

**JEWISH COMMUNITY CENTER OF
METROPOLITAN DETROIT**

West Bloomfield, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended May 31, 2017 and 2016

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Jewish Community Center of Metropolitan Detroit
West Bloomfield, Michigan

We have audited the accompanying financial statements of Jewish Community Center of Metropolitan Detroit (the "Center"), which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' 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.

Board of Directors
Jewish Community Center of Metropolitan Detroit

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of May 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Center closed the Oak Park facility in 2015, a significant component of operations. The Center also continues to be financially dependent on a related party. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 18. Our opinion is not modified with respect to that matter.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
December 8, 2017

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

STATEMENTS OF FINANCIAL POSITION

As of May 31, 2017 and 2016

ASSETS		
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 936,389	\$ 933,141
Accounts receivable (net)		
Members and programs	9,356	61,253
Special events and other	56,800	114,055
Current portion of promises to give (net)	562,617	106,600
Prepaid expenses and other current assets	105,813	81,011
Total Current Assets	1,670,974	1,296,060
NONCURRENT ASSETS		
Accrued rent revenue	16,073	76,563
Long term portion of promises to give (net)	93,045	-
Beneficial interest in endowment funds	13,995,966	11,784,813
Beneficial interest in charitable remainder unitrust	1,220,497	1,437,512
Total Noncurrent Assets	15,325,582	13,298,888
PROPERTY AND EQUIPMENT (NET)	721,181	785,813
TOTAL ASSETS	\$ 17,717,737	\$ 15,380,761
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 314,233	\$ 408,876
Deferred revenue	778,634	859,767
Short-term debt - affiliate	44,500	-
Short-term debt - capital leases	13,641	30,570
Accrued liabilities and other	455,454	880,313
Total Current Liabilities	1,606,462	2,179,525
LONG-TERM LIABILITIES		
Payable to endowment funds	932,173	932,173
Long-term debt - line of credit	500,000	500,000
Long-term debt - affiliate	-	44,500
Long-term debt - capital leases	15,808	15,468
Total Long-term Liabilities	1,447,981	1,492,141
Total Liabilities	3,054,443	3,671,667
NET ASSETS (DEFICIT)		
Unrestricted	(3,755,182)	(4,657,093)
Temporarily restricted	4,460,484	3,698,190
Permanently restricted	13,957,992	12,667,997
Total Net Assets	14,663,294	11,709,094
TOTAL LIABILITIES AND NET ASSETS	\$ 17,717,737	\$ 15,380,761

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

STATEMENT OF ACTIVITIES For the Year Ended May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Jewish Federation	\$ 1,389,314	\$ -	\$ -	\$ 1,389,314
Jewish Federation special allocation	353,145	-	-	353,145
General contributions	1,749,835	1,260,869	2,089,995	5,100,699
Membership fees (net)	1,587,157	-	-	1,587,157
Program service fees (net)	3,027,311	-	-	3,027,311
Special events revenue	68,204	16,275	-	84,479
Investment income on beneficial interest	455,420	983,525	-	1,438,945
Change in value of beneficial interest	609,793	(826,808)	-	(217,015)
Contributed rent	1,362,579	-	-	1,362,579
Rental income	884,457	-	-	884,457
Miscellaneous income	147,123	-	-	147,123
Total Revenue and Support	11,634,338	1,433,860	2,089,995	15,158,194
Net assets released from restrictions	671,567	(671,567)	-	-
Total Revenue and Support and Net Assets Released	12,305,905	762,294	2,089,995	15,158,194
EXPENSES				
Program services				
Camp	1,209,557	-	-	1,209,557
Child development	1,645,363	-	-	1,645,363
Sports and fitness	4,005,639	-	-	4,005,639
Other	3,513,407	-	-	3,513,407
Total Program Services	10,373,966	-	-	10,373,966
Supporting services				
Management and general	1,510,916	-	-	1,510,916
Fundraising	319,112	-	-	319,112
Total Supporting Services	1,830,028	-	-	1,830,028
Total Expenses	12,203,994	-	-	12,203,994
Increase in Net Assets from Continuing Operations	101,911	762,294	2,089,995	2,954,200
Gift Restriction Change by Donors	800,000	-	(800,000)	-
CHANGE IN NET ASSETS	901,911	762,294	1,289,995	2,954,200
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	(4,657,093)	3,698,190	12,667,997	11,709,094
NET ASSETS (DEFICIT) - END OF YEAR	\$ (3,755,182)	\$ 4,460,484	\$ 13,957,992	\$ 14,663,294

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

STATEMENT OF ACTIVITIES For the Year Ended May 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Jewish Federation	\$ 1,375,445	\$ -	\$ -	\$ 1,375,445
Jewish Federation special allocation	385,323	-	-	385,323
General contributions	1,642,580	721,283	18,000	2,381,863
Membership fees (net)	1,677,796	-	-	1,677,796
Program service fees (net)	3,286,225	-	-	3,286,225
Special events revenue	184,569	40,255	-	224,824
Investment loss on beneficial interest	(12)	(106,202)	-	(106,214)
Change in value of beneficial interest	(10,720)	(1,107,628)	-	(1,118,348)
Contributed rent	1,362,579	-	-	1,362,579
Rental income	879,525	-	-	879,525
Miscellaneous income	206,772	-	-	206,772
Total Revenue and Support	10,990,082	(452,292)	18,000	10,555,790
Net assets released from restrictions	526,006	(526,006)	-	-
Total Revenue and Support and Net Assets Released	11,516,088	(978,298)	18,000	10,555,790
EXPENSES				
Program services				
Camp	1,237,741	-	-	1,237,741
Child development	1,742,766	-	-	1,742,766
Sports and fitness	4,131,416	-	-	4,131,416
Other	3,402,786	-	-	3,402,786
Total Program Services	10,514,709	-	-	10,514,709
Supporting services				
Management and general	1,608,430	-	-	1,608,430
Fundraising	350,465	-	-	350,465
Total Supporting Services	1,958,895	-	-	1,958,895
Total Expenses	12,473,604	-	-	12,473,604
Increase in Net Assets from Continuing Operations	(957,516)	(978,298)	18,000	(1,917,814)
Decrease in Net Assets from Discontinued Operations	(21,676)	-	-	(21,676)
Transfer of Endowment Funds due to Discontinued Operations	-	7,385	(269,073)	(261,688)
Gift Restriction Change by Donors	-	143,426	(1,510,948)	(1,367,522)
CHANGE IN NET ASSETS	(979,192)	(827,487)	(1,762,021)	(3,568,700)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	(3,677,901)	4,525,677	14,430,018	15,277,794
NET ASSETS (DEFICIT) - END OF YEAR	\$ (4,657,093)	\$ 3,698,190	\$ 12,667,997	\$ 11,709,094

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

STATEMENTS OF CASH FLOWS For the Years Ended May 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,954,200	\$ (3,568,700)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Bad debt expense	77,366	53,688
Depreciation expense	196,156	212,542
Change in beneficial interest in endowment funds	(2,211,153)	1,340,160
Change in beneficial interest in charitable remainder unitrust	217,015	446,052
Contributions restricted for endowment and capital	-	(18,000)
Contributions of property and equipment	(37,900)	-
Transfers of endowment funds	-	1,629,210
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable & promises to give	(517,276)	89,354
Prepaid expenses and other current assets	(24,802)	44,105
Accrued rent revenue	60,490	45,398
Accounts payable	(94,643)	50,441
Accrued liabilities and other	(424,859)	77,938
Deferred revenue	(81,133)	(116,547)
NET CASH FLOWS FROM OPERATING ACTIVITIES	113,461	285,641
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(93,624)	(260,007)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received for endowment and capital	-	18,000
Payments on affiliate debt and capital leases	(16,589)	(133,310)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(16,589)	(115,310)
NET INCREASE (DECREASE) IN CASH	3,248	(89,676)
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	933,141	1,022,817
CASH AND CASH EQUIVALENTS AS OF END OF YEAR	\$ 936,389	\$ 933,141
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 11,954	\$ 11,580
Supplemental Disclosure of Noncash Investing and Financing Activities		
Donated property and equipment	\$ 37,900	\$ -
Noncash rent expense for use of facilities	\$ 1,562,579	\$ 1,423,085

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended May 31, 2017

	Program Services				Support Services			Total
	Camp	Child Development	Sports and Fitness	Other	Total Program Services	Management and General	Fundraising	
Salaries	\$ 483,401	\$ 863,924	\$ 1,246,303	\$ 1,383,748	\$ 3,977,376	\$ 278,888	\$ 83,778	\$ 4,340,042
Benefits	55,588	99,303	143,267	159,103	457,261	30,783	9,496	497,540
Payroll taxes	41,534	74,141	106,981	118,855	341,511	23,525	7,257	372,293
Total Salaries and Related Expenses	580,523	1,037,368	1,496,551	1,661,706	4,776,148	333,196	100,531	5,209,875
Occupancy	87,424	235,909	1,220,165	469,419	2,012,917	100,529	3,142	2,116,588
Outside purchased services	141,651	7,990	199,452	458,850	807,943	50,376	7,424	865,743
Other supplies	52,259	114,997	86,711	111,699	365,666	6,035	136	371,837
Outside printing	9,965	7,305	9,638	103,968	130,876	3,241	1,380	135,497
Insurance	40,815	46,601	74,377	105,579	267,372	67,733	12,794	347,899
Advertising	20,483	5,546	9,103	66,801	101,933	411	125	102,469
Postage and shipping	3,134	2,826	3,180	49,418	58,558	1,362	1,228	61,148
Telephone	846	50	-	52	948	37,087	-	38,035
Local transportation	189,986	702	28,720	43,627	263,035	1,716	342	265,093
Equipment	1,270	2,799	22,851	9,938	36,858	82,976	-	119,834
Resale merchandise	-	-	-	66,374	66,374	-	-	66,374
Bank charges and interest	-	-	-	-	-	117,330	-	117,330
Professional fees	-	-	-	277	277	460,638	34,541	495,456
JCCA and membership dues	2,546	1,680	675	2,357	7,258	44,419	-	51,677
Office supplies	1,228	648	4,388	5,691	11,955	8,141	333	20,429
Recruitment	-	-	-	275	275	-	-	275
Conferences and training	3,031	841	1,137	6,039	11,048	13,419	625	25,092
Special events expense	-	-	-	-	-	-	147,396	147,396
Bad debt expense	-	-	-	-	-	77,366	-	77,366
Subscriptions & publications	22	40	58	8,055	8,175	1,488	183	9,846
Rent	50,912	155,190	801,999	285,070	1,293,171	67,304	2,104	1,362,579
Depreciation	23,462	24,871	46,634	58,212	153,179	36,149	6,828	196,156
Total Functional Expenses	\$ 1,209,557	\$ 1,645,363	\$ 4,005,639	\$ 3,513,407	\$ 10,373,966	\$ 1,510,916	\$ 319,112	\$ 12,203,994

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended May 31, 2016

	CONTINUING OPERATIONS								DISCONTINUED OPERATIONS			
	Program Services					Support Services			Support Services			Total
	Camp	Child	Sports and	Other	Total Program	Management	Fundraising	Total	JPM	Management	Discontinued	
		Development	Fitness		Services			Continuing		and General	Operations	Operations
Salaries	\$ 500,624	\$ 956,872	\$ 1,419,893	\$ 1,420,908	\$ 4,298,297	\$ 293,917	\$ 78,928	\$ 4,671,142	\$ 180,506	\$ 62,340	\$ 242,846	\$ 4,913,988
Benefits	52,907	101,193	150,143	150,204	454,447	30,645	8,230	493,322	19,089	6,500	25,589	518,911
Payroll taxes	43,116	82,379	122,248	122,357	370,100	25,505	6,849	402,454	15,540	5,410	20,950	423,404
Total Salaries and Related Expenses	596,647	1,140,444	1,692,284	1,693,469	5,122,844	350,067	94,007	5,566,918	215,135	74,250	289,385	5,856,303
Occupancy	81,542	217,516	1,134,824	449,301	1,883,183	93,259	2,914	1,979,356	55,290	37,661	92,951	2,072,307
Outside purchased services	148,355	18,327	211,164	353,252	731,098	107,948	4,900	843,946	17,391	33,610	51,001	894,947
Other supplies	47,150	119,947	110,094	109,233	386,424	14,936	7,504	408,864	5,531	3,617	9,148	418,012
Outside printing	15,969	6,684	9,994	112,331	144,978	2,360	980	148,318	1,394	-	1,394	149,712
Insurance	34,630	41,830	67,863	84,180	228,503	65,632	11,657	305,792	7,878	40,591	48,469	354,261
Advertising	27,131	3,072	4,059	66,175	100,437	180	-	100,617	443	144	587	101,204
Postage and shipping	2,676	3,040	2,848	37,859	46,423	1,601	2,054	50,078	265	1	266	50,344
Telephone	923	-	-	385	1,308	42,765	60	44,133	366	2,139	2,505	46,638
Local transportation	197,251	1,243	24,694	35,286	258,474	2,357	116	260,947	703	341	1,044	261,991
Equipment	1,782	1,178	20,486	18,747	42,193	75,472	-	117,665	1,368	6,284	7,652	125,317
Resale merchandise	-	-	198	61,108	61,306	-	-	61,306	120	80	200	61,506
Bank charges and interest	-	-	-	141	141	112,854	-	112,995	-	-	-	112,995
Professional fees	57	114	168	1,238	1,577	510,301	21,996	533,874	22	-	22	533,896
JCCA and membership dues	-	110	-	2,356	2,466	44,850	-	47,316	-	-	-	47,316
Office supplies	1,386	2,155	2,474	13,809	19,824	6,813	202	26,839	265	104	369	27,208
Recruitment	150	-	-	400	550	-	-	550	-	-	-	550
Conferences and training	6,444	3,291	822	11,111	21,668	9,670	-	31,338	-	-	-	31,338
Special events expense	-	-	-	-	-	-	193,994	193,994	-	-	-	193,994
Bad debt expense	-	-	-	-	-	53,688	-	53,688	-	-	-	53,688
Subscriptions & publications	159	-	120	8,209	8,488	1,461	-	9,949	-	-	-	9,949
Rent	50,912	155,190	801,999	285,071	1,293,172	67,303	2,104	1,362,579	35,384	25,122	60,506	1,423,085
Depreciation	24,577	28,625	47,325	59,125	159,652	44,913	7,977	212,542	-	-	-	212,542
Total Functional Expenses	<u>\$ 1,237,741</u>	<u>\$ 1,742,766</u>	<u>\$ 4,131,416</u>	<u>\$ 3,402,786</u>	<u>\$ 10,514,709</u>	<u>\$ 1,608,430</u>	<u>\$ 350,465</u>	<u>\$ 12,473,604</u>	<u>\$ 341,555</u>	<u>\$ 223,944</u>	<u>\$ 565,499</u>	<u>\$ 13,039,103</u>

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Organization - Jewish Community Center of Metropolitan Detroit (the "Center") is a not-for-profit organization that offers a wide variety of cultural, educational, athletic, and social programs for persons in the Detroit, Michigan area. It offers a sports and fitness center, child development center, and adult and family enrichment programming at one location. During fiscal 2016, the Center closed a second location.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less. At May 31, 2017 and 2016, cash equivalents of \$936,389 and \$933,141 include \$920 and \$925, respectively, of funds invested in a pooled investment fund through the United Jewish Foundation of Metro Detroit (UJF). The agreement allows the Center the right to withdraw all or any part of the funds upon written notice to UJF.

Concentration of Credit Risk - Balances maintained at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Center may have bank balances in excess of the FDIC insurance limits. As a result, the Center evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Accounts Receivable - Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Accounts receivable are presented on the balance sheet net of an allowance for doubtful accounts of \$106,540 and \$114,768 for members and programs, \$400 and \$640 for special events and other, and \$44,300 and \$2,500 for promises to give at May 31, 2017 and 2016, respectively.

Accrued Rent Revenue - Accrued rent revenue represents the difference in rent revenue recognized on a straight-line basis and the actual cash payments due from sub-lessees under the terms of the lease agreement.

Beneficial Interest in Endowment Funds - The Center is a designated beneficiary of trust funds held by Jewish Federation of Metropolitan Detroit and United Jewish Foundation of Metro Detroit ("JFMD/UJF"). A portion of these funds is restricted as to use by donors and all these funds are restricted through consent of JFMD/UJF. At May 31, 2017 and 2016, beneficial interest in endowment funds totaled \$13,995,966 and \$11,784,813, respectively. See Note 11 for additional activity disclosure.

The following is a description of the unrestricted, temporarily restricted, and permanently restricted net asset balances which make up the beneficial endowment funds. At May 31, 2017 and 2016, the endowment had cumulative losses of approximately (\$1,699,000) and \$(2,154,000), respectively, reported as unrestricted net assets. At May 31, 2017 and 2016, the endowment had approximately \$1,740,000 and \$1,270,000, respectively, in temporarily restricted net assets and approximately \$13,958,000 and \$12,668,000, respectively, in permanently restricted net assets.

Beneficial Interest in Charitable Remainder Unitrust - The Center is a designated beneficiary of trust funds held in a charitable remainder unitrust. These funds are unrestricted as to use by donors. At May 31, 2017 and 2016, the Center has recorded a beneficial interest in the charitable remainder unitrust totaling \$1,220,497 and \$1,437,512, respectively, which is included in temporarily restricted net assets. See Note 12 for additional activity disclosure.

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives, ranging from 3-20 years. Costs of maintenance and repairs are charged to expense when incurred.

The Center reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property and equipment must be maintained, the Center reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property and equipment.

Collections of Artwork - The Center has chosen not to capitalize its collections since its inception. Gains or losses on the deaccession of collection items are classified on the statements of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession. There have been no accessions or deaccessions as of May 31, 2017 and 2016.

Deferred Revenue - Deferred revenue represents membership dues and program service fees received in advance. Membership dues are recognized ratably over the period to which they relate. Program service fees are recognized ratably over the period of the program.

Classification of Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows, see Note 2.

Contributions without donor-imposed restrictions are reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Membership Fees - Membership fees are recognized ratably over the period of the membership. Membership fee revenue is reported net of approximately \$125,000 and \$86,000 in scholarships and discounts granted for the years ended May 31, 2017 and 2016, respectively.

Program Service Fees - The Center receives revenue for the various programs the Center administers. Revenue is recognized at net realizable value when the service is provided. Program service fees are net of approximately \$771,000 and \$890,000 in scholarships and discounts granted for the years ended May 31, 2017 and 2016, respectively.

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statements of activities and changes in net assets (deficit). Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Federal Income Taxes - The Center is a not-for-profit corporation and has been granted tax-exempt status by the Internal Revenue Service under the provisions of Code Section 501(c)(3). Net income from activities unrelated to the Center's tax-exempt purpose is subject to taxation. Taxes on unrelated business income are not material to the financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Center and has concluded that as of May 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Impairment of Assets - The Center reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There have been no such losses during 2017 or 2016.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including December 8, 2017, which is the date the financial statements were available to be issued.

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Center is assessing the impact this standard will have on its financial statements.

During May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2017. The Center may elect to apply the guidance earlier. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Center is currently assessing the effect that ASU 2014-09 and 2015-14 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU 2016-02, "Leases". ASU 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The Center is currently assessing the effect that ASU 2016-02 will have on their results of operations, financial position and cash flows.

Note 2 - Promises to Give

Promises to give are as follows:

	2017	2016
Gross promises to give before allowance	\$ 704,417	\$ 109,100
Less unamortized discount - Using 3 percent discount rate	(4,455)	-
Less allowance for doubtful promises to give	(44,300)	(2,500)
Net promises to give	<u>\$ 655,662</u>	<u>\$ 106,600</u>
Amounts due in:		
Less than one year, net of allowance	\$ 562,617	\$ 106,600
One to five years, net of allowance and discount	93,045	-
Total	<u>\$ 655,662</u>	<u>\$ 106,600</u>

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 3 – Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. In determining fair value, the Center uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. The fair value hierarchy is categorized into three levels as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 – Valuations based on inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Center’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The Center’s policy is to recognize transfers in and out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of fair value hierarchy during the years ended May 31, 2017 and 2016.

The fair value of the beneficial interest in endowment funds was determined primarily based on Level 3 inputs. The beneficial interest in endowment funds consists of a pooled investment portfolio, which consists of commonly traded mutual funds, stocks, and bonds for which an active and liquid market exists and investments in partnerships, hedge funds, and private equity funds which are not publicly traded. The Center estimates the fair value of the underlying assets of the funds, which are valued based on reports received from JFMD/UJF, based upon the fair value of the assets in the pooled investment portfolio unless the facts and circumstances indicate the fair value would be different from the present value of the estimated future distributions.

The fair value of the beneficial interest in charitable remainder unitrust was determined by the underlying investments in the trust which are based on quoted prices, as well as the present value of future payments to other beneficiaries, changes in actual assumptions, and a rate of return of 5.4% and 5.7% along with a discount rate of 4.5% and 3.7% for the years ending May 31, 2017 and 2016, respectively.

While the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 3 – Fair Value Measurements (continued)

The following table presents information about the Center's assets measured at fair value on a recurring basis as of May, 31, 2017 based upon the three-level hierarchy:

	Level 1	Level 2	Level 3	Total
Beneficial interest in endowment funds	\$ -	\$ -	\$ 13,995,966	\$ 13,995,966
Beneficial interest in charitable remainder unitrust	\$ -	\$ -	\$ 1,220,497	\$ 1,220,497

The following table presents information about the Center's assets measured at fair value on a recurring basis as of May, 31, 2016 based upon the three-level hierarchy:

	Level 1	Level 2	Level 3	Total
Beneficial interest in endowment funds	\$ -	\$ -	\$ 11,784,813	\$ 11,784,813
Beneficial interest in charitable remainder unitrust	\$ -	\$ -	\$ 1,437,512	\$ 1,437,512

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended May 31, 2017 and 2016 are as follows:

	Beneficial Interest in Endowment Funds	Beneficial Interest in Charitable Remainder Unitrust
Balance at June 1, 2016	\$ 11,784,813	\$ 1,437,512
Contributions	2,182,000	-
Change in value of funds	1,438,945	(217,015)
Gift restriction change by donors (See Note 17)	(800,000)	-
Income distributed	(609,792)	-
Balance at May 31, 2017	\$ 13,995,966	\$ 1,220,497
Balance at June 1, 2015	\$ 14,754,183	\$ 1,883,564
Contributions	95,747	-
Change in value of funds	(778,498)	-
Transfer due to discontinued operations (note 16)	(261,688)	(446,052)
Gift restriction change by donors (note 17)	(1,367,522)	-
Income distributed	(657,409)	-
Balance at May 31, 2016	\$ 11,784,813	\$ 1,437,512

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 4 – Endowment Funds

Endowment funds consist of donor-restricted endowment funds contributed to support various programs of the Center.

The Center follows accounting standards that provide a framework for classifying net assets with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of that framework is a requirement to classify the portion of donor-restricted endowment funds that are not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds.

The Center's endowment consists of a number of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Center classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Center and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Center
7. The investment policy of the Center

Endowment net asset composition by type of fund as of May 31, 2017:

<u>Donor Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at June 1, 2016	\$(2,154,362)	\$1,271,178	\$12,667,997	\$11,784,813
Contributions	-	92,005	2,089,995	2,182,000
Change in value of funds	455,005	983,940	-	1,438,945
Gift restriction change by donors	-	-	(800,000)	(800,000)
Income distributed	-	(609,792)	-	(609,792)
Balance at May 31, 2017	<u>\$(1,699,357)</u>	<u>\$1,737,331</u>	<u>\$13,957,992</u>	<u>\$13,995,966</u>

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 4 – Endowment Funds (continued)

Endowment net asset composition by type of fund as of May 31, 2016:

<u>Donor Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at June 1, 2015	\$(1,490,054)	\$1,814,219	\$14,430,018	\$14,754,183
Contributions		77,747	18,000	95,747
Change in value of funds	(664,308)	(114,190)	-	(778,498)
Transfer due to Discontinued Operations	-	7,385	(269,073)	(261,688)
Gift restriction change by donors	-	143,426	(1,510,948)	(1,367,522)
Income distributed	-	(657,409)	-	(657,409)
Balance at May 31, 2016	<u>\$(2,154,362)</u>	<u>\$1,271,178</u>	<u>\$12,667,997</u>	<u>\$11,784,813</u>

Charitable remainder unitrust net asset composition by type of fund as of May 31, 2017:

<u>Donor Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	\$ -	\$ 1,220,497	\$ -	\$ 1,220,497

Charitable remainder unitrust net asset composition by type of fund as of May 31, 2016:

<u>Donor Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	\$ -	\$ 1,437,512	\$ -	\$ 1,437,512

Return Objectives and Risk Parameters - The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Center's programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed 5% annually while assuming a moderate level of investment risk.

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

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Center has a policy of generally appropriating for distribution each year of 5% of the endowment base. The endowment base is defined as the three-year moving average of the market value of the total endowment portfolio (calculated as of the last day of each of the previous 12 quarters). In establishing this policy, the Center considered the long-term expected return of their endowment. Accordingly, over the long term, the Center expects the current spending policy to allow their endowment to grow at an average of approximately 2% annually.

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 4 – Endowment Funds (continued)

This is consistent with the Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature were \$1,699,357 and \$2,154,362 as of May 30, 2017 and 2016, respectively. These deficiencies resulted from continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets.

Note 5 - Property and Equipment

The cost of property and equipment is summarized as follows:

	<u>2017</u>	<u>2016</u>
Telephone equipment	\$ 112,024	\$ 112,024
Health club equipment	540,116	524,447
Vehicles	29,525	56,827
Furniture and equipment	1,317,023	1,198,830
Leasehold improvements	1,191,419	1,173,904
Construction in progress	<u>1,540</u>	<u>60,861</u>
Total cost	3,191,647	3,126,893
Accumulated depreciation	<u>(2,470,466)</u>	<u>(2,341,080)</u>
Net Carrying Amount	<u>\$ 721,181</u>	<u>\$ 785,813</u>

Depreciation expense was \$196,156 and \$212,542 for 2017 and 2016, respectively.

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 6 - Restrictions on Net Assets

Temporarily restricted net assets are restricted for the following purposes:

	2017	2016
Athletics, health, and fitness	\$ 84,296	\$ 63,339
Building operations	64,513	35,708
Children's program	1,253,788	1,137,881
Cultural arts	475,279	434,691
Gallery	90,111	91,474
JPM (Oak Park facility)	-	1,000
Millennium campaign	96,296	90,113
Senior adult enrichment	71,835	71,460
Special needs	325,650	251,120
Beneficial interest in charitable remainder trust	1,220,497	1,437,512
Other	778,219	83,892
Total Temporarily Restricted Net Assets	\$ 4,460,484	\$ 3,698,190

Time restricted net assets included in the above disclosure as of May 31, 2017 and 2016 are \$2,487,892 and \$2,173,081, respectively.

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable. Income from permanently restricted net assets is restricted for the following purposes:

	2017	2016
Athletics, health, and fitness	\$ 874,528	\$ 874,528
Building operations	116,343	33,349
Children's program	4,255,715	4,255,715
Cultural arts	4,039,362	2,039,362
Gallery	1,134,723	1,134,723
JPM (Oak Park facility)	1,586,368	1,586,368
Millennium campaign	500,000	1,300,000
Senior adult enrichment	202,289	202,289
Special needs	1,155,050	1,148,050
Other	93,614	93,613
Total Permanently Restricted Net Assets	\$ 13,957,992	\$ 12,667,997

The Center is working with JFMD and UJF regarding the use of remaining JPM restricted funds which are no longer recorded as a beneficial interest of the Center. The balance includes a borrowing of approximately \$932,000 as of May 31, 2017. Disposition is undetermined as of the report date.

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 7 - Bank Line of Credit

The Center has a bank line of credit with Fifth Third Bank with maximum availability of \$500,000. The outstanding balance was \$500,000 as of May 31, 2017 and 2016. The line of credit was renewed in January 2017, has an expiration date of December 30, 2018, and bears interest at LIBOR plus 1.25 percent. The effective interest rate at May 31, 2017 and 2016 was 2.25% and 1.85%, respectively. The bank line of credit is guaranteed by JFMD and UJF. The bank line of credit is collateralized by all assets of the Center.

Note 8 - Long-term Debt

Payable to Endowment Funds - Represents amounts due to the endowment funds held by UJF from borrowings made to pay off bank debt and certain affiliate debt. There are currently no formal repayment terms or interest rates set. \$932,173 was outstanding as of May 31, 2017 and 2016.

Affiliate - The Center has an interest-free term loan with an original balance of \$267,000 payable to JFMD; \$44,500 remains due as of May 31, 2017 and 2016.

Long-term debt balances as of May 31 are as follows:	2017	2016
Outstanding balance	\$ 44,500	\$ 44,500
Less: current portion	(44,500)	-
Long-term portion	\$ -	\$ 44,500

The following is a schedule of future debt payments for the years ending May 31:

2018	\$ 44,500
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Note 9 - Operating Leases

The Center leases office equipment which includes photocopiers and mail equipment from outside vendors. The following is a schedule of future minimum rental payments for the years ending May 31:

2018	\$ 28,319
2019	26,309
2020	24,874
2021	12,437
	\$ 91,939

Total rent expense on these leases for 2017 and 2016 was \$28,319 and \$31,342, respectively.

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 10 - Capital Leases

The future minimum lease payments under capital leases are as follows:

2018	\$	15,237
2019		12,200
2020		4,194
Total minimum lease payments		<u>31,631</u>
Less amount representing interest		<u>2,182</u>
Present value of net minimum lease payments		<u>29,449</u>
Less current portion		<u>13,641</u>
Long-term portion	\$	<u>15,808</u>

Equipment purchased under the capital lease arrangements has been capitalized and is included in property and equipment (see Note 3) and the related capital lease liability is included in accrued liabilities and other on the statements of financial position. Depreciation of assets under capital leases is included in depreciation expense in the amount of \$36,823 and \$68,314 for the years ended May 31, 2017 and 2016, respectively.

Note 11 - Related Party Transactions

Use of Facilities - All of the buildings and some basic equipment, including furniture, fixtures, and furnishings, used and occupied by the Center for its community service programs are owned by UJF. The Center recognized a contribution and rent expense based on amended lease agreements which require monthly minimum rental payments of \$113,548. Future minimum rental payments for the years through August 2024 are approximately \$1,365,000 for 2018 and thereafter. Additionally, JFMD funds significant repairs to the facilities used by the Center. Contributions made to JFMD for facility renovations are not recognized by the Center as contributions.

Appropriation Allocation - The Center is a constituent agency of JFMD. The Center received approximately \$3,105,000 and \$3,136,000 in contribution allocations from JFMD (inclusive of \$1,362,579 in contributed rent for both years) during the years ended May 31, 2017 and 2016, respectively. This represents approximately 24% and 24% of total revenue, respectively.

Insurance - The Center also participates in a group insurance policy with JFMD/UJF and other agencies which covers workers' compensation and general liability. The Center incurred insurance expense of approximately \$348,000 and \$354,000 during the years ended May 31, 2017 and 2016, respectively.

Note 12 - Beneficial Interest in Endowment Funds

The beneficial interest in endowment funds consists of an interest in endowment funds held by JFMD/UJF. The endowment funds are invested in a pooled investment portfolio, which includes commonly traded mutual funds, stocks, and bonds for which an active and liquid market exists, and investments in partnerships, hedge funds, and private equity funds which are not publicly traded. JFMD/UJF record these investments at fair market value. The Center records the beneficial interest based on its share of the net assets of the endowment funds.

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 13 - Beneficial Interest in Charitable Remainder Unitrust

The Center has been named a beneficiary in a charitable remainder unitrust for which a third party serves as trustee. The trust is irrevocable and upon the death of the last remaining recipient, the Center will receive 20% of the trust net assets. The Center is not restricted in the use of the trust assets once received. The Center has recorded a beneficial interest in the charitable remainder unitrust totaling \$1,220,497 and \$1,437,512 at May 31, 2017 and 2016, respectively, based upon a 20% interest in the trust assets, using an annual rate of return of 5.4% and 5.7%, respectively, and a discount rate of 4.5% and 3.7%, respectively.

Note 14 - Minimum Future Rentals

Minimum future rentals to be received on noncancelable sub-leases with unrelated tenants as of May 31, 2017 for each of the next five years and in the aggregate are as follows:

Years Ending	
May 31	Amount
2018	\$ 582,854
2019	577,050
2020	550,765
2021	550,765
2022	132,891
Total	<u>\$ 2,394,325</u>

Note 15 - Retirement Plans

Defined Benefit Plan - The Center participates with affiliated agencies in the Jewish Federation of Metropolitan Detroit Pension Plan (the "Pension Plan"), a multi-employer defined benefit pension plan covering all eligible union and non-union employees of the Center. Union employees are covered under the collective bargaining agreement which expires on May 31, 2018. The Pension Plan is not required to file Form 5500 and does not have a separate Employer Identification Number.

Contributions to the Pension Plan were \$51,900 and \$42,300 for the years ended May 31, 2017 and 2016, respectively. Based on information as of December 31, 2016, the year end of the Pension Plan, Center contributions to the Pension Plan represented approximately 9 percent of total contributions received by the Pension Plan. The amount of the Center's contributions to the Pension Plan increased by approximately 23 percent from 2016 to 2017, primarily due to negative investment results.

The Plan was amended to freeze participation and accrual of benefits to all nonunion employees of the Center as of May 17, 2014.

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 15 - Retirement Plans (Continued)

In addition, to the extent that the Pension Plan is underfunded, and in the event that other agencies participating in the Pension Plan have no assets available to pay their contributions, the Center's future contributions to the Pension Plan may increase to cover retirement benefits of employees of other agencies participating in the Pension Plan. The following information is based on the modified cash basis audited financial statements of the Pension Plan as of December 31, 2016.

Total plan assets	\$	19,606,100
Actuarial present value of accumulated plan benefits	\$	23,954,823
Total contributions received by the Plan	\$	573,957
Indicated level of funding		More than 80% funded

Defined Contribution Plans - The Center has a defined contribution retirement plan (the "CENTER Contribution Plan"). Under the CENTER Contribution Plan, eligible employees can elect to defer a portion of their compensation, as defined by the Contribution Plan, up to maximum amounts as described in the Contribution Plan and allowed by the Internal Revenue Service. Effective December 31, 2014, the Contribution Plan was permanently frozen in order for the Center to begin participating in the Jewish Federation of Metropolitan Detroit 403 (b) Plan (the "JFMD Contribution Plan").

Effective January 1, 2015, the employees of the Center were eligible to participate in the JFMD Contribution Plan. Under the JFMD Contribution Plan, eligible employees can elect to defer a portion of their compensation, as defined by the Contribution Plan, up to maximum amounts as described in the Contribution Plan and allowed by the Internal Revenue Service. The Center did not make any contributions to the Contribution Plan for the years ended May 31, 2017 and 2016, respectively.

Note 16 – Discontinued Operations

On August 31, 2015, the Center closed the Oak Park Facility. The loss from discontinued operations for the year ending May 31, 2016 was \$21,676. This amount is presented as identified above in the Statement of Activities for the years ended May 31, 2016. The loss is net of support provided from UJF in the amount of \$240,000 to continue operating the Oak Park location through August 31, 2015.

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 16 – Discontinued Operations (Continued)

The results of discontinued operations is as follows:

	2016
Revenue and Support	
Jewish Federation special allocation	\$ 6,691
General contributions	257,705
Membership fees	125,063
Program service fees	73,812
Contributed rent	60,506
Rental income	18,973
Miscellaneous income	1,073
Total revenue and support	543,823
Expenses	
Program services	341,555
Supporting services	
Management and general	223,944
Total expenses	565,499
Decrease in Net Assets from Discontinued Operations	\$ (21,676)

Functional expenses for discontinued operations for the year ending May 31, 2016 are as follows:

	Program Services	Management and General	Total
Salaries	\$ 180,506	\$ 62,340	\$ 242,846
Benefits	19,089	6,500	25,589
Payroll taxes	15,540	5,410	20,950
Total salaries and related expenses	215,135	74,250	289,385
Occupancy	55,290	37,661	92,951
Outside purchased services	17,391	33,610	51,001
Other supplies	5,531	3,617	9,148
Outside printing	1,394	-	1,394
Insurance	7,878	40,591	48,469
Advertising	443	144	587
Postage and shipping	265	1	266
Telephone	366	2,139	2,505
Local transportation	703	341	1,044
Equipment	1,368	6,284	7,652
Resale merchandise	120	80	200
Professional fees	22	-	22
Office supplies	265	104	369
Rent	35,384	25,122	60,506
Total Functional Expenses	\$ 341,555	\$ 223,944	\$ 565,499

JEWISH COMMUNITY CENTER OF METROPOLITAN DETROIT

NOTES TO THE FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2017 and 2016

Note 16 – Discontinued Operations (Continued)

Two funds, the Prentis Morris JPM Endowment and the Wally P. Strauss fund, included in the Beneficial Interest in Endowment Funds, were directly related to the operation of the Oak Park facility and are unable to be used for any other purpose within the Center per donor restriction. Therefore, these funds in the amount of \$245,571 and \$16,117, respectively, were transferred back to the property owner, UJF, in 2016.

Note 17 – Gift Restriction Change by Donors

During the year ended May 31, 2016, the Center agreed to the termination of its' Beneficial Interest in Endowment Funds at the request of the donors. On September 9, 2015, a Termination of Restricted Programming Agreement was entered into between the Center and the donors of the Stephen Gottlieb Jewish Music Fest. On September 21, 2015, a Termination of Restricted Programming Agreement was entered into between the Center and the donors of the William and Audrey Farber Family Performance Centennial Fund. The gift restriction changes resulted in a decrease in Beneficial Interest in Endowment Funds of \$451,910 and \$915,613, respectively.

During the year ended May 31, 2017, the Center agreed to accept a release of restriction and distribution of funds from the D. Dan and Betty Kahn Endowment Fund. On December 6, 2016, the Center agreed to accept a distribution of \$800,000 from the endowment fund, for the purpose of assisting the Center with its operating and cash needs. The release and distribution resulted in a decrease in Beneficial Interest in Endowment Funds of \$800,000.

Note 18 – Management Plans

The Center's management has formed a plan of success to address risks related to going concern. Significant portions of this plan for success include moving the education department from JFMD to the Center, strengthening the partnership with Camp Tamarack to gain efficiencies and reduce costs, and reducing costs within the center by consolidating operations and "right-sizing" the organization. Management believes that these plans sufficiently mitigate substantial doubt regarding the Center's ability to continue as a going concern.