Capital campaign	50,600
Camp, youth and teens	42,710
Health and wellness	29,575
Total satisfaction of purpose restrictions, gross	1,109,478
Less: Appropriation of endowment income	(343,492)
Total satisfaction of purpose restrictions, net	765,986
Total appropriation of endowment income	369,828
Total net assets released from restrictions	$ 1,879,373

As of June 30, 2013, temporarily restricted net assets are available for the following purposes:

Time restricted for use in:	
2014	$ 771,567
2015	10,000
Available for endowment appropriation	63,462
Time restricted, total	845,029
Centennial campaign	696,988
Adult services	433,665
Debt reduction	428,500
Special needs	375,721
Early childhood	185,085
Camp, youth and teens	98,881
Capital campaign	73,032
Health and wellness	43,190
Total Temporarily Restricted Net Assets	$ 3,180,091

Continued

7. Net Assets (continued)

Permanently Restricted Net Assets

As of June 30, 2013, permanently restricted net assets are dedicated for the following purposes:

Special needs	$ 2,307,151
Adult services	2,212,066
Early childhood	669,141
Camp, youth and teens	526,852
Activities of the Center	479,797
Health and wellness	86,928
Total Permanently Restricted Net Assets	$ 6,281,935

Endowment Funds

The Center's endowment consists of individual funds established for a variety of purposes and includes both donor-restricted endowment funds and a fund designated by the Board of Directors to function as an endowment.

Interpretation of Relevant Law

The original values of all gifts donated to the permanent endowment are classified as permanently restricted. The Center's policy is to preserve the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary.

The Center's Board has interpreted the Maryland enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Center to appropriate for expenditure or accumulate as much of an endowment fund as the Center determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

Investment returns on permanently restricted endowments are classified in accordance with donor specifications. When no specifications are outlined by the donor, investment earnings on the permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires an organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. The Center's management has continued to follow its existing spending rate policy, rather than reduce the endowment distribution, because it expects that the individual fund values will be restored with future market appreciation. The cumulative underwater deficiency was $186,708 as of June 30, 2013.

Continued

7. Net Assets (continued)

Endowment Funds (continued)

Funds with Deficiencies (continued)

During the year ended June 30, 2013, certain individual endowment funds recovered from the previous year's market value decline. As a result, for the year ended June 30, 2013, unrestricted net assets were increased and temporarily restricted net assets were decreased by $88,426.

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 those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s) as well as a board-designated fund. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the endowment funds over the long term, and capital market volatility, the Board believes that a moderate risk strategy is prudent. Under this policy, as approved by the Board of Directors, the goal is to have stable returns over the long term, with a reduced potential of negative returns in any given year. The Center expects its endowment funds to provide an average rate of return of approximately 7% to 10% over time. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Center has a policy of distributing up to 5.5% of the average fair value of its endowment over the prior three calendar years in which the distribution is planned. In establishing this policy, the Center considered the long-term expected return of its endowment. Accordingly, over the long term, the Center expects the current spending policy to allow its endowment to grow 1.5% to 4.5% annually. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Continued

7. Net Assets (continued)

Endowment Funds (continued)

The Center's endowment net asset composition by fund type was as follows as of June 30, 2013:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 886,055	$ 6,281,935	$ 7,167,990
Board-designated endowment funds	752,099	-	-	752,099
Total Endowment Net Assets	$ 752,099	$ 886,055	$ 6,281,935	$ 7,920,089

For the year ended June 30, 2013, changes in endowment net assets were as follows:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 711,274	$ 641,253	$ 6,236,572	$ 7,589,099
Investment returns:				
Investment income	10,179	92,899	-	103,078
Net appreciation (realized and unrealized)	11,829	610,157	-	621,986
Total Investment Returns	22,008	703,056	-	725,064
Investment fees	(56)	(17,426)	-	(17,482)
Contributions	20,011	-	45,363	65,374
Transfers	-	(88,426)	-	(88,426)
Appropriations for expenditure	(1,138)	(352,402)	-	(353,540)
Endowment Net Assets, End of Year	$ 752,099	$ 886,055	$ 6,281,935	$ 7,920,089

Continued

7. Net Assets (continued)

Endowment Funds (continued)

Permanently restricted net assets:	
The portion of perpetual endowment funds that are required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 6,281,935
Temporarily restricted net assets:	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
Without purpose restrictions	$ 63,462
With purpose restrictions	822,593
Total endowment funds classified as temporarily restricted net assets	$ 886,055

8. Pension Plans

Defined Benefit Plan

The Center has a noncontributory defined benefit retirement plan (the Plan) covering all employees who have worked at least 1,000 hours, completed one year of service and attained the age of 21. Benefits are based on years of credited service and the average of the highest three consecutive years of compensation during the last ten years of service.

The Plan was amended to freeze participation in the Plan to all employees hired after December 31, 2005 and to freeze the benefit accruals for all participants as of June 30, 2007.

The measurement date for the following actuarial information was June 30, 2013.

Obligations and Funded Status

Projected benefit obligation at June 30, 2013	$ 6,489,618
Fair value of Plan assets at June 30, 2013	3,833,139
Funded status	$ (2,656,479)

Because the Plan has been frozen, the accumulated benefit obligation as of June 30, 2013 of $6,489,618 is the same as the projected benefit obligation.

Amounts recognized in the accompanying statement of financial position consist of the following as of June 30, 2013:

Accrued benefit cost	$ (2,656,479)

8. Pension Plans (continued)

Defined Benefit Plan (continued)

Obligations and Funded Status (continued)

Items not yet recognized as a component of net periodic pension cost and included in unrestricted net assets as of June 30, 2013 include the following:

Cumulative unrecognized actuarial loss	$ (638,727)

The unrecognized actuarial loss was $590,629 for the year ended June 30, 2013.

The amount of the cumulative unrecognized actuarial loss of $638,727 expected to be included in net periodic benefit cost for the year ending June 30, 2013 is $218,286.

Amounts recognized in the accompanying statement of activities consist of the following for the year ended June 30, 2013:

Net periodic benefit cost	$ 119,534

The net periodic benefit cost is included in staffing costs and benefits in the accompanying statement of functional expenses for the year ended June 30, 2013.

Contributions and benefits paid for the year ended June 30, 2013 were as follows:

Employer contributions	$ 48,098
Benefits paid	$ 306,084

Assumptions

Weighted average assumptions used in determining the benefit obligation as of June 30, 2013 and the net periodic benefit cost for the year then ended were as follows:

Discount rate	4.50%
Expected long-term return on Plan assets	5.75%
Rate of compensation increase	N/A

The expected long-term rate of return on Plan assets assumption of 5.75% was developed based on historical returns for the Plan and the Plan's target asset allocation.

The Center's investment objectives of the Plan's assets are aimed at the growth of capital in excess of inflation with managed risk.

Continued

8. Pension Plans (continued)

Defined Benefit Plan (continued)

Plan Assets

The Center's Plan assets as of June 30, 2013, by asset category, using the fair value input measurements as outlined in Note 1 to these financial statements, was as follows:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds:				
World allocation	$ 317,657	$ 317,657	$ -	$ -
Market Neutral	274,107	274,107	-	-
Long/short equity	268,687	268,687	-	-
Large Value	244,316	244,316	-	-
Multi alternatives	192,291	192,291	-	-
Foreign small/mid blend	188,554	188,554	-	-
Managed futures	159,514	159,514	-	-
Diversified emerging markets	139,996	139,996	-	-
Total equity mutual funds	1,785,122	1,785,122	-	-
Fixed-income mutual funds:				
Intermediate term	613,086	613,086	-	-
Nontraditional bond	290,959	290,959	-	-
Multi-sector	206,613	206,613	-	-
Emerging markets	167,671	167,671	-	-
Total fixed income mutual funds	1,278,329	1,278,329	-	-
Fixed-income securities:				
Agency securities	258,109	-	258,109	-
Corporate bonds	237,089	-	237,089	-
Municipal bonds	100,925	-	100,925	-
Mortgage pools	45,031	-	45,031	-
Total fixed income securities	641,154	-	641,154	-
Cash and cash equivalents	128,534	128,534	-	-
Total plan assets	$ 3,833,139	$ 3,191,985	$ 641,154	$ -

8. Pension Plans (continued)

Defined Benefit Plan (continued)

Plan Assets (continued)

The Center used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value.

Mutual funds – Mutual funds are classified within Level 1 of the valuation hierarchy as they are valued at readily available quoted market prices from an active market where there is significant transparency in the executed/ quoted market price.

Fixed-income securities – Valued based on current yields, the security's terms and conditions, and market activity. Inputs used include market sources, credit information, observed market movement and sector news.

Contributions

Generally, the Center's funding policy is to contribute annually an amount equal to or greater than the actuarially determined minimum funding amount in accordance with ERISA guidelines. In no event, however, will the contribution be in excess of the maximum allowed contribution. Contributions expected to be paid to the Plan in fiscal year 2013 are approximately $55,000.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, as of June 30, 2013, are expected to be paid as follows:

For the Year Ending June 30,	
2014	$ 318,698
2015	323,707
2016	340,188
2017	368,717
2018	399,021
2019 through 2023	2,084,518

Defined Contribution Plan

The Center also maintains a contributory defined contribution 403(b) retirement plan for all eligible full-time employees. An eligible employee is defined as any employee who is at least 21 years of age and has completed at least one year of service of 1,000 or more hours of service. All employer contributions are discretionary and participants vest in employer contributions after three years. For the year ended June 30, 2013, the Center did not make any employer contributions.

Continued

9. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Center is exempt from the payment of taxes on income other than net unrelated business income. The Center reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. For the year ended June 30, 2013, no provision for income taxes was made as the Center had no net unrelated business income and did not identify any uncertain tax positions requiring recognition or disclosure in these financial statements. As of June 30, 2013, the statute of limitations for tax years 2009 through 2011 remains open with the U.S. federal and state jurisdictions in which the Center files tax returns. It is the Center's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

10. Reclassifications

Certain 2012 amounts have been reclassified to conform with the 2013 financial statement presentation.

11. Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2012, from which the summarized information was prepared.

12. Subsequent Events

The Center's management has evaluated subsequent events through January 13, 2014, the date the financial statements were available to be issued. There were no subsequent events the required recognition of, or disclosure in, these financial statements.