Jewish Council for Public Affairs

Independent Auditor's Report and Financial Statements

December 31, 2018

BKD
CPAs & Advisors

Jewish Council for Public Affairs

December 31, 2018

Contents

BKD
CPAs & Advisors
1155 Avenue of the Americas, Suite 1200 | New York, NY 10036-2711
212.867.4000 | Fax 212.867.9810 | bkd.com

Independent Auditor's Report

Board of Directors
Jewish Council for Public Affairs
New York, New York

We have audited the accompanying financial statements of Jewish Council for Public Affairs, which comprise the statement of financial position as of December 31, 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 Jewish Council for Public Affairs as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 1* to the financial statements, in 2018, Jewish Council for Public Affairs adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

BKD, LLP

New York, New York
February 24, 2020

Jewish Council for Public Affairs

Statement of Financial Position

December 31, 2018

Assets

Cash	$	499,736
Accounts receivable (net of allowance of $7,771)		333,354
Contributions receivable (net of allowance of $0)		17,960
Deferred rental income		29,213
Prepaid expenses and deposits		103,936
Property and equipment, net		9,496
Total assets	$	993,695

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	$	124,042
Deferred rent expense		22,847
Deferred revenue		134,015
Accrued pension cost		471,706
Total liabilities		752,610
Net Assets (Deficit)		
Without donor restrictions		(312,995)
With donor restrictions		554,080
Total net assets		241,085
Total liabilities and net assets	$	993,695

Jewish Council for Public Affairs

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Grants	$ 51,016	$ 680,069	$ 731,085
Registration and program revenue	150,051	91,052	241,103
National Federation/Agency allocations	506,964	-	506,964
Contributions	430,660	30,223	460,883
Community member agency service dues	285,080	-	285,080
National member agency dues	154,890	-	154,890
Interest	12	-	12
Rental income	183,816	-	183,816
Other revenues	18,006	-	18,006
	1,780,495	801,344	2,581,839
Net assets released from restrictions	781,706	(781,706)	-
Total revenues and other support	2,562,201	19,638	2,581,839
Expenses			
Program services			
Planning and coordinating	1,626,138	-	1,626,138
Supporting services			
Management and general	646,774	-	646,774
Fund raising	273,968	-	273,968
Total supporting services	920,742	-	920,742
Total expenses	2,546,880	-	2,546,880
Change in net assets before adjustment to minimum pension liability	15,321	19,638	34,959
Adjustment to minimum pension liability	516	-	516
Change in Net Assets	15,837	19,638	35,475
Net Assets (Deficit), Beginning of Year	(328,832)	534,442	205,610
Net Assets (Deficit), End of Year	$ (312,995)	$ 554,080	$ 241,085

Jewish Council for Public Affairs

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services	Supporting Services		
	Planning and Coordinating	Management and General	Fundraising	Total
Salaries and related expenses	$ 606,330	$ 273,281	$ 167,263	$ 1,046,874
Professional fees and outside consulting	474,377	59,162	47,930	581,469
Office supplies and equipment leasing	17,659	34,244	4,871	56,774
Communications	10,982	4,923	3,030	18,935
Travel	76,532	34,307	21,112	131,951
Hotel, food and entertainment - plenum and meetings	319,130	-	-	319,130
Membership dues and subscriptions	11,103	3,701	-	14,804
Rent	87,983	175,966	29,327	293,276
Other occupancy expenses	-	53,747	-	53,747
Depreciation and amortization	1,581	709	435	2,725
Grants made	250	-	-	250
Miscellaneous	20,211	6,734	-	26,945
Total expenses	$ 1,626,138	$ 646,774	$ 273,968	$ 2,546,880

Jewish Council for Public Affairs
Statement of Cash Flows
Year Ended December 31, 2018

Operating Activities		
Change in net assets	$	35,475
Items not requiring (providing) operating cash flows		
Depreciation and amortization		2,725
Changes in		
Accounts receivable		144,897
Contributions receivable		34,161
Deferred rental income		(14,732)
Prepaid expenses and deposits		(38,322)
Accounts payable and accrued expenses		42,762
Deferred rent expense		10,245
Deferred revenue		43,150
Accrued pension costs		(30,556)
Net cash provided by operating activities		229,805
Investing Activities		
Purchase of property and equipment		(8,502)
Net cash used in investing activities		(8,502)
Net Change in Cash		221,303
Cash, Beginning of Year		278,433
Cash, End of Year	$	499,736

Jewish Council for Public Affairs
Notes to Financial Statements
December 31, 2018

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

Nature of Operations

Jewish Council for Public Affairs (JCPA) serves as the representative voice of the organized American Jewish community in addressing the principal mandate of the Jewish community relations field, expressed in three interrelated goals:

I. To safeguard the human rights of the Jewish people and others, here and throughout the world;

II. To dedicate ourselves to the safety and security of the State of Israel; and

III. To protect, preserve and promote a just American society, one that is democratic and pluralistic, one that furthers harmonious interreligious, interethnic, interracial and other intergroup relations.

These goals are pursued in a nonpartisan manner, informed by Jewish values. History teaches that Jewish security is inexorably linked to the strength of democratic institutions. Thus, the Jewish community has a direct stake – along with an ethical imperative – in assuring that America remains a country wedded to the Bill of Rights and committed to the rule of law, whose institutions continue to function as a public trust.

JCPA reflects a unique and inclusive partnership of national member agencies, local community relations councils and committees and the Federations of which they are a component part or an affiliated agency. It convenes the "common table" around which member agencies, through an open, representative, inclusive and consensus-driven process meet to identify issues, articulate positions, and develop strategies, programs and approaches designed to advance the public affairs goals and objectives of the organized Jewish community.

The work of JCPA, especially in matters relating to democratic pluralism and social justice, reflects the profound Jewish commitment to "tikkun olam," the repair of the world. It expresses the conviction of the organized Jewish community that it must be active in the effort to build a just society. JCPA has the responsibility to enhance the capacity of member agencies to effectively pursue the public affairs agenda. This responsibility requires JCPA to provide coordination, support and guidance for public affairs initiatives undertaken by national and local member agencies, to advocate on behalf of the public affairs policies of the organized Jewish community, and to respond to those member-identified needs which strengthen their individual and collaborative capacity to advance the communal public affairs agenda.

JCPA's primary sources of revenues are grants, contributions, dues and allocations from Jewish Federations including The Jewish Federations of North America (JFNA).

JCPA has been recognized as exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar provisions of state law. However, JCPA is subject to federal income tax on any unrelated business taxable income. JCPA files tax returns in the U.S. federal jurisdiction.

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 judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are recorded for dues when billed by JCPA. Allocations are recorded when approved by individual federations. Interest is not charged on outstanding accounts receivable.

Allowance for Doubtful Accounts

JCPA determines whether an allowance for uncollectibles should be provided for accounts and contributions receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Items in excess of $1,000 with an estimated useful life of greater than one year are capitalized. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset.

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

Buildings and improvements	2–25 years
Furniture and fixtures	2–20 years
Computers and equipment	2–7 years

Long-Lived Asset Impairment

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

No asset impairment was recognized during the years ended December 31, 2018.

Deferred Revenue

Membership fees received in advance of their applicable year are deferred to future periods.

Net Assets

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

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

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Allocations

The Jewish Federations support JCPA through allocations from their annual campaigns. JCPA requests allocations from federations. These requests are based on a percentage of those federations' campaigns as reported to JFNA as well as prior years' allocation history. Allocation revenue is earned in the year it is awarded to JCPA.

Dues

JCPA has two groups of member agencies that provide support – national agencies (17 in total, *e.g.*, ADL, AJC, Hadassah and the religious denominations) and local agencies (125 in total, the Jewish Community Relations Councils in each city and town). Each is charged dues – national agencies based on the agency's overall budget, and local agencies based on community size. Revenues are recognized over the dues period. An allowance is recorded for uncollectible dues.

Contributions and Grants

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

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on JCPA overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value

Nature of the Gift	Value Recognized
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

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

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

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 revenue with donor restrictions and then released from restriction.

Registration and Program Revenue

Plenum and meetings revenue are recognized at the time the event occurs.

Grants Expense

Grants are expensed when awarded.

Leases

Operating lease payments are charged to rent expense. Rent expense is recorded on the straight-line basis over the term of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the programs and supporting services benefited.

Change in Accounting Principle

On January 1, 2018, JCPA adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

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

Statement of Activities

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

Notes to the Financial Statements

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

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

Note 2: Property and Equipment

Leasehold improvements	$	104,148
Furniture and equipment		124,495
Computer equipment		240,939
		469,582
Accumulated depreciation and amortization		(460,086)
	$	9,496

Note 3: Pension

JCPA sponsors a noncontributory defined benefit pension plan (the Plan). The Plan covers all employees who have attained the age of 21 and have been employed by JCPA for one year or more. It has been the policy of JCPA to fund pension costs annually. Prior to January 1, 1998, the Plan provided for benefits to be paid to all eligible employees at retirement based on 40.3642 percent of 5-year average compensation, plus 8.75 percent of 5-year average compensation in excess of $8,400. The entire benefit was reduced by 1/15 for each year of service less than 15. There was an additional benefit equal to 1 percent of 5-year average compensation for each year of service in excess of 20 (subject to a maximum excess of 10 years). Effective January 1, 1998, the benefit formula is calculated as the accrued benefit cost as of December 31, 1997 plus 1.75 percent of average compensation times the years of service as a participant after December 31, 1997 to a maximum of 30 years. In 2009, the board voted to freeze the pension plan. Accordingly, benefits accruals were frozen effective March 31, 2009. Additionally, no new participants are allowed into the Plan after March 31, 2009.

The following table summarizes the benefit obligations, fair value of assets and the funded status as of December 31, 2018:

Accumulated and projected benefit obligation	$ (1,647,161)
Net fair value of plan assets	1,175,455
Funded status	$ (471,706)
Accrued benefit cost recognized in the statement of financial position	$ (471,706)
Employer contributions	26,469
Benefits paid	120,722
Net periodic benefit cost	(3,571)
Amounts arising during the period	
Net gain	(516)
Weighted average assumptions	
Discount rate for determining net periodic benefit cost	3.60%
Discount rate for determining the funded status as of year-end	4.22%
Expected return on plan assets	6.25%
Rate of compensation increase	N/A
Mortality table	
RP-2014 Healthy Annuitant with MP-2017 Generational Projection (M/F) for determining net periodic benefit costs	
RP-2014 Healthy Annuitant with MP-2019 Generational Projection (M/F) for determining the funded status as of year-end	

A. Estimated Future Benefit Payments

December 31, 2019	$	97,000
December 31, 2020		99,000
December 31, 2021		99,000
December 31, 2022		98,000
December 31, 2023		97,000
December 31, 2024 through December 31, 2028		462,000

B. Expected Contributions to the Plan

Year ending December 31, 2019	$	19,038

C. Plan Asset Actual Allocation

The following tables set forth by level, within the fair value hierarchy, the plan assets at fair value as of December 31, 2018:

	Total Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Significant Unobservable Inputs (Level 3)
Plan assets			
Investments at fair value			
Cash surrender value of life insurance	$ 4,258	$ -	$ 4,258
Mutual funds			
Equity income fund	470,834	470,834	-
Growth company fund	236,892	236,892	-
U.S. bond index fund	435,855	435,855	-
Total investments at fair value	1,147,839	$ 1,143,581	$ 4,258
Cash - non-interest-bearing	27,616		
Total plan assets	$ 1,175,455		

D. Change in Level 3 Assets

The table below sets forth a summary of changes in fair value of Level 3 assets for the year ended December 31, 2018:

	Cash Surrender Value of Life Insurance
Balance, beginning of year	$ 3,902
Change in value	356
Balance, end of year	$ 4,258

Defined Contribution Plan

Effective July 1, 2016, JCPA adopted a 403(b) Saving Plan, covering all eligible employees. JCPA contributes 3 percent of all eligible employees' compensation effective the first day of service with JCPA. Employees become vested after 1 year (1,000 hours) of service. The defined contribution pension expense for the year ended December 31, 2018 is $27,564.

Note 4: Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Resetting the Table	$ 511,309
Criminal Justice Reform	40,773
Partners for Peace	1,998
	$ 554,080

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.

Satisfaction or purpose restrictions	
Resetting the Table	$ 649,258
Criminal Justice Reform	107,581
Partners for Peace	19,500
Confronting Poverty	5,367
	$ 781,706

Note 5: Lease Agreements

JCPA had a lease for office space in New York that was set to expire in August 2021. Subsequent to year-end, JCPA moved to a new location. The cancelable lease for the new location expires in December 2021. Rent expense in 2018, including escalation charges, was $293,276.

JCPA subleased part of its office space to a subtenant. In 2016, the subtenant leased additional space and combined and extended all leases until August 2021. On April 1, 2018, JCPA amended their lease agreement to include additional space and modified the rent on the existing office space. Rental income in 2018, including escalation charges, was $183,816. Subsequent to year-end, the sublease terminated as JCPA moved to a new location.

Also, JCPA has operating leases for various equipment which expire at various dates from 2019 through 2022. The future minimum lease payments are as follows:

2019	$	22,476
2020		22,476
2021		22,476
2022		3,746
	$	71,174

Note 6: Concentrations

JCPA is dependent on allocation from individual federations.

Financial instruments which potentially subject JCPA to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

At December 31, 2018, JCPA's cash accounts exceeded federally insured limits by approximately $245,000.

Note 7: Line of Credit

JCPA has a $250,000 revolving line of credit from Bank of America. The line of credit bears interest at 1 percent over "Bank of America's base rate." During 2018, JCPA did not draw down on the line of credit.

Note 8: Subsequent Events

Subsequent events have been evaluated through February 24, 2020, which is the date the financial statements were available to be issued.

Note 9: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018, comprise the following:

Financial assets at year-end		
Cash	$	499,736
Accounts receivable		333,354
Contributions receivable		17,960
		851,050
Less net assets with donor restrictions		(560,038)
Financial assets available to meet general expenditures within one year	$	291,012

JCPA manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, JCPA forecasts its future cash flows and monitors its reserves monthly. During the year ended December 31, 2018 the level of liquidity and reserves was managed within the policy requirements.

Note 10: Future Changes in Accounting Principles

Grants and Contributions

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard 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.

The standard will be effective for JCPA's reporting periods beginning after December 15, 2018.

Revenue Recognition

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

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities 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 JCPA's annual periods beginning after December 15, 2020. A board decision was reached by FASB with the delay of the effective date for the additional year as granted with the issuance of FASB ASU 2019-10 to delay the effective date of Topic 842 by one year for these entities (*i.e.*, fiscal year beginning after December 15, 2020). JCPA is evaluating the effect the standard will have on the financial statements.