

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

Independent Auditor's Report and Financial Statements

June 30, 2018



Board of Jewish Education, Inc.
dba The Jewish Education Project
June 30, 2018

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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 balance sheet as of June 30, 2018, 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, 2018, and the changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors and Summarized Comparative Information

The 2017 financial statements were audited by other auditors and their report thereon, dated January 30, 2018, expressed an unmodified opinion. The summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent with the audited financial statements from which it has been derived.

BKD, LLP

New York, New York
February 12, 2019

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

Balance Sheet

June 30, 2018

(With Summarized Financial Information for June 30, 2017)

	2018	2017
Assets		
Current Assets		
Cash	\$ 1,754,794	\$ 1,538,351
Investments	5,238,162	4,904,673
Accounts receivable (net of allowance for doubtful accounts of \$175,000 in 2018 and 2017)	1,755,527	1,912,769
Grants and contributions receivable - current	554,179	472,369
Inventory - school food services	27,075	22,798
Prepaid expenses and other assets	65,742	38,036
Total current assets	9,395,479	8,888,996
Investments	100,000	100,000
Property and equipment	693,156	863,298
Total assets	\$ 10,188,635	\$ 9,852,294
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,269,651	\$ 2,510,186
Accrued benefits and payroll taxes	343,130	340,487
Deferred income	753,743	104,731
Total liabilities - current	3,366,524	2,955,404
Net Assets		
Unrestricted	6,696,873	6,755,040
Temporarily restricted	25,238	41,850
Permanently restricted	100,000	100,000
Total net assets	6,822,111	6,896,890
Total liabilities and net assets	\$ 10,188,635	\$ 9,852,294

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

Statement of Activities

Year Ended June 30, 2018

(With Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Revenues, Gains (Losses) and Other Support					
United Jewish Appeal-Federation of Jewish Philanthropies	\$ 5,145,127	\$ -	\$ -	\$ 5,145,127	\$ 5,086,563
Contributions and gifts	222,342	-	-	222,342	267,834
Grants	1,661,471	-	-	1,661,471	778,841
Gross revenue from special event	\$ 392,839				
Less direct costs of special event	<u>(67,621)</u>				
Net revenue from special event	325,218	-	-	325,218	660,419
Services fees - school food services	1,865,146	-	-	1,865,146	1,744,629
Service fees - other	1,429,130	-	-	1,429,130	1,441,953
Gross revenue from sale of food	2,355,086				
Less cost of goods sold	<u>(2,383,388)</u>				
Net revenue from sale of food	(28,302)	-	-	(28,302)	163,572
Interest and dividends	4,671	83	-	4,754	1,211
Realized and unrealized gain on investments	345,132	7,673	-	352,805	528,216
Other revenues	102,019	-	-	102,019	101,752
Net assets released from restrictions	24,368	(24,368)	-	-	-
Total revenues, gains (losses) and other support	<u>11,096,322</u>	<u>(16,612)</u>	<u>-</u>	<u>11,079,710</u>	<u>10,774,990</u>
Expenses					
Program Services					
School Food	774,112	-	-	774,112	830,997
Day School	2,408,118	-	-	2,408,118	2,414,887
Early Childhood	788,085	-	-	788,085	900,361
Congregational Learning	844,312	-	-	844,312	1,022,535
Teen Engagement	2,318,564	-	-	2,318,564	1,652,963
Other programs	1,617,099	-	-	1,617,099	1,171,748
Total program services	<u>8,750,290</u>	<u>-</u>	<u>-</u>	<u>8,750,290</u>	<u>7,993,491</u>

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

Statement of Activities (continued)

Year Ended June 30, 2018

(With Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Expenses (continued)					
Supporting Services					
Management and general	\$ 1,792,274	\$ -	\$ -	\$ 1,792,274	\$ 1,773,673
Resource development and fundraising	611,925	-	-	611,925	545,901
Total supporting services	<u>2,404,199</u>	<u>-</u>	<u>-</u>	<u>2,404,199</u>	<u>2,319,574</u>
Total expenses	<u>11,154,489</u>	<u>-</u>	<u>-</u>	<u>11,154,489</u>	<u>10,313,065</u>
Change in Net Assets	(58,167)	(16,612)	-	(74,779)	461,925
Net Assets, Beginning of year	<u>6,755,040</u>	<u>41,850</u>	<u>100,000</u>	<u>6,896,890</u>	<u>6,434,965</u>
Net Assets, End of Year	<u>\$ 6,696,873</u>	<u>\$ 25,238</u>	<u>\$ 100,000</u>	<u>\$ 6,822,111</u>	<u>\$ 6,896,890</u>

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

Statement of Functional Expenses

Year Ended June 30, 2018

(With Summarized Financial Information for the Year Ended June 30, 2017)

	Program Services						Supporting Services			Direct Costs of Special Event	Total		
	School Food	Day School	Early Childhood	Congre- gational Learning	Teen Engagement	Other Programs	Total Program Services	Management and General	Resource Development and Fundraising		Total Supporting Services	2018	2017
Salaries and Related Expenses													
Salaries	\$ 448,487	\$ 945,445	\$ 472,295	\$ 420,973	\$ 801,862	\$ 663,533	\$ 3,752,595	\$ 902,221	\$ 289,776	\$ 1,191,997	\$ -	\$ 4,944,592	\$ 5,132,556
Payroll taxes	28,377	72,165	31,755	28,534	60,499	41,545	262,875	51,544	19,314	70,858	-	333,733	339,722
Employee benefits	147,142	215,433	82,452	94,589	145,034	101,615	786,265	161,067	80,332	241,399	-	1,027,664	1,059,955
Total salaries and related expenses	624,006	1,233,043	586,502	544,096	1,007,395	806,693	4,801,735	1,114,832	389,422	1,504,254	-	6,305,989	6,532,233
Institutional Expenses													
Consultants and lecturers	15,018	742,584	86,644	90,846	650,443	191,234	1,776,769	44,955	108,727	153,682	-	1,930,451	1,235,293
Awards	-	94	-	-	3,600	-	3,694	19,044	-	19,044	-	22,738	22,143
Tuition and stipends	-	98,323	360	-	100,250	216,374	415,307	-	-	-	-	415,307	138,422
Travel	6,612	19,478	6,630	5,764	93,860	7,958	140,302	33,027	115	33,142	-	173,444	129,703
Conferences and dues	985	3,630	874	8,352	11,284	28,412	53,537	15,493	1,259	16,752	-	70,289	85,656
Supplies	2,524	12,521	6,604	5,236	56,220	5,547	88,652	2,611	216	2,827	-	91,479	73,214
Advertising	-	3,811	13,912	-	104,886	10,552	133,161	15,274	40,993	56,267	-	189,428	206,228
Food	2,385,505	31,887	6,105	6,006	44,259	21,152	2,494,914	18,544	48	18,592	-	2,513,506	2,505,221
Catering and entertainment	-	-	-	-	-	-	-	-	-	-	67,621	67,621	77,970
Total institutional expenses	2,410,644	912,328	121,129	116,204	1,064,802	481,229	5,106,336	148,948	151,358	300,306	67,621	5,474,263	4,473,850
Administrative Expenses													
Equipment rental and expense	47,737	23,072	6,913	18,901	20,615	17,803	135,041	19,655	5,269	24,924	-	159,965	292,184
CRM and website	-	-	-	-	-	143,110	143,110	-	9,230	9,230	-	152,340	-
Repair and maintenance	4,655	15,732	4,917	8,757	15,035	10,147	59,243	15,829	3,817	19,646	-	78,889	81,263
Legal and audit	3,500	-	-	-	1,450	-	4,950	36,428	-	36,428	-	41,378	65,906
Insurance	2,347	7,933	2,480	2,645	7,581	5,117	28,103	7,982	1,924	9,906	-	38,009	47,300
Office supplies	6,338	21,515	4,900	10,796	15,465	9,625	68,639	14,115	3,892	18,007	-	86,646	73,459
Bank and investment fees	-	-	-	-	-	-	-	28,283	-	28,283	-	28,283	27,542
Bad debt	-	-	-	-	-	-	-	23,640	-	23,640	-	23,640	26,000
Miscellaneous	2,068	4,548	1,870	1,163	4,686	20,860	35,195	3,508	846	4,354	-	39,549	26,216
Total administrative expenses	66,645	72,800	21,080	42,262	64,832	206,662	474,281	149,440	24,978	174,418	-	648,699	639,870
Occupancy Expenses													
Rent	50,151	169,488	52,979	124,355	161,982	109,319	668,274	170,541	41,119	211,660	-	879,934	856,436
Gas and electric	6,054	20,459	6,395	17,395	19,553	13,196	83,052	20,586	5,048	25,634	-	108,686	93,879
Total occupancy expenses	56,205	189,947	59,374	141,750	181,535	122,515	751,326	191,127	46,167	237,294	-	988,620	950,315
Total expenses before depreciation and amortization	3,157,500	2,408,118	788,085	844,312	2,318,564	1,617,099	11,133,678	1,604,347	611,925	2,216,272	67,621	13,417,571	12,596,268
Depreciation and amortization	-	-	-	-	-	-	-	187,927	-	187,927	-	187,927	171,305
Total expenses	3,157,500	2,408,118	788,085	844,312	2,318,564	1,617,099	11,133,678	1,792,274	611,925	2,404,199	67,621	13,605,498	12,767,573
Less cost of goods sold netted against sale of food	(2,383,388)	-	-	-	-	-	(2,383,388)	-	-	-	-	(2,383,388)	(2,376,538)
Less direct costs of special events deducted from revenue on the statement of activities	-	-	-	-	-	-	-	-	-	-	(67,621)	(67,621)	(77,970)
Total expenses reported by function on the statement of activities	\$ 774,112	\$ 2,408,118	\$ 788,085	\$ 844,312	\$ 2,318,564	\$ 1,617,099	\$ 8,750,290	\$ 1,792,274	\$ 611,925	\$ 2,404,199	\$ -	\$ 11,154,489	\$ 10,313,065

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

Statement of Cash Flows

Year Ended June 30, 2018

(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018	2017
Operating Activities		
Change in net assets	\$ (74,779)	\$ 461,925
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	187,927	171,305
Net realized and unrealized gain on investments	(352,805)	(528,216)
Changes in		
Accounts receivable	157,242	(571,392)
Grants and contributions receivable	(81,810)	159,386
Inventory - school food services	(4,277)	30,061
Prepaid expenses and other assets	(27,706)	(14,294)
Accounts payable and accrued expenses	(240,535)	967,897
Accrued benefits and payroll taxes	2,643	(24,876)
Deferred income	649,012	44,994
Net cash provided by operating activities	214,912	696,790
Investing Activities		
Purchases of investments	(4,400)	(605)
Proceeds from sale of investments	23,716	-
Fixed asset acquisitions	(17,785)	(191,109)
Net cash provided by (used in) investing activities	1,531	(191,714)
Net Change in Cash	216,443	505,076
Cash, Beginning of Year	1,538,351	1,033,275
Cash, End of Year	\$ 1,754,794	\$ 1,538,351

Board of Jewish Education, Inc.
dba The Jewish Education Project
Notes to Financial Statements
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.
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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% 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 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 at time of donation, if acquired by contribution) 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 investment, less external investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Board of Jewish Education, Inc.
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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.

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 year ended June 30, 2018.

Net Assets

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use by The Jewish Education Project has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by The Jewish Education Project in perpetuity.

Board of Jewish Education, Inc.
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Notes to Financial Statements
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Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets. (Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.)

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

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 for the year ended June 30, 2018.

Shipping and Handling Costs

Shipping and handling costs of approximately \$240,000 in 2018 and \$190,000 in 2017, 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.

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

Notes to Financial Statements

June 30, 2018

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(c)(3) 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. With few exceptions, the Jewish Education Project is no longer subject to U.S. federal tax examination for years before June 30, 2015.

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.

Revision

A revision has been made to the previously presented levels within the 2017 fair value hierarchy to reclassify certain investments previously being measured at Level 3 to Level 2. The Jewish Education Project has determined this change is not material.

Subsequent Events

Subsequent events have been evaluated through February 12, 2019, which is the date the financial statements were available to be issued.

Board of Jewish Education, Inc.
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Notes to Financial Statements
June 30, 2018

Note 2: 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 balance sheet 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, 2018 and 2017:

	Significant Other Observable Inputs (Level 2)		
	2017		
	Total	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments			
State of Israel bonds	\$ 1,000	\$ 1,000	\$ -
UJA Pooled Investment Account	<u>5,337,162</u>	<u>-</u>	<u>23,235</u>
Total investments	<u>\$ 5,338,162</u>	<u>\$ 4,980,438</u>	<u>\$ -</u>
Investments			
State of Israel bonds	\$ 1,000	\$ 1,000	\$ -
FJC Agency Loan Fund	23,235	-	23,235
UJA Pooled Investment Account	<u>4,980,438</u>	<u>4,980,438</u>	<u>-</u>
Total investments	<u>\$ 5,004,673</u>	<u>\$ 4,981,438</u>	<u>\$ 23,235</u>

Board of Jewish Education, Inc.
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Notes to Financial Statements
June 30, 2018

Alternative Investments

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

	Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2018	2017			
UJA pooled investment account (1)	\$ 5,337,162	\$ 4,980,438	-	On-demand	30 days

- (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 (7.6%), multi-strategy hedge funds (36.3%), long equity (42.9%), private equity (12.3%), and real estate (0.9%) at June 30, 2018, and cash and bonds (9.5%), multi-strategy hedge funds (34.8%), long equity (43.9%), private equity (10.4%), and real estate (1.4%) at June 30, 2017. The purpose is to generate appreciation while managing risk through diversification.

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 balance sheet, 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, 2018 and 2017. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

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. See the table below for inputs and valuation techniques used for Level 3 securities.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of securities are the responsibility of the Director of Finance. The Director of Finance obtained quarterly statements from FJC. Annually, the Director of Finance obtained the audited financial statements of FJC and challenged the reasonableness of the assumptions used and reviewed the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States. The Jewish Education Project ended their investment in the FJC Agency Loan Fund in May 2018.

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Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	FJC Agency Loan Fund
Balance, July 1, 2017	\$ 23,235
Interest	683
Management fees	(202)
Sales	(23,716)
Balance, June 30, 2018	\$ -

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2017.

	Fair Value at 06/30/2017	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
FJC Agency Loan Fund	\$ 23,235	Cash liquidation value	N/A	N/A

Note 3: Property and Equipment

Property and equipment at June 30 consists of:

	2018	2017	Estimated Useful Lives
Furniture and equipment	\$ 1,227,039	\$ 1,227,038	3 - 10 years
Leasehold improvements	1,016,792	1,016,792	7 - 20 years
Telephone systems	79,250	61,466	3 - 5 years
	2,323,081	2,305,296	
Less accumulated depreciation and amortization	(1,629,925)	(1,441,998)	
Net fixed assets	\$ 693,156	\$ 863,298	

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Note 4: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Jewish Family Education	\$ 9,566	\$ 8,810
Safran Arts	15,672	15,672
Scholarships	<u>-</u>	<u>17,368</u>
	<u>\$ 25,238</u>	<u>\$ 41,850</u>

Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to:

	<u>2018</u>	<u>2017</u>
Investment in perpetuity, the income of which is expendable to support Jewish Family Education	<u>\$ 100,000</u>	<u>\$ 100,000</u>

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.

	<u>2018</u>	<u>2017</u>
Jewish Family Education	\$ 7,000	\$ 7,000
Scholarships	<u>17,368</u>	<u>20,000</u>
	<u>\$ 24,368</u>	<u>\$ 27,000</u>

Note 5: Endowment

The Jewish Education Project's permanently restricted net assets consist of one fund for Jewish Family Education in the amount of \$100,000. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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The Jewish Education Project's governing body is subject to the State of New York Prudent Management of Institutional Funds Act (NYPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as temporarily restricted net assets 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 reclassifying those temporarily restricted net assets to unrestricted net assets. The governing body of the Jewish Education Project has interpreted NYPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Jewish Education Project considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Jewish Education Project has interpreted NYPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. 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
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 composition of net assets by type of endowment fund at June 30, 2018 and 2017, was:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 9,566	\$ 100,000	\$ 109,566
	2017		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 8,810	\$ 100,000	\$ 108,810

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Changes in endowment net assets for the years ended June 30, 2018 and 2017 were:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 8,810	\$ 100,000	\$ 108,810
Investment return			
Investment income	83	-	83
Net appreciation	7,673	-	7,673
Total investment return	7,756	-	7,756
Appropriation of endowment assets for expenditure	(7,000)	-	(7,000)
Endowment net assets, end of year	\$ 9,566	\$ 100,000	\$ 109,566
	2017		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,009	\$ 100,000	\$ 104,009
Investment return			
Net appreciation	11,801	-	11,801
Appropriation of endowment assets for expenditure	(7,000)	-	(7,000)
Endowment net assets, end of year	\$ 8,810	\$ 100,000	\$ 108,810

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Jewish Education Project is required to retain as a fund of perpetual duration pursuant to donor stipulation or NYPMIFA. At June 30, 2018 and 2017 the endowment was not underwater.

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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 temporarily restricted income and released from restriction upon appropriation and expenditure for the program for which the endowment fund was established.

Note 6: 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 7: Operating Leases

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,		
2019	\$	780,676
2020		760,018
2021		775,566
2022		791,439
2023		807,644
Later years		<u>205,663</u>
Total minimum lease payments	\$	<u><u>4,121,006</u></u>

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Minimum future rentals receivable under noncancelable operating subleases at June 30, 2018 are as follows:

Fiscal Year Ending June 30,		
2019	\$	65,789
2020		68,420
2021		28,973
	\$	163,182

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.

Rental expense for all operating leases consisted of:

	2018	2017
Minimum rentals	\$ 879,934	\$ 856,436
Less sublease rental income	(102,019)	(101,752)
	\$ 777,915	\$ 754,684

Note 8: 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% of their salaries to the plan to be eligible for a matching contribution equaling 7 ½% of their salaries. Employees are eligible to participate in the plan after one year of service. Vesting is 100% after two years of service for the employer's contributed portion, and immediately for the employee's contributed portion. The expense for the year ended June 30, 2018 and 2017 was \$297,057 and \$303,484, respectively.

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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% funded using the most recent financial information as of October 1, 2017, the beginning of the Plan year. Pension expense for the year ended June 30, 2018 and 2017 was \$12,986 and \$7,156, respectively.

Note 9: 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, 2018, The Jewish Education Project's cash accounts exceeded federally insured limits by approximately \$1,500,000.

Revenue

The Jewish Education Project is highly dependent on revenue from UJA, which approximates 46% and 47% of its revenue for the years ended June 30, 2018 and 2017, 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 balance sheet.

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Note 10: Future Change in Accounting Principle

Presentation of Financial Statements for Not-for-Profit Entities

Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for fiscal years beginning after December 15, 2017.

A summary of the changes by financial statement area most relevant to The Jewish Education Project are as follows:

Statement of Financial Position

- The statement of financial position will distinguish 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

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

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

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.
- Amounts and purposes of governing Board designations and appropriations as of the end of the period are disclosed.

The Jewish Education Project intends to begin the process of evaluating the impact the amendment will have on the financial statements.

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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.

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.

Revenue Recognition

The Financial Accounting Standards Board 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.

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Accounting for Leases

The Financial Accounting Standards Board 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, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Jewish Education Project is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.