

BEND THE ARC -
A JEWISH PARTNERSHIP FOR JUSTICE

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES - 2017	3
STATEMENT OF ACTIVITIES - 2016	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 16

INDEPENDENT AUDITOR'S REPORT

May 8, 2018

Board of Directors
Bend the Arc - A Jewish Partnership for Justice
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Bend the Arc - A Jewish Partnership for Justice ("BTA-JPJ") (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to 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 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 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 positions of BTA-JPJ as of June 30, 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.



BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 5,169,072	\$ 3,968,370
Investments	1,280,544	1,040,811
Pledges receivable	708,774	740,159
Beneficial interest in lead trust	187,004	239,270
Due from related party	307,715	550,851
Other assets	110,582	116,268
Fixed assets, net	<u>34,652</u>	<u>36,574</u>
TOTAL ASSETS	<u>\$ 7,798,343</u>	<u>\$ 6,692,303</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Managed projects	\$ 4,054,766	\$ 3,468,924
Accounts payable and accrued expenses	<u>196,790</u>	<u>395,177</u>
Total Liabilities	4,251,556	3,864,101
 Net Assets		
Unrestricted	1,350,570	313,470
Temporarily restricted	1,107,122	1,462,894
Permanently restricted	<u>1,089,095</u>	<u>1,051,838</u>
Total Net Assets	<u>3,546,787</u>	<u>2,828,202</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 7,798,343</u>	 <u>\$ 6,692,303</u>

The accompanying notes are an integral part of these financial statements.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
General contributions	\$ 2,106,867	\$ 865,667	\$ -	\$ 2,972,534
Investment income	37,290	-	89,523	126,813
Decrease in beneficial interest lead trust	-	-	(18,358)	(18,358)
Fees	466,795	-	-	466,795
Other income	77,060	-	-	77,060
Bequests	197,405	-	-	197,405
Satisfaction of time restrictions	1,043,131	(1,043,131)	-	-
Satisfaction of program restrictions	178,308	(178,308)	-	-
Release of designation	-	-	-	-
Endowment transfer	33,908	-	(33,908)	-
TOTAL SUPPORT AND REVENUE	<u>4,140,764</u>	<u>(355,772)</u>	<u>37,257</u>	<u>3,822,249</u>
EXPENSES				
Administration	332,711	-	-	332,711
Program	2,253,686	-	-	2,253,686
Development	517,267	-	-	517,267
TOTAL EXPENSES	<u>3,103,664</u>	<u>-</u>	<u>-</u>	<u>3,103,664</u>
INCREASE (DECREASE) IN NET ASSETS	1,037,100	(355,772)	37,257	718,585
NET ASSETS - Beginning of Year	<u>313,470</u>	<u>1,462,894</u>	<u>1,051,838</u>	<u>2,828,202</u>
NET ASSETS - End of Year	<u>\$ 1,350,570</u>	<u>\$ 1,107,122</u>	<u>\$ 1,089,095</u>	<u>\$ 3,546,787</u>

The accompanying notes are an integral part of these financial statements.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	
	Unrestricted	Board Designated				Total
SUPPORT AND REVENUE						
General contributions	\$ 2,158,961	\$ -	\$ 2,158,961	\$ 1,348,000	\$ -	\$ 3,506,961
Investment income (loss)	8,678	-	8,678	-	(10,102)	(1,424)
Decrease in beneficial interest lead trust	-	-	-	-	(1,627)	(1,627)
Fees	418,116	-	418,116	-	-	418,116
Other income	54,691	-	54,691	-	-	54,691
Satisfaction of time restrictions	846,446	-	846,446	(846,446)	-	-
Satisfaction of program restrictions	422,673	-	422,673	(422,673)	-	-
Release of designation	155,519	(155,519)	-	-	-	-
Endowment transfer	37,808	-	37,808	-	(37,808)	-
TOTAL SUPPORT AND REVENUE	4,102,892	(155,519)	3,947,373	78,881	(49,537)	3,976,717
EXPENSES						
Administration	387,489	-	387,489	-	-	387,489
Program	2,715,781	-	2,715,781	-	-	2,715,781
Development	646,613	-	646,613	-	-	646,613
TOTAL EXPENSES	3,749,883	-	3,749,883	-	-	3,749,883
INCREASE (DECREASE) IN NET ASSETS	353,009	(155,519)	197,490	78,881	(49,537)	226,834
NET ASSETS - Beginning of Year	(39,539)	155,519	115,980	1,384,013	1,101,375	2,601,368
NET ASSETS - End of Year	\$ 313,470	\$ -	\$ 313,470	\$ 1,462,894	\$ 1,051,838	\$ 2,828,202

The accompanying notes are an integral part of these financial statements.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017				2016			
	Administration	Program	Development	Total	Administration	Program	Development	Total
Salaries and benefits	\$ 198,250	\$ 1,590,362	\$ 345,995	\$ 2,134,607	\$ 214,510	\$ 1,511,809	\$ 333,945	\$ 2,060,264
Advertising	-	16,044	-	16,044	-	186,944	-	186,944
Board expenses	23,185	3,162	-	26,347	8,228	1,122	-	9,350
Consulting	18,070	103,490	42,710	164,270	29,675	169,959	70,142	269,776
Depreciation and amortization	854	4,661	739	6,254	3,788	20,662	3,274	27,724
Insurance	4,261	21,320	3,684	29,265	4,246	21,245	3,671	29,162
Investment and bank fees	2,585	12,937	2,236	17,758	3,422	17,123	2,959	23,504
Meetings, conferences and programs	-	57,936	11,569	69,505	-	324,239	64,746	388,985
Miscellaneous	2,266	567	2,836	5,669	37,096	9,281	46,429	92,806
Occupancy	33,983	219,132	31,112	284,227	33,322	201,071	28,811	263,204
Office expenses	6,781	27,262	4,553	38,596	9,233	37,117	6,199	52,549
Postage and delivery	740	14,960	7,777	23,477	1,187	24,009	12,482	37,678
Printing and design	202	6,267	6,126	12,595	300	9,275	9,066	18,641
Professional services	11,664	5,264	924	17,852	11,673	5,268	925	17,866
Staff training	5,488	32,146	10,595	48,229	3,596	10,668	4,016	18,280
State registration fees	4,888	-	-	4,888	5,307	-	-	5,307
Technology	10,659	53,333	9,216	73,208	12,180	60,941	10,531	83,652
Telecommunications	7,111	35,579	6,148	48,838	7,333	36,697	6,342	50,372
Travel/meals	1,724	49,264	31,047	82,035	2,393	68,351	43,075	113,819
TOTAL	\$ 332,711	\$ 2,253,686	\$ 517,267	\$ 3,103,664	\$ 387,489	\$ 2,715,781	\$ 646,613	\$ 3,749,883

The accompanying notes are an integral part of these financial statements.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 718,585	\$ 226,834
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,254	27,724
Change in value of lead trust	18,358	1,627
Unrealized (gain) loss on investments	(126,205)	1,834
Changes in assets and liabilities which affected cash		
Pledges receivable	31,385	381,277
Due from related party	243,136	(445,508)
Other assets	5,686	(1,081)
Accounts payable and accrued expenses	(198,387)	(11,491)
Managed projects	<u>585,842</u>	<u>1,937,514</u>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>1,284,654</u>	<u>2,118,730</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	182,978	290,643
Purchase of investments	(296,506)	(301,084)
Purchase of fixed assets	<u>(4,332)</u>	<u>(7,760)</u>
NET CASH FLOWS USED BY INVESTING ACTIVITIES	<u>(117,860)</u>	<u>(18,201)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Trust distributions	<u>33,908</u>	<u>37,808</u>
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>33,908</u>	<u>37,808</u>
 NET INCREASE IN CASH	1,200,702	2,138,337
 CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,968,370</u>	<u>1,830,033</u>
 CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 5,169,072</u>	<u>\$ 3,968,370</u>
 SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Organization

Bend the Arc - A Jewish Partnership for Justice ("BTA-JPJ") was formed on August 2, 2006 upon the merger of The Shefa Fund into the Jewish Fund for Justice. BTA-JPJ achieves its purpose by mobilizing the full array of Jewish resources - human, financial and moral - in partnership with other communities to create impact in the United States of America. The mission is to deeply engage Jews in sustained action that manifests the tradition of working to heal and repair the world, and to create a powerful, widely recognized Jewish voice championing equality and justice for disenfranchised residents of the United States of America. BTA-JPJ qualifies as a tax-exempt organization under Section 501(c)3 of the Internal Revenue Code; accordingly, there is no income tax applicable to its activities.

1 Summary of Significant Accounting Policies

Accrual Basis -- The financial statements have been prepared on the accrual basis.

Cash and Cash Equivalents -- Cash and cash equivalents includes cash on deposit, cash on hand, money market funds and certificates of deposit with original maturities less than three months.

Investments -- Investments are reported at fair value.

Accounts receivable -- Accounts receivable are carried at cost less an allowance for doubtful accounts. On a periodic basis, accounts receivable are evaluated, and an allowance for doubtful accounts is established when deemed necessary.

Fixed Assets -- Fixed Assets are recorded at cost. Equipment and improvements with a unit cost of \$500 or more are capitalized. Depreciation is calculated by the straight-line method over the estimated useful lives of depreciable assets.

Property and equipment	5 - 10 years
Furniture and fixtures	5 - 10 years
Computer equipment and software	3 - 5 years

Temporarily Restricted -- Gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to board designated unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Advertising -- The cost of advertising is charged to expense as incurred.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

1 Summary of Significant Accounting Policies (Continued)

Permanently Restricted -- Permanently Restricted Funds represent gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or for a specified period, with only the income to be utilized. Interest and dividends earned on the permanently restricted investments must be reported as endowment income in the net asset class designated as the beneficiary of the endowment. Investment gains and losses must be reported as investment income in the permanently restricted fund.

Permanently Restricted Endowment Spending -- BTA-JPJ has adopted a total return investment policy in accordance with state law. The primary investment objective is to maximize long-term return through a combination of income and capital appreciation achieved in a prudent manner. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate as measured by the Consumer Price Index. The investment policy of BTA-JPJ will be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, management judgment regarding the allocation of assets among different kinds of asset classes, identification of appropriate investment vehicles and the making of specific investment decisions. BTA-JPJ has adopted a 4.4% and 5.0% spending policy for the years ended June 30, 2017 and 2016, respectively. BTA-JPJ's goal is to preserve the purchasing power of the endowed assets. The distribution or spending of the aggregate amount is guided by the individual endowment agreements first, and then the balance is determined by BTA-JPJ's Board.

Functional Allocation of Expenses -- The costs of providing various programs and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs, administration and development.

Contributions -- Contributions of cash and other assets are recorded when an unconditional promise to give such assets is received from a donor. Contributions are recorded at the fair market value of the assets received and are classified as either permanently restricted, temporarily restricted or unrestricted, depending on whether the donor has imposed a restriction on the use of such assets. BTA-JPJ reports restricted contributions as unrestricted support if the restrictions are satisfied in the same reporting period in which the contributions are received.

Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements -- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term as the financial instrument. Alternative investments' fair value are based on their net asset value per unit as reported by their managers.

Level 3 - Inputs to the valuation methodology are unobservable.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities that are measured at fair value are based on one or more of the three valuation techniques that follow:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

Income Taxes -- BTA-JPJ adopted the accounting standard related to the recognition and measurement of uncertain tax positions. The adoption of this standard had no financial statement effect for BTA-JPJ. BTA-JPJ is no longer subject to federal and state tax examinations for the years prior to 2014.

2 Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for Profit Entities (Topic 958), intended to improve financial reporting for not-for-profit entities.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

2 Recent Accounting Pronouncement (Continued)

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of BTA-JPJ's financial statements, it is not expected to alter BTA-JPJ's reported financial position.

3 Related Party

BTA-JPJ has amounts due from Bend the Arc Jewish Action, a related party, totaling \$307,715 and \$550,851 as of June 30, 2017 and 2016, respectively.

4 Concentration of Risk

BTA-JPJ maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. BTA-JPJ has not experienced any losses in such accounts. Management believes BTA-JPJ is not exposed to any significant credit risk related to cash and cash equivalents.

5 Investments

The market value of investments is as follows:

	<u>2017</u>	<u>2016</u>
Corporate bonds	\$ 289,278	\$ 347,602
Common stocks	481,628	414,421
Equity mutual funds	304,510	129,634
Fixed income mutual funds	127,525	57,068
Government bonds	70,156	-
Cash and cash equivalents	7,447	92,086
	<u>\$ 1,280,544</u>	<u>\$ 1,040,811</u>

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

5 Investments (Continued)

Investment income (loss) consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 608	\$ 410
Gain (loss) on investments	<u>126,205</u>	<u>(1,834)</u>
	<u>\$ 126,813</u>	<u>\$ (1,424)</u>

Included in investments are assets whose use is limited as follows:

	<u>2017</u>	<u>2016</u>
Permanently restricted	<u>\$ 858,951</u>	<u>\$ 769,427</u>

6 Fair Value Measurements

The following tables set forth by level, within the fair value hierarchy, BTA-JPJ's assets at fair value as of June 30, 2017 and 2016:

	<u>Assets at Fair Values as of June 30, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ 289,278	\$ -	\$ -	\$ 289,278
Common stocks	481,628	-	-	481,628
Equity mutual funds	304,510	-	-	304,510
Fixed income mutual funds	127,525	-	-	127,525
Government bonds	70,156	-	-	70,156
Cash and cash equivalents	7,447	-	-	7,447
Beneficial Interest in Lead Trust	<u>-</u>	<u>-</u>	<u>187,004</u>	<u>187,004</u>
Total assets at fair value	<u>\$ 1,280,544</u>	<u>\$ -</u>	<u>\$ 187,004</u>	<u>\$ 1,467,548</u>

	<u>Assets at Fair Values as of June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ 347,602	\$ -	\$ -	\$ 347,602
Common stocks	414,421	-	-	414,421
Equity mutual funds	129,634	-	-	129,634
Fixed income mutual funds	57,068	-	-	57,068
Cash and cash equivalents	92,086	-	-	92,086
Beneficial Interest in Lead Trust	<u>-</u>	<u>-</u>	<u>239,270</u>	<u>239,270</u>
Total assets at fair value	<u>\$ 1,040,811</u>	<u>\$ -</u>	<u>\$ 239,270</u>	<u>\$ 1,280,081</u>

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

6 Fair Value Measurements (Continued)

Level 3 securities activity is summarized below:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 239,270	\$ 278,705
Trust distribution	(33,908)	(37,808)
(Loss) Gain on investments	<u>(18,358)</u>	<u>(1,627)</u>
Ending balance	<u>\$ 187,004</u>	<u>\$ 239,270</u>

7 Pledges Receivable

BTA-JPJ received gifts in the form of pledges. As of June 30, 2017 and 2016, total pledges receivable were \$710,772 and \$740,159, respectively. The pledges have been reported at their net present value utilizing a discount rate of 3%.

Pledges receivable are expected to be collected as follows:

2018	\$ 642,172
2019	<u>68,600</u>
	710,772
Less present value adjustment	<u>(1,998)</u>
	<u>\$ 708,774</u>

8 Beneficial Interest in Lead Trust

BTA-JPJ is the sole beneficiary of a charitable lead trust (the Trust), under which it will receive annually 7% of the market value of the trust assets for twenty-five years beginning August 19, 1998 paid in quarterly installments. BTA-JPJ is not the trustee and does not exercise control over the Trust assets. BTA-JPJ has reflected its beneficial interest in the Trust as a Permanently Restricted asset, recorded at the net present value of the expected future cash flows using a 3.5% discount rate. The amount received in the years ended June 30, 2017 and 2016 was \$33,908 and \$37,808, respectively.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

9 Fixed Assets

Fixed assets consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 243,144	\$ 238,812
Less accumulated depreciation	<u>(208,492)</u>	<u>(202,238)</u>
	<u>\$ 34,652</u>	<u>\$ 36,574</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$6,254 and \$27,724, respectively.

10 Managed Projects

BTA-JPJ offers administrative services to manage projects for other agencies performing charitable works. BTA-JPJ will charge the agencies a management fee. During the years ended June 30, 2017 and 2016, BTA-JPJ received funds totaling \$7,510,923 and \$6,538,294 and paid out \$6,925,083 and \$4,600,780, respectively, on behalf of the Managed Projects. As of June 30, 2017 and 2016, the amount held for Managed Projects was \$4,054,766 and \$3,468,924, respectively.

11 Temporarily Restricted

Temporarily restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Programs	<u>\$ 1,107,122</u>	<u>\$ 1,462,894</u>

12 Satisfaction of Program Restriction

Net assets were reduced from donor restriction by incurring expenses satisfying the restricted purpose or by occurrences of other events specified by donors.

	<u>2017</u>	<u>2016</u>
Purpose Restriction Accomplished		
Support of programs	<u>\$ 178,308</u>	<u>\$ 422,673</u>
Time restriction	<u>\$ 1,043,131</u>	<u>\$ 846,446</u>

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

13 Permanently Restricted

BTA-JPJ's endowment funds are made up of donor restricted funds. As required by accounting standards generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of BTA-JPJ has interpreted the New York state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent of explicit donor stipulations to the contrary. As a result of this interpretation, BTA-JPJ classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) enhancements or diminishments of the fund from investment income, loss, and spending allowance. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by BTA-JPJ in a manner consistent with New York law.

BTA-JPJ's endowment net assets had the following activity for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Endowment net assets, beginning of year	\$ 1,051,838	\$ 1,101,375
Investment income	89,523	(10,102)
Change in value of beneficial interest in lead trust	(18,358)	(1,627)
Spending allowance	<u>(33,908)</u>	<u>(37,808)</u>
Endowment net assets, end of year	<u>\$ 1,089,095</u>	<u>\$ 1,051,838</u>

Endowment net assets had the following net asset compositions as of the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Donor restricted endowment funds		
General operations	<u>\$ 1,089,095</u>	<u>\$ 1,051,838</u>

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

13 Permanently Restricted (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

BTA-JPJ has a policy of appropriating for distribution each year 4.4% and 5.0% of its endowment fund's fair value based upon the prior three fiscal years' market values of the permanently restricted net assets for the years ended June 30, 2017 and 2016, respectively. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate - as measured by the Consumer Price Index. This is consistent with BTA-JPJ'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.

Return Objectives and Risk Parameters

BTA-JPJ has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of assets. Endowment assets include those assets of donor-restricted funds that BTA-JPJ must hold in perpetuity.

Strategies Employed for Achieving Objectives

The overall financial goal of the endowment is to maintain or enhance its market value while providing BTA-JPJ's operating budget with a relatively predictable stream of revenue targeted at approximately 4% - 6% of the average endowment balance. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate as measured by the Consumer Price Index. For an endowment to maintain its level of support, it must earn an investment return equal to the spending rate plus the inflation rate.

The rationale is to obtain the best possible expected return, given the level of risk assumed. The investment policies of BTA-JPJ will be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, manager judgment regarding the allocation of the assets among different kinds of asset classes, identification of appropriate investment vehicles and the making of specific investment decisions.

14 Pension Plan

BTA-JPJ sponsors a 401(k) pension plan. Employees can make contributions to the plan immediately. BTA-JPJ may make discretionary contributions to the plan. BTA-JPJ made contributions to the plan of \$8,917 and \$7,762 during the years ended June 30, 2017 and 2016.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

15 Operating Lease

BTA-JPJ has entered into leases for office space and equipment on behalf of itself and its managed projects. Lease expense for the years ended June 30, 2017 and 2016 was \$284,228 and \$263,204, respectively. Future minimum lease payments under existing leases is as follows:

2018	\$ 262,740
2019	248,858
2020	53,154
2021	13,800
2022	<u>6,900</u>
	<u>\$ 585,452</u>

16 Compensated Absences

Employees are entitled to paid vacations. It is impractical to estimate the amount of compensation for future vacation and, accordingly, no liability has been recorded in the accompanying financial statements. The policy is to recognize the costs of compensated absences when paid to employees.

17 Subsequent Event

BTA-JPJ has evaluated all subsequent events through May 8, 2018, the date the financial statements were available to be issued.