

**Board of Jewish Education, Inc.
dba The Jewish Education Project**

Independent Auditor's Report and Financial Statements

June 30, 2019



Board of Jewish Education, Inc.
dba The Jewish Education Project
June 30, 2019

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Independent Auditor's Report

Board of Directors
Board of Jewish Education, Inc. dba The Jewish Education Project
New York, New York

We have audited the accompanying financial statements of Board of Jewish Education, Inc. dba The Jewish Education Project, which comprise the statement of financial position as of June 30, 2019, 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 Board of Jewish Education, Inc. dba The Jewish Education Project as of June 30, 2019, 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.

Emphasis of Matters

As described in *Note 2* to the financial statements, in 2019, Board of Jewish Education, Inc. dba The Jewish Education Project adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

As discussed in *Note 12* to the financial statements, the 2018 financial statements were restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2019. In our opinion, except for the restatement as discussed in *Note 12*, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

New York, New York
April 8, 2020

**Board of Jewish Education, Inc.
dba The Jewish Education Project**

Statement of Financial Position

June 30, 2019

(With Summarized Financial Information for June 30, 2018)

	<u>2019</u>	<u>2018 (Restated - Note 12)</u>
Assets		
Current Assets		
Cash	\$ 2,162,260	\$ 1,754,794
Investments	5,362,651	5,238,162
Accounts receivable (net of allowance for doubtful accounts of \$175,000 in 2019 and 2018)	1,814,474	1,755,527
Grants and contributions receivable - current (net of allowance for doubtful accounts of \$50,000 in 2019 and \$0 in 2018)	482,903	554,179
Inventory - school food services	33,060	27,075
Prepaid expenses and other assets	<u>63,517</u>	<u>65,742</u>
Total current assets	9,918,865	9,395,479
Investments	100,000	100,000
Property and equipment	<u>512,645</u>	<u>693,156</u>
Total assets	<u><u>\$ 10,531,510</u></u>	<u><u>\$ 10,188,635</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,422,086	\$ 2,269,651
Accrued benefits and payroll taxes	363,085	343,130
Deferred rent payable	453,882	512,731
Deferred income	<u>1,396,241</u>	<u>753,743</u>
Total liabilities - current	<u>4,635,294</u>	<u>3,879,255</u>
Net Assets		
Without donor restrictions		
Undesignated	<u>5,775,423</u>	<u>6,184,142</u>
With donor restrictions		
Time and purpose restricted	20,793	25,238
Perpetual in nature	<u>100,000</u>	<u>100,000</u>
Total net assets with donor restrictions	<u>120,793</u>	<u>125,238</u>
Total net assets	<u>5,896,216</u>	<u>6,309,380</u>
Total liabilities and net assets	<u><u>\$ 10,531,510</u></u>	<u><u>\$ 10,188,635</u></u>

Board of Jewish Education, Inc. dba The Jewish Education Project
Statement of Activities
Year Ended June 30, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	Without Donor Restriction	With Donor Restriction	Total	
			2019	2018 (Restated - Note 12)
Revenues, Gains (Losses) and Other Support				
United Jewish Appeal-Federation of Jewish Philanthropies	\$ 5,015,766	\$ -	\$ 5,015,766	\$ 5,145,127
Contributions and gifts	135,144	-	135,144	222,342
Grants	2,144,730	-	2,144,730	1,661,471
Gross revenue from special event	\$ 448,313			
Less direct costs of special event	<u>(70,568)</u>			
Net revenue from special event	377,745	-	377,745	325,218
Services fees - school food services	1,660,464	-	1,660,464	1,865,146
Service fees - other	1,490,412	-	1,490,412	1,429,130
Gross revenue from sale of food	2,843,028			
Less cost of goods sold	<u>(2,717,282)</u>			
Net revenue from sale of food	125,746	-	125,746	(28,302)
Interest and dividends	14,157	297	14,454	4,754
Realized and unrealized gain on investments	107,922	2,258	110,180	352,805
Other revenues	106,545	-	106,545	102,019
Net assets released from restrictions	<u>7,000</u>	<u>(7,000)</u>	<u>-</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>11,185,631</u>	<u>(4,445)</u>	<u>11,181,186</u>	<u>11,079,710</u>
Expenses				
Program services				
School Food	816,247	-	816,247	774,112
Day School	2,256,865	-	2,256,865	2,408,118
Early Childhood	765,148	-	765,148	788,085
Congregational Learning	798,378	-	798,378	844,312
Teen Engagement	2,850,200	-	2,850,200	2,318,564
Other programs	<u>1,958,376</u>	<u>-</u>	<u>1,958,376</u>	<u>1,617,099</u>
Total program services	<u>9,445,214</u>	<u>-</u>	<u>9,445,214</u>	<u>8,750,290</u>

Board of Jewish Education, Inc. dba The Jewish Education Project
Statement of Activities (Continued)
Year Ended June 30, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	Without Donor Restriction	With Donor Restriction	Total	
			2019	2018 (Restated - Note 12)
Expenses (continued)				
Supporting services				
Management and general	\$ 1,590,041	\$ -	\$ 1,590,041	\$ 1,742,165
Resource development and fundraising	559,095	-	559,095	611,925
	<u>2,149,136</u>	<u>-</u>	<u>2,149,136</u>	<u>2,354,090</u>
Total supporting services				
	<u>11,594,350</u>	<u>-</u>	<u>11,594,350</u>	<u>11,104,380</u>
Total expenses				
	<u>(408,719)</u>	<u>(4,445)</u>	<u>(413,164)</u>	<u>(24,670)</u>
Change in Net Assets				
Net Assets, Beginning of Year, as Previously Reported				6,896,890
Restatement (<i>Note 12</i>)				<u>(562,840)</u>
Net Assets, Beginning of Year, as Restated	<u>6,184,142</u>	<u>125,238</u>	<u>6,309,380</u>	<u>6,334,050</u>
Net Assets, End of Year	<u>\$ 5,775,423</u>	<u>\$ 120,793</u>	<u>\$ 5,896,216</u>	<u>\$ 6,309,380</u>

Board of Jewish Education, Inc. dba The Jewish Education Project
Statement of Functional Expenses
Year Ended June 30, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	Program Services						Supporting Services			Direct Costs of Special Event	Total		
	School Food	Day School	Early Childhood	Congregational Learning	Teen Engagement	Other Programs	Total Program Services	Management and General	Resource Development and Fundraising		Total Supporting Services	2019	2018 (Restated - Note 12)
Salaries and Related Expenses													
Salaries	\$ 482,148	\$ 925,073	\$ 410,688	\$ 381,485	\$ 979,257	\$ 799,647	\$ 3,978,298	\$ 708,640	\$ 277,882	\$ 986,522	\$ -	\$ 4,964,820	\$ 4,944,592
Payroll taxes	31,501	69,469	27,449	35,434	74,008	38,595	276,456	46,005	20,035	66,040	-	342,496	333,733
Employee benefits	162,969	213,279	70,435	93,769	206,645	134,319	881,416	144,494	65,139	209,633	-	1,091,049	1,027,664
Total salaries and related expenses	676,618	1,207,821	508,572	510,688	1,259,910	972,561	5,136,170	899,139	363,056	1,262,195	-	6,398,365	6,305,989
Institutional Expenses													
Consultants and lecturers	-	692,814	137,323	71,774	520,688	293,092	1,715,691	33,445	99,562	133,007	-	1,848,698	1,930,451
Awards	-	101	-	-	-	-	101	614	-	614	-	715	22,738
Tuition and stipends	-	8,053	5,980	-	133,628	267,778	415,439	149	-	149	-	415,588	415,307
Travel	8,013	22,790	4,637	1,970	334,345	28,441	400,196	18,091	12	18,103	-	418,299	173,444
Conferences and dues	4,026	9,636	475	4,342	71,638	40,705	130,822	9,475	1,954	11,429	-	142,251	70,289
Supplies	1,472	12,453	8,893	1,765	35,273	7,049	66,905	2,154	680	2,834	-	69,739	91,479
Advertising	1,023	1,272	9,327	-	103,042	11,726	126,390	13,522	32,960	46,482	-	172,872	189,428
Food	2,719,407	44,187	7,675	2,671	65,295	24,562	2,863,797	19,355	223	19,578	-	2,883,375	2,513,506
Catering and entertainment	-	-	-	-	-	-	-	-	-	-	70,568	70,568	67,621
Total institutional expenses	2,733,941	791,306	174,310	82,522	1,263,909	673,353	5,719,341	96,805	135,391	232,196	70,568	6,022,105	5,474,263
Administrative Expenses													
Equipment rental and expense	45,150	26,578	7,912	19,623	35,393	22,786	157,442	28,868	5,959	34,827	-	192,269	159,965
CRM and website	-	-	-	-	-	-	90,171	-	-	-	-	90,171	152,340
Repair and maintenance	5,658	16,618	5,494	11,303	20,947	14,224	74,244	20,483	4,018	24,501	-	98,745	78,889
Legal and audit	-	-	-	-	-	-	7,714	56,310	-	56,310	-	64,024	41,378
Insurance	2,496	7,330	2,423	2,497	9,239	6,274	30,259	9,035	1,772	10,807	-	41,066	38,009
Office supplies	5,706	18,361	4,238	10,469	19,786	10,803	69,363	15,184	3,290	18,474	-	87,837	86,646
Bank and investment fees	-	-	-	-	-	-	-	22,454	-	22,454	-	22,454	28,283
Bad debt	-	-	-	-	-	-	-	89,460	-	89,460	-	89,460	23,640
Miscellaneous	8,927	27,221	8,766	11,279	37,282	22,138	115,613	31,419	6,527	37,946	-	153,559	39,549
Total administrative expenses	67,937	96,108	28,833	55,171	122,647	174,110	544,806	273,213	21,566	294,779	-	839,585	648,699
Occupancy Expenses													
Rent	49,937	146,663	48,485	134,055	184,868	125,541	689,549	121,925	35,463	157,388	-	846,937	829,825
Gas and electric	5,096	14,967	4,948	15,942	18,866	12,811	72,630	18,448	3,619	22,067	-	94,697	108,686
Total occupancy expenses	55,033	161,630	53,433	149,997	203,734	138,352	762,179	140,373	39,082	179,455	-	941,634	938,511
Total expenses before depreciation and amortization	3,533,529	2,256,865	765,148	798,378	2,850,200	1,958,376	12,162,496	1,409,530	559,095	1,968,625	70,568	14,201,689	13,367,462
Depreciation and amortization	-	-	-	-	-	-	-	180,511	-	180,511	-	180,511	187,927
Total expenses	3,533,529	2,256,865	765,148	798,378	2,850,200	1,958,376	12,162,496	1,590,041	559,095	2,149,136	70,568	14,382,200	13,555,389
Less cost of goods sold netted against sale of food	(2,717,282)	-	-	-	-	-	(2,717,282)	-	-	-	-	(2,717,282)	(2,383,388)
Less direct costs of special events deducted from revenue on the statement of activities	-	-	-	-	-	-	-	-	-	-	(70,568)	(70,568)	(67,621)
Total expenses reported by function on the statement of activities	\$ 816,247	\$ 2,256,865	\$ 765,148	\$ 798,378	\$ 2,850,200	\$ 1,958,376	\$ 9,445,214	\$ 1,590,041	\$ 559,095	\$ 2,149,136	\$ -	\$ 11,594,350	\$ 11,104,380

**Board of Jewish Education, Inc.
dba The Jewish Education Project**

Statement of Cash Flows

Year Ended June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

	2019	2018 (Restated - Note 12)
Operating Activities		
Change in net assets	\$ (413,164)	\$ (24,670)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	180,511	187,927
Net realized and unrealized gain on investments	(110,180)	(352,805)
Changes in		
Accounts receivable	(58,947)	157,242
Grants and contributions receivable	71,276	(81,810)
Inventory - school food services	(5,985)	(4,277)
Prepaid expenses and other assets	2,225	(27,706)
Accounts payable and accrued expenses	152,435	(240,535)
Accrued benefits and payroll taxes	19,955	2,643
Deferred rent payable	(58,849)	(50,109)
Deferred income	642,498	649,012
Net cash provided by operating activities	421,775	214,912
Investing Activities		
Purchases of investments	(14,309)	(4,400)
Proceeds from sale of investments	-	23,716
Purchases of property and equipment	-	(17,785)
Net cash provided by (used in) investing activities	(14,309)	1,531
Net Change in Cash	407,466	216,443
Cash, Beginning of Year	1,754,794	1,538,351
Cash, End of Year	\$ 2,162,260	\$ 1,754,794

Board of Jewish Education, Inc. dba The Jewish Education Project

Notes to Financial Statements

June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Board of Jewish Education, Inc. (The Jewish Education Project) was founded in 1910 to provide comprehensive services to Jewish day, congregational, and nursery schools as well as group leaders from community centers. In the agency's new iteration, The Jewish Education Project focuses on sparking and spreading innovations in education that meet the evolving and ever-more diverse needs of today's children and families. In doing so, we have also moved beyond traditional formats and work to develop new delivery models – in the classroom and beyond. Though our primary focus is to serve educators and institutions in Metropolitan New York, Long Island, and Westchester, our agency is now working nationally, as well, providing thought leadership and consulting in cutting-edge early childhood programs, teen engagement, and the integration of educational technology, among others.

The Jewish Education Project is funded primarily through grants from United Jewish Appeal-Federation of Jewish Philanthropies (UJA) and other national foundations. We are also supported through contributions, grants and service fees.

The Jewish Education Project has obtained a dba effective November 8, 2010 under the name "The Jewish Education Project."

The following are descriptions of The Jewish Education Project's programs:

School Food

The Jewish Education Project acts as a liaison between New York State's Child Nutrition Program and approximately 125 day schools and yeshivas to facilitate the distribution of entitlement funds.

Day Schools

Through leadership, innovation, professional networks, and government relations, we help turn government funding for professional development into usable goods and services for school teachers and leaders. Examples of these "goods and services" include professional development for approximately 10,000 teachers every year and mandated services within schools. Additionally, with federation and foundation support we work with school leaders to introduce educational innovations into their schools that will have greater impact on student learning.

Early Childhood

Our agency works to ensure continual improvement of the over 250 Jewish early childhood centers in the New York Area and to ensure that the centers will attract an increasingly diverse Jewish community. Our professional days of learning and in-depth consultations seek to create family and child-centered approaches to early learning and family engagement.

Board of Jewish Education, Inc. dba The Jewish Education Project

Notes to Financial Statements

June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

Congregational Learning

The Jewish Education Project helps congregations create new models of learning that help today's families and children build meaningful lives grounded in Jewish values and practice. We have worked with approximately 175 congregations in the New York area over the past decade and work with 300-400 congregational school educators on an annual basis.

Teen Engagement

Over the past number of years, The Jewish Education Project has trained over 1,000 teen engagement professionals in nearly 300 institutions – 80 percent of these in the New York Area. Our goal is to professionalize the field of Jewish teen engagement to ensure stronger and more teen-focused programming.

Other Programs

As the Jewish population changes and has grown more distant from established Jewish institutions, our agency also brings our expertise to bear in creating Jewish educational options outside of traditional frameworks. These pilot programs are teaching us a great deal about today's Jewish families and, by tracking what we're learning in a newly implemented agency-wide database, we will ensure that we are building programs grounded in concrete data.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Board of Jewish Education, Inc. dba The Jewish Education Project

Notes to Financial Statements

June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

The Jewish Education Project maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

The Jewish Education Project's investments with donor restrictions have been classified as long-term while the remaining investments have been classified as current based on the availability of these investments to fund current operations as needed.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. The Jewish Education Project provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	7-20 years
Furniture and equipment	3-10 years
Telephone systems	3-5 years

Long-Lived Asset Impairment

The Jewish Education Project evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

**Board of Jewish Education, Inc.
dba The Jewish Education Project**

Notes to Financial Statements

June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to The Jewish Education Project either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on The Jewish Education Project overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

**Board of Jewish Education, Inc.
dba The Jewish Education Project**

Notes to Financial Statements

June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Inventory

Inventories consist of food held for sale in connection with the Jewish Education Project's school food program. Costs of goods sold are determined using the first-in, first-out (FIFO) method. FIFO inventories are stated at the lower of cost and net realizable value.

Shipping and Handling Costs

Shipping and handling costs of approximately \$284,000 in 2019 and \$240,000 in 2018, are included as a reduction of services fees – school food services.

Deferred Revenue

Advances from UJA and other expense based reimbursement grants are deferred and recognized over the periods to which the fees relate.

Revenue Recognition

Grants

Support funded by UJA and other grants is recognized as The Jewish Education Project performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Special Events

The Jewish Education Project conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenues in the accompanying financial statements.

Service Fees

School food service fees are recognized upon submission of claims for reimbursement on behalf of a participating school. Revenue on other service fees are recognized when services are performed related to other programs.

Income Taxes

The Jewish Education Project is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, The Jewish Education Project is subject to federal income tax on any unrelated business taxable income.

The Jewish Education Project files tax returns in the U.S. federal jurisdiction.

Board of Jewish Education, Inc. dba The Jewish Education Project

Notes to Financial Statements

June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management and general and fund raising categories proportional to their related, directly charged expenses.

Advertising

All advertising costs are expenses in the year they are incurred.

Note 2: Changes in Accounting Principle

In 2019, The Jewish Education Project adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Statement of Functional Expenses

- Expenses are reported by both nature and function in one location.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

This change had no impact on previously reported total change in net assets.

**Board of Jewish Education, Inc.
dba The Jewish Education Project**

Notes to Financial Statements

June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

Note 3: Investments and Disclosures About Fair Values of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	2019	2018
Significant Other Observable Inputs (Level 2)		
Investments		
State of Israel bonds	\$ 1,000	\$ 1,000
UJA pooled investment account	5,461,651	5,337,162
Total investments	\$ 5,462,651	\$ 5,338,162

Alternative Investments

Investments in certain entities measured at fair value at June 30, 2019 and 2018 using the net asset value per share consist of the following:

	Fair Value		Unfunded	Redemption	Redemption
	2019	2018	Commitments	Frequency	Notice Period
UJA pooled investment account (1)	\$ 5,461,651	\$ 5,337,162	-	On-demand	30 days

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- (1) *UJA pooled investment account*: A share in the pooled investments of UJA to benefit from the various diversified strategies that UJA invests in, included cash and bonds (14.2 percent), multi-strategy hedge funds (29.4 percent), long equity (42.8 percent), private equity (12.9 percent), and real estate (0.7 percent) at June 30, 2019, and cash and bonds (7.6 percent), multi-strategy hedge funds (36.3 percent), long equity (42.9 percent), private equity (12.3 percent), and real estate (0.9 percent) at June 30, 2018. The purpose is to generate appreciation while managing risk through diversification.

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2019 and 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 4: Property and Equipment

Property and equipment at June 30 consists of:

	2019	2018	Estimated Useful Lives
Furniture and equipment	\$ 1,113,275	\$ 1,227,039	3 - 10 years
Leasehold improvements	963,932	1,016,792	7 - 20 years
Telephone systems	79,250	79,250	3 - 5 years
	2,156,457	2,323,081	
Less accumulated depreciation and amortization	(1,643,812)	(1,629,925)	
Net fixed assets	\$ 512,645	\$ 693,156	

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Note 5: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
Safran Arts	\$ 15,672	\$ 15,672
Endowments		
Subject to NFP endowment spending policy and appropriation		
Jewish Family Education	105,121	109,566
Total endowments	105,121	109,566
	\$ 120,793	\$ 125,238

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Restricted purpose spending-rate distributions and appropriations	
Jewish Family Education	\$ 7,000

Note 6: Endowment

The Jewish Education Project's governing body is subject to the State of New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result, The Jewish Education Project classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, The Jewish Education Project considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of The Jewish Education Project and the fund

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3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of The Jewish Education Project
7. Investment policies of The Jewish Education Project

The Jewish Education Project's endowment consists of one fund established to support Jewish Family Education. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2019 and 2018, was:

	With Donor Restrictions	
	2019	2018
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 100,000	\$ 100,000
Accumulated investment gains	5,121	9,566
Total endowment funds	\$ 105,121	\$ 109,566

Change in endowment net assets for the years ended June 30, 2019 and 2018 were:

	With Donor Restrictions	
	2019	2018
Endowment net assets, beginning of year	\$ 109,566	\$ 108,810
Investment return, net	2,555	7,756
Appropriation of endowment assets for expenditures	(7,000)	(7,000)
Endowment net assets, end of year	\$ 105,121	\$ 109,566

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Investment and Spending Policies

The objective of The Jewish Education Project is to maintain the principal endowment funds at the original amount designated by the donor while generating income for The Jewish Education Project's programs. The investment policy to achieve this objective is to invest in the UJA Pooled Investment Account, which generates appreciation while managing risk through diversification. Interest earned in relation to the endowment funds is recorded as income with donor restrictions and released from restriction upon appropriation and expenditure for the program for which the endowment fund was established.

The Jewish Education Project has a spending policy of appropriating for expenditure each year 7 percent of its endowment fund's fair value through the year end preceding the year in which expenditure is planned. In establishing this policy, The Jewish Education Project considered the long-term expected return on its endowment.

At June 30, 2019 and 2018 the endowment was not underwater.

Note 7: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 and 2018, comprise the following:

	2019	2018
Financial assets		
Cash	\$ 2,162,260	\$ 1,754,794
Investments	5,462,651	5,338,162
Accounts receivable	1,814,474	1,755,527
Grants and contributions receivable	482,903	554,179
Total financial assets	9,922,288	9,402,662
Donor-imposed restrictions		
Restricted funds	(20,793)	(25,238)
Endowments	(100,000)	(100,000)
Total donor-imposed restrictions	(120,793)	(125,238)
Financial assets available to meet cash needs for general expenditures within one year	\$ 9,801,495	\$ 9,277,424

The Jewish Education Project's endowment funds consist of a donor-restricted endowment. Income from the donor-restricted endowment is restricted for Jewish Family Education. Donor-restricted endowment funds are not available for general expenditure.

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The Jewish Education Project manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 8: School Food Services

The Jewish Education Project is an agent for many schools which receive aid for food from government agencies. For an administrative fee, The Jewish Education Project handles the storage and delivery of food and the processing of claims.

Note 9: Operating Leases (Restated – Note 12)

Noncancelable operating leases for office space expire in various years through October 2024. A portion of the leased space is subleased under leases expiring over the next three fiscal years.

Future minimum lease payments under operating leases are:

Fiscal Year		
Ending June 30,		
2020	\$	770,702
2021		810,339
2022		827,115
2023		844,224
2024		247,666
Later years		<u>222,970</u>
 Total minimum lease payments	 \$	 <u><u>3,723,016</u></u>

Minimum future rentals receivable under noncancelable operating subleases at June 30, 2019 are as follows:

	2019		2018
Rent expense	\$ 846,937	\$	829,825
Sublease rental income	(106,545)		(102,019)

In addition, the Jewish Education Project rented office space from a member of the Board of Directors on a month-to-month basis. The arrangement was discontinued in February 2017.

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Rent income and expense for all operating leases consisted of:

Fiscal Year	
Ending June 30,	
2020	\$ 68,420
2021	<u>28,973</u>
	<u>\$ 97,393</u>

Note 10: Pension and Other Postretirement Benefit Plans

The Jewish Education Project has a defined contribution pension plan covering substantially all employees. Employees are required to contribute 6-½ percent of their salaries to the plan to be eligible for a matching contribution equaling 7-½ percent of their salaries. Employees are eligible to participate in the plan after one year of service. Vesting is 100 percent after two years of service for the employer's contributed portion, and immediately for the employee's contributed portion. The expense for the years ended June 30, 2019 and 2018 was \$271,175 and \$297,057, respectively.

The Jewish Education Project is a participating member of the UJA-Federation multiemployer defined benefit pension plan (the Plan) covering eligible union and non-union employees, as well as eligible employees of participating affiliated agencies of UJA-Federation. An employer's risks of participating in a multiemployer plan are different from a single employer plan in that the assets contributed to a multiemployer plan may be used to provide benefits to employees of other participating employers; and if a participating employer stops contributing to the plan, unfunded obligations, if any, of the plan may be borne by the remaining participating employers. The actuarial present value of accumulated plan benefits and net assets available for benefits relating to Jewish Education Project's employees is not available because such information is not accumulated for each participating organization. The Jewish Education Project only has nonunion employees. The Plan, Retirement Plan for Employees of United Jewish Appeal-Federation of Jewish Philanthropies of New York, Inc. and Affiliated Agencies and Institutions, is filed under the Employer Identification Number 51-0172429 and the three-digit Pension Plan Number 333. The Plan is not required to file an annual zone certification under the *Pension Protection Act of 2006* (PPA) and disclosures concerning a financial improvement plan or a rehabilitation plan are not applicable. The Plan is at least 80 percent funded using the most recent financial information as of October 1, 2018, the beginning of the Plan year. Pension expense for the years ended June 30, 2019 and 2018 was \$14,447 and \$12,986, respectively.

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Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Cash

At June 30, 2019, The Jewish Education Project's cash accounts exceeded federally insured limits by approximately \$2,352,000.

Revenue

The Jewish Education Project is highly dependent on revenue from UJA, which approximates 46 percent and 47 percent of its revenue for the years ended June 30, 2019 and 2018, respectively. In addition, another donor contributed 14 percent and 9 percent of its revenue for the years ended June 30, 2019 and 2018, respectively

Investments

The Jewish Education Project invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

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Note 12: Restatement

In prior years, the Jewish Education Project recognized rental expense for operating leases based upon payments made. Under accounting principles generally accepted in the United States of America, operating lease expense should be recognized on a straight-line basis over the lease term. The Jewish Education Project corrected this error retroactively, and as a result, the following financial statement line items as of and for the year ended June 30, 2018 were changed from the previously issued financial statements:

	As Restated	As Previously Reported	Effect of Change
Statement of financial position			
Deferred rent payable	\$ 512,731	\$ -	\$ (512,731)
Total liabilities - current	3,879,255	3,366,524	(512,731)
Net assets without donor restrictions	6,184,142	6,696,873	512,731
Total net assets	6,309,380	6,822,111	512,731
Statement of activities			
Management and general expense	1,742,165	1,792,274	50,109
Total supporting services expense	2,354,090	2,404,199	50,109
Total expenses	11,104,380	11,154,489	50,109
Change in net assets	(24,670)	(74,779)	(50,109)
Net assets, beginning of year	6,334,050	6,896,890	562,840
Net assets, end of year	6,309,380	6,822,111	512,731
Statement of functional expenses			
Rent	829,825	879,934	50,109
Total occupancy expenses	938,511	988,620	50,109
Total expenses before depreciation and amortization	13,367,462	13,417,571	50,109
Total expenses	13,555,389	13,605,498	50,109
Total expenses reported by function on the statement of activities	11,104,380	11,154,489	50,109
Statement of cash flows			
Change in net assets	(24,670)	(74,779)	(50,109)
Changes in deferred rent payable	(50,109)	-	50,109

Note 13: Subsequent Events

Subsequent events have been evaluated through April 8, 2020, which is the date the financial statements were available to be issued.

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There has been significant volatility in the investment markets both nationally and globally since June 30, 2019 resulting in an overall market decline which has resulted in a substantial decline in the value of our investment portfolio.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, changes in net assets and cash flows of The Jewish Education Project. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 14: Future Change in Accounting Principle

FASB Releases Not-for-Profit Accounting Standard for Grants and Contributions

ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

The Financial Accounting Standards Board (FASB) expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. For all non-public entities, the standard will be effective for reporting periods beginning on or after December 15, 2018.

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Revenue Recognition

FASB amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities. The Jewish Education Project intends to begin the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020, and any interim periods within annual reporting periods that begin after December 15, 2020.