Jewish Community Center of Allentown

Consolidated Financial Statements and Supplementary Information

June 30, 2020 and 2019

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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
Jewish Community Center of Allentown
Allentown, Pennsylvania

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Jewish Community Center of Allentown, which comprise the consolidated statement of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Community Center of Allentown as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RKL LLP

November 30, 2020
Wyomissing, Pennsylvania

	June 30, 2020	June 30, 2019
Assets		
Cash and cash equivalents	**$ 189,642**	$ 143,880
Accounts receivable, net of allowance for uncollectible amounts 2020 $8,958; 2019 $7,188	**9,007**	23,742
Promises to give	**-**	380
Other receivables	**102,700**	79,300
Investments	**44,455**	40,521
Prepaid expenses	**29,168**	10,839
Security deposits	**17,465**	16,154
Property and equipment, net of accumulated depreciation 2020 $9,520,361; 2019 $9,166,503	**2,183,952**	2,462,169
Total Assets	**$ 2,576,389**	$ 2,776,985
Liabilities and Net Assets		
Liabilities		
Accounts payable	**$ 42,181**	$ 125,310
Accrued expenses	**120,629**	97,467
Deferred revenue	**130,142**	194,919
Notes payable	**2,757,174**	3,774,392
Total Liabilities	**3,050,126**	4,192,088
Net Assets		
Without donor restrictions	**(613,723)**	(1,438,471)
With donor restrictions	**139,986**	23,368
Total Net Assets	**(473,737)**	(1,415,103)
Total Liabilities and Net Assets	**$ 2,576,389**	$ 2,776,985

Jewish Community Center of Allentown

Consolidated Statement of Activities

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues						
Public support						
Contributions						
Jewish Federation of the Lehigh Valley	**$ 357,999**	**$ -**	**$ 357,999**	$ 314,500	$ -	$ 314,500
Other	**1,696,522**	**128,650**	**1,825,172**	931,909	12,321	944,230
Special events	**1,559**	**-**	**1,559**	57,569	-	57,569
Revenues						
Dues, tuition, programs, and summer day camp	**1,418,517**	**-**	**1,418,517**	1,744,079	-	1,744,079
Investment income	**3,013**	**-**	**3,013**	2,658	-	2,658
Facility rentals	**79,741**	**-**	**79,741**	77,108	-	77,108
	3,557,351	**128,650**	**3,686,001**	3,127,823	12,321	3,140,144
Net assets released from restrictions	**12,032**	**(12,032)**	**-**	34,649	(34,649)	-
Total Public Support and Revenues	**3,569,383**	**116,618**	**3,686,001**	3,162,472	(22,328)	3,140,144
Expenses						
Programs	**2,737,589**	**-**	**2,737,589**	3,010,948	-	3,010,948
Management and general	**269,238**	**-**	**269,238**	300,127	-	300,127
Fundraising	**43,453**	**-**	**43,453**	117,769	-	117,769
Total Expenses	**3,050,280**	**-**	**3,050,280**	3,428,844	-	3,428,844
Change in Net Assets	**519,103**	**116,618**	**635,721**	(266,372)	(22,328)	(288,700)
Effect of Debt Extinguishment	**305,645**	**-**	**305,645**	-	-	-
Net Assets at Beginning of Year	**(1,438,471)**	**23,368**	**(1,415,103)**	(1,172,099)	45,696	(1,126,403)
Net Assets at End of Year	**$ (613,723)**	**$ 139,986**	**$ (473,737)**	$ (1,438,471)	$ 23,368	$ (1,415,103)

See accompanying notes.

Jewish Community Center of Allentown

Consolidated Statement of Functional Expenses

	Year Ended June 30, 2020				Year Ended June 30, 2019			
	Programs	Management and General	Fundraising	Total	Programs	Management and General	Fundraising	Total
Salaries and wages	**$ 1,512,896**	**$ 100,747**	**$ 26,941**	**$ 1,640,584**	$ 1,551,767	$ 104,274	$ 19,410	$ 1,675,451
Occupancy	**367,676**	**42,361**	**310**	**410,347**	438,047	43,284	4,858	486,189
Direct program expenses	**110,640**	**717**	**552**	**111,909**	137,892	1,421	68,695	208,008
Interest	**72,919**	**12,068**	**-**	**84,987**	110,606	18,305	-	128,911
Payroll taxes	**120,039**	**7,367**	**2,490**	**129,896**	131,097	7,908	1,331	140,336
Professional fees	**45,425**	**18,958**	**79**	**64,462**	76,228	32,640	(23)	108,845
Employee benefits	**56,014**	**11,761**	**119**	**67,894**	71,745	14,512	-	86,257
Supplies	**39,729**	**4,064**	**-**	**43,793**	60,495	3,354	50	63,899
Local transportation	**46,723**	**-**	**-**	**46,723**	59,692	3	599	60,294
Service charges	**17,722**	**8,084**	**-**	**25,806**	23,567	10,319	25	33,911
Advertising, publicity, and promotion	**7,598**	**304**	**998**	**8,900**	16,022	1,666	8,961	26,649
Cost of special events	**-**	**-**	**6,605**	**6,605**	2,914	-	10,377	13,291
Telephone and postage	**8,917**	**3,478**	**1,404**	**13,799**	9,146	2,745	1,282	13,173
Conferences, conventions, and meetings	**2,623**	**864**	**-**	**3,487**	4,958	261	-	5,219
Printing	**4,115**	**550**	**3,860**	**8,525**	929	1,485	2,204	4,618
Miscellaneous	**16,553**	**6,180**	**-**	**22,733**	21,601	9,131	-	30,732
Dues and subscriptions	**1,906**	**678**	**95**	**2,679**	397	95	-	492
Bad debts	**1,374**	**626**	**-**	**2,000**	314	144	-	458
Total Expenses before Depreciation and Amortization	**2,432,869**	**218,807**	**43,453**	**2,695,129**	2,717,417	251,547	117,769	3,086,733
Depreciation and amortization	**304,720**	**50,431**	**-**	**355,151**	293,531	48,580	-	342,111
Total Functional Expenses	**$ 2,737,589**	**$ 269,238**	**$ 43,453**	**$ 3,050,280**	$ 3,010,948	$ 300,127	$ 117,769	$ 3,428,844

See accompanying notes.

Jewish Community Center of Allentown

Consolidated Statement of Cash Flows

	Years Ended June 30, 2020	2019
Cash Flows from Operating Activities		
Change in net assets	**$ 635,721**	$ (288,700)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**355,151**	342,111
Bad debt expense	**2,000**	458
Net realized and unrealized gains on investments	**(921)**	(1,277)
(Increase) decrease in assets		
Accounts receivable	**12,735**	372,757
Promises to give	**380**	(380)
Other receivables	**(23,400)**	5,700
Other assets	**(19,640)**	5,728
Increase (decrease) in liabilities		
Accounts payable	**(83,129)**	50,006
Accrued expenses	**23,162**	(15,552)
Deferred revenue	**(64,777)**	(368,964)
Advanced funding	**-**	(25,200)
Forgiveness of notes payable, private lenders	**(50,000)**	-
Net Cash Provided by Operating Activities	**787,282**	76,687
Cash Flows from Investing Activities		
Purchase of property and equipment	**(75,641)**	(179,547)
Purchase of investments	**(3,263)**	(2,882)
Proceeds from sale of investments	**250**	224
Net Cash Used in Investing Activities	**(78,654)**	(182,205)
Cash Flows from Financing Activities		
Payments on notes payable, banks	**(1,918,966)**	(40,667)
Borrowings on notes payable, banks	**1,248,100**	-
Borrowings on notes payable, private lenders	**8,000**	70,000
Net Cash Provided by (Used in) Financing Activities	**(662,866)**	29,333
Net Increase (Decrease) in Cash and Cash Equivalents	**45,762**	(76,185)
Cash and Cash Equivalents at Beginning of Year	**143,880**	220,065
Cash and Cash Equivalents at End of Year	**$ 189,642**	$ 143,880

See accompanying notes.

	Years Ended June 30, 2020	2019
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	**$ 82,978**	$ 129,072
Imputed contribution	**$ 15,708**	$ 24,741
Imputed interest expense on note payable	**$ 15,708**	$ 24,741
Effect of debt extinguishment	**$ 305,645**	$ -

Note 1 - Nature of Activities

The Jewish Community Center of Allentown (the Organization) is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of educational, recreational, and character development through program activities.

The Lehigh Valley Jewish Foundation, Jewish Community Center Fund is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of receiving contributions and maintaining endowment funds whose income is transferred to the Jewish Community Center of Allentown.

Both organizations are exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Consolidation

The accompanying consolidated financial statements include the accounts of the Jewish Community Center of Allentown and the Lehigh Valley Jewish Foundation, Jewish Community Center Fund.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-205, *Not-for-Profit Entities-Presentation of Financial Statements*. Under the accounting guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for particular purposes by action of the Board of Directors, or may otherwise be limited by contractual agreements with outside parties.

Net Assets with Donor Restrictions

Some donor-imposed 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 2 - Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all cash balances, which are not subject to withdrawal restrictions or penalties, and all highly-liquid debt instruments purchased with a maturity of three months or less, to be cash and cash equivalents on the accompanying consolidated statement of financial position.

Accounts Receivable

Accounts receivable are carried at the original invoice amount, less an estimate made for doubtful receivables, based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts based on the current and historical experience of uncollectible amounts charged off. Management determines the allowance for doubtful accounts by regularly evaluating individual member's receivables and considering a member's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance for doubtful accounts was $8,958 and $7,188 at June 30, 2020 and 2019, respectively.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Investments

Investments with readily determinable fair values are reported at fair value, based on quoted market prices. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the consolidated statement of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or law.

Debt Issuance Costs

Debt issuance costs are amortized over the life of the related debt and are recorded as a reduction of the related debt on the consolidated statement of financial position.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Land and improvements, buildings and improvements, vehicles, and equipment are stated at cost. Depreciation is computed by the straight-line method based on estimated useful lives:

Buildings and improvements	10 to 50 years
Vehicles	3 to 5 years
Equipment	3 to 10 years

Major repairs and replacements of assets are capitalized, and minor repairs and replacements are charged to operations when incurred. Additions, improvements, and major renewals are capitalized.

The cost and accumulated depreciation of assets sold or retired, or otherwise disposed of, are removed from the respective accounts, and any gain or loss is reflected in operations.

The Organization's policy is to capitalize property and equipment expenditures of $2,000 or more.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the assets are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows, and the discounted rates reflecting varying degrees of perceived risk. The management of the Organization concluded that no impairment adjustments were required during 2020 and 2019.

Revenue Recognition

Contributions

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. All contributions 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 with donor restriction support that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

Contributions are recognized when the donor makes an unconditional promise to give cash or services to the Organization. Contributions are recorded as an increase to net assets without donor restrictions or net assets with donor restrictions, depending on the existence and nature of any donor restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions (continued)

All donor-restricted support is recorded as an increase in net assets with donor restrictions depending on the nature of the restrictions. When a donor expiration expires, that is, when a stipulated time restriction ends or stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Dues, Tuition, Programs, and Summer Day Camp

Membership dues, which operate on a monthly basis, are recognized as revenue in the applicable period. Collected but unearned dues are presented as deferred revenue and are fully recognized as revenue on a monthly basis. There are no remaining performance obligations at the end of each membership period.

Tuition, programs, and summer day camp revenues include childcare, camp, and various fitness and youth activities offered by the Organization. Tuition, programs, and summer day camp revenues are recognized at the time the service is provided. Any amounts collected but unearned would be classified as deferred revenue and recognized as income in the applicable period.

Donated Services

A substantial number of volunteers have donated significant hours to the Organization's program services and fundraising campaigns during the year; however, these donated services are not reflected in the consolidated financial statements since the services do not require specialized skills.

Deferred Revenue

The Organization records unearned dues, tuition, programs and camp revenue, special events, as deferred revenue until such dues, tuition, programs and camp revenue are earned and such events are held, at which time revenue is recognized.

Note 2 - Summary of Significant Accounting Policies (continued)

Advertising

The Organization follows the policy of charging the cost of advertising to expense when incurred. Amounts charged to expense for advertising were $8,900 and $26,649 for the years ended June 30, 2020 and 2019, respectively.

Income Taxes

As a not-for-profit organization, the Organization is generally exempt from federal and state income taxes. The Organization is subject to federal and state income taxes on unrelated business income.

The Organization recognizes penalties and interest accrued related to income tax liabilities in the provision (benefit) for income taxes in its consolidated statement of activities. For the years ended June 30, 2020 and 2019, there were no accruals for the payment of penalties and interest.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated statement of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Organization files tax returns in the U.S. Federal jurisdiction. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years ending before 2017.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs, management and general, and fundraising based on benefits received.

Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Expenses are generally allocated on the basis of estimated time and effort or on the basis of square footage.

Note 2 - Summary of Significant Accounting Policies (continued)

Changes in Accounting Principles

In May 2014, the FASB issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes or replaces nearly all U.S. GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization implemented this standard during the year ended June 30, 2020. The Organization has determined that the adoption of ASU 2014-09 did not result in an adjustment to net assets as of July 1, 2019 and did not have a material effect on the 2020 consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions, and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements, under a modified perspective basis. Accordingly, there is no effect on net assets in connection with the Organization's implementation of ASU 2018-08.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine which lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. This standard will be effective for fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets, as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

The Organization is currently evaluating the impact of the pending adoption of the new standards on the consolidated financial statements.

Note 3 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the date of the consolidated statement of financial position, comprise the following as of June 30:

	2020	2019
Financial Assets		
Cash and cash equivalents	**$ 189,642**	$ 143,880
Accounts receivable, net	**9,007**	23,742
Promises to give	**-**	380
Other receivables	**102,700**	79,300
Investments	**44,455**	40,521
Total Financial Assets	**345,804**	287,823
Amounts Not Available to be Used for General Expenditures Within One Year		
Financial assets held for a specified purpose	**(54,986)**	(22,988)
Financial assets held for passage of time	**-**	(380)
Total Amounts Not Available to be Used for General Expenditures Within One Year	**(54,986)**	(23,368)
Financial Assets Available to be Used for General Expenditures Within One Year	**$ 290,818**	$ 264,455

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 4 - Investments

The following is a summary of the Organization's investments at June 30:

	2020	2019
Investments held by the Jewish Federation of the Lehigh Valley	**$ 44,455**	$ 40,521

Investment income is as follows for the years ended June 30:

	2020	2019
Interest and dividends, net	**$ 2,092**	$ 1,381
Net realized gains (losses) on sale of investments	**145**	(201)
Net unrealized gains on investments	**776**	1,478
	$ 3,013	$ 2,658

Note 5 - Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures,* establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America. That framework provides a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following valuation techniques were used to measure fair value of assets in the tables below on a recurring basis:

Investments held by the Jewish Federation of the Lehigh Valley: The Jewish Federation of the Lehigh Valley (the Federation) holds the investments of the Organization in the Federation's name. Investment income is allocated to the Organization based on its share of the Federation's investment portfolio.

The custodian of the investments uses various market inputs to determine fair value of Level 3 investments. These inputs include quoted prices in active markets for identical assets, outside pricing services, and computerized pricing models.

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

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, accounts payable and other accrued expenses, and deferred revenue included in the consolidated statement of financial position approximate fair value, given the short-term nature of these financial instruments. The carrying amount of promises to give as of June 30, 2020 and 2019 approximate fair value as they have been discounted using risk adjusted rates. The carrying amounts of the notes payable in the consolidated statement of financial position approximates fair value as the interest rates are commensurate with rates currently offered for such arrangements.

Note 5 - Fair Value of Financial Instruments (continued)

The following tables present the balance of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30:

	Fair Value Measurements at June 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Investments held by the Jewish Federation of the Lehigh Valley	**$ -**	**$ -**	**$ 44,455**	**$ 44,455**
	Fair Value Measurements at June 30, 2019			
Investments held by the Jewish Federation of the Lehigh Valley	$ -	$ -	$ 40,521	$ 40,521

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2020 and 2019, there were no transfers in or out of Level 3.

The following is a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30:

	2020	**2019**
Investments Held by the Jewish Federation of the Lehigh Valley		
Balance at beginning of year	**$ 40,521**	$ 36,587
Contributions	**2,000**	1,500
Interest and dividends	**1,262**	1,381
Unrealized gains	**776**	1,478
Realized gains (losses)	**145**	(201)
Fees and expenses	**(249)**	(224)
Balance at end of year	**$ 44,455**	$ 40,521

Note 6 - Property and Equipment

A summary of property and equipment is as follows at June 30:

	2020	2019
Land and improvements	**$ 2,053,230**	$ 2,057,287
Buildings and improvements	**8,543,780**	8,531,630
Vehicles	**37,770**	37,770
Equipment	**1,069,533**	1,001,985
	11,704,313	11,628,672
Accumulated depreciation	**(9,520,361)**	(9,166,503)
	$ 2,183,952	$ 2,462,169

Note 7 - Inter-Organization Transactions

At June 30, 2020 and 2019, the Jewish Community Center of Allentown had borrowed $67,262 from the Lehigh Valley Jewish Foundation, Jewish Community Center Fund which was used to support operations. During the year ended June 30, 2013, the Jewish Community Center of Allentown transferred an unrestricted bequest received to the Lehigh Valley Jewish Foundation, Jewish Community Center Fund to separate from operating funds. The balance held in the investment account at the Lehigh Valley Jewish Foundation, Jewish Community Center Fund was $18,724 and $15,895 at June 30, 2020 and 2019, respectively.

Note 8 - Notes Payable

The following is a summary of notes payable at June 30:

	2020	2019
Note payable to Wells Fargo Bank, N.A., monthly principal and interest payments was $10,000 at an interest rate equal to the lesser of (i) LIBOR plus 350 basis points and (ii) 450 basis points. The loan was secured by real estate owned by the Organization. During the current year the loan was repaid	**$ -**	$ 2,205,645
Note payable to Firstrust Bank, monthly principal and interest payments of $3,308, at a rate of 5% with a balloon payment of $321,999 due on the maturity date of October 31, 2020, effective interest rate of 5.40% at June 30, 2020, secured by real estate owned by the Organization	**322,634**	341,600

Note 8 - Notes Payable (continued)

	2020	2019
Noninterest bearing note payable to the Federation, due December 2028. Interest expense, which was imputed on the note at the applicable federal rate of $15,708 and $24,741, was recorded as contribution revenue from the Federation at the same amount for the years ended June 30, 2020 and 2019, respectively. The note is secured by real estate of the Organization	**$ 838,440**	$ 838,440
Notes payable to private lenders, interest at 4% per annum from the date of receipt from the borrower, paid annually on the anniversary of the date of receipt from the borrower. Principal and all unpaid accrued interest due the earlier of May 1, 2022 or upon sale of real estate and facilities	**348,000**	390,000
Note payable to Firstrust Bank - Paycheck Protection Program; refer to information below	**348,100**	-
Note payable to a private lender, monthly interest only payments at a rate of 1.69% beginning January 1, 2021 through December 27, 2028, secured by real estate owned by the Organization	**900,000**	-
	2,757,174	3,775,685
Financing fees, net	**-**	(1,293)
	$ 2,757,174	$ 3,774,392

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis (refer to Note 16). The Organization applied for a loan under this Program and received from Firstrust Bank, a loan in the amount of $348,100 on April 28, 2020. The loan is forgivable if the Organization meets certain criteria as established under the Program. The Organization anticipates there may be further guidance issued by the SBA, the U.S. Department of Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. The Organization will seek loan forgiveness in fiscal year 2021. The loan is unsecured and does not require personal guarantees.

Note 8 - Notes Payable (continued)

The loan bears interest at a fixed rate of 1.00%. Based on the original terms of the loan agreement, the loan was to accrue interest for the first six months following the date of the loan and, thereafter, would convert to monthly payments of principal and interest. Monthly principal and interest payments of $19,591 were to be due beginning November 28, 2020. The Paycheck Protection Program Flexibility Act of 2020 extended the deferral period for borrower payments of principal, interest, and fees on the loan to the date that the SBA remits the loan forgiveness amount, or if loan forgiveness is not requested, 10 months after the end of the loan forgiveness covered period, which generally begins on the date the loan proceeds were received. The Organization has elected to use a 24-week loan forgiveness covered period. If any portion of the loan is forgiven in connection with the CARES Act and the terms of the Program, the monthly payments of principal and interest shall thereafter be recalculated by the lender to fully amortize any outstanding amounts remaining after forgiveness over the remaining term of the loan. The loan matures on April 28, 2022, at which time all remaining principal and interest is due.

Future maturities on long-term debt are as follows, assuming no changes in current terms for the years ended June 30:

2021	$ 322,634
2022	696,100
2023	-
2024	-
2025	-
Thereafter	1,738,440
	$ 2,757,174

On December 27, 2019, the Organization entered into a discounted payoff agreement with Wells Fargo related to the note payable that matured on July 1, 2019, in the amount of $2,205,645. Under the terms of the agreement, the Organization paid $1,900,000 in full satisfaction of the loan, plus accrued interest through the date of payoff of $57,623. The effect of the debt extinguishment resulted in a gain of $305,645 recorded in the statement of activities for the year ended June 30, 2020.

Interest expense for the years ended June 30, 2020 and 2019 was $84,987 and $128,911, respectively.

The note payable to Firstrust Bank is subject to a financial covenant. At June 30, 2020, the Organization was in compliance with this covenant.

Note 9 - Deferred Revenue

Deferred revenue consists of the following at June 30:

	2020	2019
Membership dues	**$ 10,758**	$ 12,499
Preschool and kindergarten	**4,379**	12,458
Day camp and other summer programs	**66,967**	148,497
Other	**48,038**	21,465
	$ 130,142	$ 194,919

Note 10 - Net Assets with Donor Restrictions

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

	2020	2019
Subject to Expenditure for a Specified Purpose		
Friendship Circle	**$ 11,336**	$ 11,988
Health and physical education	**-**	-
Playground and other equipment	**-**	11,000
Subject to Passage of Time	**128,650**	380
	$ 139,986	$ 23,368

Note 11 - Pension Plan

The Organization has a noncontributory pension plan covering all full and part-time employees over the age of 21. Eligible employees who choose to participate can contribute up to 20% of their annual salary up to the amount permitted by law.

Note 12 - Transactions with the Jewish Federation of the Lehigh Valley

The Federation makes contributions to the Organization on an annual basis. For the years ended June 30, 2020 and 2019, the Federation contributed $357,999 and $314,500, respectively, to the Organization, which amounts to 10% of the Organization's public support and revenues.

The Federation leases office space on a month to month basis from the Organization. Rent paid by the Federation to the Organization was $29,331 and $29,330 for the years ended June 30, 2020 and 2019, respectively.

The Organization has a note payable to the Federation as described in Note 8.

The Federation and the Organization have four common Board members.

Note 13 - Related Party Transactions

The Organization has had, and may be expected to have in the future, transactions in the ordinary course of business with Board members and organizations with which they are associated on substantially the same terms as those prevailing at the time for comparable transactions with others.

Note 14 - Concentration of Credit Risk

Cash and Cash Equivalents

The Organization has deposit accounts with financial institutions which may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

The Organization has investments of $44,455 and $40,521 at June 30, 2020 and 2019, respectively, which are managed by professional advisors and are subject to the Organization's investment policies. The degree and concentration of credit risk varies by type of investment; however, the Organization does not anticipate any accounting loss. The major classes of investments are summarized in Note 4.

Note 15 - Commitment

Leases

The Organization has entered into operating leases expiring in 2021 for the rental of equipment.

The following is a schedule by year of the future minimum lease payments for the operating leases for the years ending June 30:

2021	**$ 21,693**

Total rental expenses amounted to $25,884 and $31,894 for the years ended June 30, 2020 and 2019, respectively.

Note 16 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, public support, and the geographical area in which Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to Organization.

Additionally, it is reasonably possible that estimates made in the consolidated financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Note 17 - Reclassifications

Certain information in the 2019 consolidated financial statements have been reclassified to conform to the 2020 consolidated financial statement presentation. The reclassifications have no effect on the change in net assets.

Note 18 - Subsequent Events

The Organization has evaluated subsequent events through November 30, 2020. This date is the date the consolidated financial statements were available to be issued. The following events subsequent to June 30, 2020 were noted:

On August 31, 2020, the Organization sold the Campsite property located in Center Valley, Pennsylvania.

In November 2020, the Organization and the Federation renegotiated the maturity of the note payable (see Note 8) due to the Federation. Under the terms of the amended agreement, the note payable will mature in December 2028. The renegotiated note payable is secured by real estate owned by the Organization and is subject to the terms and conditions of an intercreditor agreement, wherein the $900,000 private lender and Federation note liens shall be deemed of equal priority.

No other material events subsequent to June 30, 2020 were noted.

Jewish Community Center of Allentown

Consolidating Statement of Financial Position, by Organization

	June 30, 2020				
	Consolidated	Eliminations		Jewish Community Center of Allentown	Lehigh Valley Jewish Foundation, Jewish Community Center Fund
Assets					
Cash and cash equivalents	$ 189,642	$ -		$ 189,642	$ -
Accounts receivable, net of allowance for uncollectible amounts of $8,958	9,007	-		9,007	-
Other receivables	102,700	-		102,700	-
Investments	44,455	-		25,731	18,724
Prepaid expenses	29,168	-		29,168	-
Security deposits	17,465	-		17,465	-
Due from other funds	-	(85,986)	(1)	18,724	67,262
Property and equipment, net of accumulated depreciation of $9,520,361	2,183,952	-		2,183,952	-
Total Assets	$ 2,576,389	$ (85,986)		$ 2,576,389	$ 85,986
Liabilities and Net Assets					
Liabilities					
Accounts payable	$ 42,181	$ -		$ 42,181	$ -
Accrued expenses	120,629	-		120,629	-
Deferred revenue	130,142	-		130,142	-
Due to other funds	-	(85,986)	(1)	67,262	18,724
Notes payable	2,757,174	-		2,757,174	-
Total Liabilities	3,050,126	(85,986)		3,117,388	18,724
Net Assets					
Without donor restrictions	(613,723)	-		(680,985)	67,262
With donor restrictions	139,986	-		139,986	-
Total Net Assets	(473,737)	-		(540,999)	67,262
Total Liabilities and Net Assets	$ 2,576,389	$ (85,986)		$ 2,576,389	$ 85,986

(1) To eliminate inter-organization loans.

Jewish Community Center of Allentown

Consolidating Statement of Activities, by Organization

	Year Ended June 30, 2020			
	Consolidated	Eliminations	Jewish Community Center of Allentown	Lehigh Valley Jewish Foundation, Jewish Community Center Fund
Public Support and Revenues				
Public support				
Contributions				
Jewish Federation of the Lehigh Valley	$ 357,999	$ -	$ 357,999	$ -
Other	1,825,172	-	1,825,172	-
Special events	1,559	-	1,559	-
Revenues				
Dues, tuition, programs, and summer day camp	1,418,517	-	1,418,517	-
Investment income	3,013	-	3,013	-
Facility rentals	79,741	-	79,741	-
Gain on restructuring of notes payable	305,645	-	305,645	-
Total Public Support and Revenues	3,991,646	-	3,991,646	-
Expenses				
Programs	2,737,589	-	2,737,589	-
Management and general	269,238	-	269,238	-
Fundraising	43,453	-	43,453	-
Total Expenses	3,050,280	-	3,050,280	-
Change in Net Assets	941,366	-	941,366	-
Net Assets at Beginning of Year	(1,415,103)	-	(1,482,365)	67,262
Net Assets at End of Year	$ (473,737)	$ -	$ (540,999)	$ 67,262