

**CONGREGATION RODEPH SHALOM
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2019

AND

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Congregation Rodeph Shalom and Subsidiary
Philadelphia, Pennsylvania

We have reviewed the accompanying consolidated financial statements of Congregation Rodeph Shalom and Subsidiary which comprise the consolidated statement of financial position as of May 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Philadelphia, Pennsylvania
December 2, 2019

CONGREGATION RODEPH SHALOM AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MAY 31, 2019

ASSETS	
Current assets	
Cash and cash equivalents	\$ 245,812
Investments	1,790,212
Receivables	
Congregants	122,829
Less allowance for uncollectible accounts	(23,930)
Current portion of pledges receivable, net	176,388
Prepaid expenses and other current assets	74,471
Total current assets	2,385,782
Investments	8,245,124
Property and equipment, net	22,831,242
Other long-term assets	
Pledges receivable, net	13,024
Art collection	482,140
	495,164
Total assets	\$ 33,957,312

See notes to the consolidated financial statements and Independent Accountants' Review Report.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MAY 31, 2019

LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable and accrued expenses	\$ 154,946
Current portion of accrued post-retirement benefits	30,642
Deferred revenue	131,603
Total current liabilities	317,191
Long-term liabilities	
Accrued post-retirement benefits, net of current portion	241,153
Total liabilities	558,344
Commitments	
Net assets	
Without donor restrictions	
Undesignated	24,780,506
Board designated	2,497,449
	27,277,955
With donor restrictions	
Special purpose restricted	1,793,143
Restricted in perpetuity	4,327,870
	6,121,013
Total net assets	33,398,968
Total liabilities and net assets	\$ 33,957,312

See notes to the consolidated financial statements and Independent Accountants' Review Report.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED MAY 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Membership commitments	\$ 2,275,242	\$ -	\$ 2,275,242
Education revenue	298,021	-	298,021
Program revenue	38,964	-	38,964
Early learning center revenue	1,005,399	-	1,005,399
Bequests and contributions	1,706,452	208,910	1,915,362
In kind contributions	15,000	-	15,000
Use of facilities	195,271	-	195,271
Investment income, including realized gains	219,760	334,313	554,073
Total support and revenue	5,754,109	543,223	6,297,332
Net assets released from restrictions	328,397	(328,397)	-
Management fee/spending rate	174,403	(174,403)	-
	502,800	(502,800)	-
Total support, revenue and other	6,256,909	40,423	6,297,332
Expenses			
Program services	4,118,264	-	4,118,264
Management and general	1,248,826	-	1,248,826
Fundraising	419,439	-	419,439
Total expenses	5,786,529	-	5,786,529
Changes in net assets before net unrealized losses on investments	470,380	40,423	510,803
Net unrealized losses on investments	(144,067)	(260,828)	(404,895)
Changes in net assets	326,313	(220,405)	105,908
Net assets, beginning of year	26,951,642	6,341,418	33,293,060
Net assets, end of year	\$ 27,277,955	\$ 6,121,013	\$ 33,398,968

See notes to the consolidated financial statements and Independent Accountants' Review Report.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2019

	Program Services				Management and		Total Expenses
	Ritual	Education	Opportunities for Engagement	Total Program	General	Fundraising	
Salaries and wages	\$ 519,845	\$ 359,949	\$ 147,286	\$ 1,027,080	\$ 492,752	\$ 151,314	\$ 1,671,146
Payroll taxes and benefits	213,829	51,937	13,187	278,953	104,861	20,994	404,808
Bad debts	-	-	-	-	32,390	-	32,390
Bright Horizons expenses	-	923,826	-	923,826	-	-	923,826
Computer, phone and internet support	14,236	8,459	3,929	26,624	24,471	9,069	60,164
Depreciation	334,558	147,828	124,487	606,873	132,267	38,902	778,042
Events and programs	12,815	70,511	119,288	202,614	7,347	107,543	317,504
Housekeeping	122,372	79,797	43,770	245,939	58,603	13,678	318,220
Insurance	65,367	28,883	24,323	118,573	25,843	7,601	152,017
Landscaping and snow removal	-	-	-	-	31,963	-	31,963
Music and sound	25,295	-	-	25,295	1,474	-	26,769
Occupancy	-	-	-	-	17,000	-	17,000
Postage, printing and copying	10,308	7,032	4,869	22,209	19,065	6,063	47,337
Professional development	20,244	2,692	140	23,076	3,455	693	27,224
Professional services	48,542	1,817	857	51,216	160,571	34,757	246,544
Repairs and maintenance	77,762	54,589	27,826	160,177	29,566	8,696	198,439
Security	68,054	52,918	4,171	125,143	40,469	-	165,612
Supplies and expenses	66,961	35,788	21,181	123,930	39,071	5,210	168,211
URJ / RMAC dues	50,000	10,000	20,000	80,000	10,000	10,000	100,000
Utilities	42,303	18,692	15,741	76,736	17,658	4,919	99,313
	\$ 1,692,491	\$ 1,854,718	\$ 571,055	\$ 4,118,264	\$ 1,248,826	\$ 419,439	\$ 5,786,529

See notes to the consolidated financial statements and Independent Accountants' Review Report.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MAY 31, 2019

Cash flows from operating activities	
Changes in net assets	\$ 105,908
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Net unrealized losses on investments	404,895
Net realized gains on sale of investments	(75,035)
Bad debt expense	32,390
Depreciation	778,042
Contributions restricted for endowment	(10,593)
Changes in operating assets and liabilities:	
Receivables, congregants	(21,819)
Bequest receivable	200,000
Pledges receivable	373,203
Prepaid expenses and other current assets	(34,233)
Accounts payable and accrued expenses	(17,703)
Accrued post-retirement benefits	9,266
Deferred revenue	4,040
<hr/>	
Net cash provided by operating activities	1,748,361
<hr/>	
Cash flows from investing activities	
Acquisition of property and equipment	(327,819)
Proceeds from sale of investments	2,601,811
Purchase of investments	(4,061,288)
<hr/>	
Net cash used in investing activities	(1,787,296)
<hr/>	
Cash flows provided by financing activities	
Collections of contributions restricted for endowment	10,593
<hr/>	
Net decrease in cash and cash equivalents	(28,342)
<hr/>	
Cash and cash equivalents, beginning of year	274,154
<hr/>	
Cash and cash equivalents, end of year	\$ 245,812

See notes to the consolidated financial statements and Independent Accountants' Review Report.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description

Congregation Rodeph Shalom is a reform congregation located in Center City, Philadelphia, which provides religious and educational services to its congregants and the community.

Basis of Presentation

The consolidated financial statements include the accounts of both Congregation Rodeph Shalom, a nonprofit religious organization, and Broad and Green, Inc., its wholly owned subsidiary, a for-profit corporation, collectively hereafter referred to as the “Congregation”. Broad and Green, Inc. was incorporated on January 1, 1992 to operate the parking lot adjacent to the Synagogue. All intercompany balances and transactions have been eliminated.

The accompanying financial statements reflect the accounts of the Congregation and have been prepared in the accrual basis of accounting in accordance with the generally accepted accounting principles (US GAAP).

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*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets previously presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user’s ability to assess an entity’s available financial resources, along with its management of liquidity and liquidity risk. The Congregation has adopted ASU 2016-14 for its fiscal year ended May 31, 2019 and has applied the amendments retrospectively to the financial statements and related footnotes.

The provisions of ASU 2016-14 improve presentation and disclosure to provide more relevant information about resources and changes in resources to donors, grantors and other users. There are qualitative and quantitative requirements in several areas including the following:

Temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restriction. The unrestricted net asset class has been renamed net assets without donor restrictions. The chart below illustrates the impact, caused by adopting ASU No. 2016-14, on classifications of June 1, 2018 net asset balances as follows:

CONGREGATION RODEPH SHALOM AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

	June 1, 2018 net assets classification for ASU No. 2016-14		
	Without donor restrictions	With donor restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 25,809,253	\$ -	\$ 25,809,253
Unrestricted, board designated	1,142,389	-	1,142,389
Temporarily Restricted	-	1,902,702	1,902,702
Permanently Restricted	-	4,438,716	4,438,716
Net assets, as reclassified	\$ 26,951,642	\$ 6,341,418	\$ 33,293,060

The financial statements also include a disclosure about liquidity and availability of resources (see Note 2).

Net Assets

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. From time to time the Board of Directors may designate a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

Net Assets With Donor Restrictions – Net assets 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 or purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Congregation to use all or part of the income earned on related investments for general or specific purposes.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Cash and Cash Equivalents

The Congregation considers all certificates of deposit with an original maturity of six months or less to be cash equivalents.

Investments

Investments consists primarily of mutual funds with readily determinable fair values in the consolidated statements of financial position. Realized and unrealized gains and losses are included in the consolidated statements of activities and changes in net assets. The cost of securities sold is determined by specific identification.

Congregants Receivables

The Congregation bills its members for membership commitment and other amounts and charges. This revenue is recognized in the period earned. Management has recorded an allowance for uncollectible accounts based on their historical experience with accounts receivable collections.

Pledges Receivable

Contributions are recognized when the donor makes a pledge to the Congregation that is, in substance, unconditional. The Congregation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on historical experience and management's analysis of specific pledges made.

Property and Equipment and Depreciation

Property and equipment is stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, as follows:

Buildings and improvements	15-40 years
Furniture and fixtures	5-7 years

All major acquisitions and improvements are capitalized, whereas maintenance and repairs are charged to expense as incurred.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

The Congregation receives contributions restricted to the purchase of property and equipment. These contributions are recorded as contributions with donor restrictions whose restriction is then released as the related asset is acquired.

Deferred Revenue

Deferred revenue consists of payments for dues, tuition and fees received prior to the end of the current fiscal year for the subsequent fiscal year.

Contributions

The Congregation reports contributions received as with or without donor restrictions depending on the existence and/or nature of any donor imposed restrictions. Donor restricted net assets are reclassified to without donor restricted net assets upon satisfaction of the time or purpose of the restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Congregation reports the contributions as without donor restriction. The value assigned to investments received by gift is the fair market value at the date of the donation.

Revenue recognition

Education revenue consists of tuition and fees and is recognized over the course of the school year. Program revenue includes revenues from providing dinners and events and programming for youth and members of the Congregation. This revenue is earned when the program is conducted. Early learning center revenue is recognized as the childcare services are provided.

Donated Goods and Services

In addition to cash contributions, the Congregation receives donated goods and services, consisting of fixed asset and professional services. These goods and services are reported at fair value at the time of receipt. During the year ended May 31, 2019, the Congregation received donated legal services totaling \$15,000.

Income Taxes

As a religious organization, under Internal Code Section 501(c)(3), Congregation Rodeph Shalom is exempt from income taxes for activities related to its tax-exempt status. Broad and Green, Inc. is a C corporation which is subject to federal, state and local taxation.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Total advertising and marketing expenses were \$8,028 for the year ended May 31, 2019.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. The Congregation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Congregation also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). The financial statements report certain categories of expenses that are attributed to more than one program or supporting function, therefore expenses require allocation on a reasonable basis that is consistently applied. Salaries, employee benefits, and payroll taxes are allocated based on estimates of time and effort incurred by personnel. Occupancy, insurance, office expenses, professional services, information technology/website, and personnel expenses are allocated based upon time and effort incurred by personnel or square footage, as applicable. Other expenses are based on actual costs directly related to the program services and supporting service categories.

Underwater Endowment Funds

The Congregation considers a fund to be underwater if the fair value of the funds is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Congregation has no underwater endowment funds as May 31, 2019.

2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Congregation's financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$	245,812
Investments		1,790,212
Accounts receivable, net		98,899
Pledge receivable, current portion		176,388
Total financial assets available within one year		<u>2,311,311</u>
Less: amounts with purpose restrictions		<u>(176,388)</u>
Add: board approved fiscal year 2020 spending rate allocation		193,265
Total financial assets available to management for general expenditure within one year	\$	<u>2,328,188</u>

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Congregation's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and planned increase in program expenditures in fiscal year 2020.

The Congregation has certain donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the above qualitative information for financial assets to meet general expenditures within one year. In addition, the Congregation's spending policy allows for annual spending rate of 4.5% based on the trailing 12 quarter average of the endowment. (See note 4).

Liquidity Management

The Congregation has an investment policy authorized by the Board of Directors that provides guidance and oversight for the management of cash and cash equivalents, and investments. The policy provides that the Congregation maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash based on the financial needs of the Congregation, the time horizon of those needs and the Board of Directors' investment philosophy.

To help manage unanticipated liquidity needs, The Congregation has a committed line of credit of \$1,150,000, which it could draw upon. Additionally, the Congregation has Board Designated net assets without donor restrictions totaling \$2,497,449 that, while the Congregation does not intend to spend for purposes other than those identified, the amounts could be made available for current operations, if needed.

3 - PLEDGES RECEIVABLE, NET

Promises to donate as of May 31, 2019 is as follows:

Amounts due:		
Less than one year	\$	176,388
One to five years		40,691
Total pledges receivable		217,079
Less allowance for uncollectible pledges		(18,809)
Less present value discount		(8,858)
Pledges receivable, net	\$	189,412

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 - PLEDGES RECEIVABLE, NET (Continued)

These pledges relate to the Legacy Campaign which was a capital campaign to raise funds for the renovation and expansion of the Congregation's facilities.

Pledges to be received in future years are recorded at their present value using a discount rate at the time of pledge which ranges from 3.25% to 4%.

In addition to the promises to donate, the Congregation has received conditional pledges for the Legacy Campaign, payable upon death, totaling approximately \$693,000, which will be recorded as contribution income when received.

4 - INVESTMENTS

Investments as of May 31, 2019 are as follows:

	Cost	Market	Unrealized Appreciation
Mutual Funds	\$ 8,284,641	\$ 9,612,946	\$ 1,328,305
Money Market Mutual Funds	422,390	422,390	-
Total	\$ 8,707,031	\$ 10,035,336	\$ 1,328,305

The following schedule summarizes the investment return and its classification in the consolidated statements of activities and changes in net assets:

	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 176,675	\$ 302,363	\$ 479,038
Net realized gains	43,085	31,950	75,035
Net unrealized losses	(144,067)	(260,828)	(404,895)
Total	\$ 75,693	\$ 73,485	\$ 149,178

Investment income is included in support and revenue without donor restrictions unless otherwise stipulated by the donor. Absent such donor stipulations, investment income from the restricted endowment is allocated to support and revenue without donor restrictions based on Pennsylvania law, which allows an allocation of investment income not to exceed 7% of the average market value of the endowment assets over a period of three or more preceding years. The Congregation uses a spending rate of 4.5%.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 - INVESTMENTS (Continued)

The investment objectives of the restricted endowment fund are to protect the principal against inflation and to provide a satisfactory level of current income. The Uniform Prudent Investor Act is used as a guide to invest and manage restricted endowment fund assets. The investment portfolio consists primarily of mutual funds.

5 - PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment and accumulated depreciation as of May 31, 2019:

Land and building	\$ 1,855,247
Building improvements	30,944,215
Furniture and fixtures	1,147,916
	<hr/> 33,947,378
Less accumulated depreciation	(11,116,136)
	<hr/> \$ 22,831,242

6 - LINE OF CREDIT

The Congregation has an unsecured revolving line of credit with maximum borrowings of \$1,150,000. Interest is payable at the prime rate. The effective rate was 5.50% as of May 31, 2019. This line of credit renews on an annual basis with a current expiration date of January 31, 2020. The outstanding balance as of May 31, 2019 was \$0.

7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Congregation's net assets without donor restrictions comprised of undesignated and Board designated amounts for the following purposes at May 31, 2019:

Undesignated	\$ 24,780,506
Board designated for Quasi-Endowment	1,822,056
Board designated for special purpose	675,393
Total net assets without donor restrictions	<hr/> \$ 27,277,955

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 - NET ASSETS WITHOUT DONOR RESTRICTIONS (Continued)

Board Designated for Quasi-Endowment

The Congregation's Board has designated funds be set aside to establish a quasi-endowment for the purpose of securing the Congregation's long term financial viability and continuing to meet the needs of the Congregation.

Board Designated for Special Purpose

The Congregation's Board has designated funds be set aside for future projects at the discretion of the Board of Directors.

8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at May 31, 2019.

Subject to expenditure for specified purposes	\$ 1,793,143
Not subject to appropriation or expenditure	
Obermeyer art collection	464,640
Endowment investment fund held in perpetuity	3,863,230
	<u>\$ 6,121,013</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes by the expiration of a time restriction or by occurrence of other events specified by donors.

Purpose restrictions accomplished	\$ 328,397
Donor restricted funds net management fee	4,607
Endowment investment fund spending	169,796
	<u>\$ 502,800</u>

9 - ACCRUED POST-RETIREMENT BENEFITS

The Congregation has agreements for the benefit of former rabbis. The benefits payable under these agreements consist of medical benefits for both the rabbis and their wives to be paid until their respective deaths. The amount accrued was calculated using actuarial mortality tables and imputed interest at 3.25%, the most representative rate at the time each agreement was recorded. Total accrued retirement benefits related to these agreements as of May 31, 2019 was \$271,795. Amounts paid under this agreement were \$18,962 for the year ended May 31, 2019.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 - FAIR VALUE MEASUREMENTS

US GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures. US GAAP discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). US GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect management’s own assumptions.

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, as applicable.

Mutual funds – The fair value of mutual funds is based on quoted market prices of the shares held by the Congregation at year-end.

The Congregation’s investments as of May 31, 2019 are reported at fair value as follows:

	Level 1	Level 2	Level 3	Total
Mutual Funds				
Money Market	\$ 422,390	\$ -	\$ -	\$ 422,390
Bond Funds	4,335,268	-	-	4,335,268
Stock – Large Cap	2,685,435	-	-	2,685,435
Stock – Mid-Cap	972,110	-	-	972,110
Stock – Small Cap	281,784	-	-	281,784
Stock – Foreign	1,338,349	-	-	1,338,349
Total investment assets at fair value	\$ 10,035,336	\$ -	\$ -	\$ 10,035,336

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Congregation is obligated under various lease agreements for office equipment. These leases expire at various times through July 2022. Lease expense under these agreements for the years ended May 31, 2019 was approximately \$21,100. Future minimum commitments are as follows:

Year Ending May 31,	
2020	\$ 18,204
2021	10,031
2022	6,912
2023	1,152
	<hr/>
	\$ 36,299

Employment Agreements

The Congregation has long-term employment contracts with certain key employees. The contracts provide for minimum guaranteed compensation, as well as certain employee benefits. These contracts expire at various times through 2023. The below amounts do not include contract extensions which have not been signed or are being negotiated as of May 31, 2019. Future minimum employment amounts required under these contracts are as follows:

Year Ending May 31,	
2020	\$ 738,800
2021	574,830
2022	583,000
2023	163,200
	<hr/>
	\$ 2,059,830

12 - MEMBERSHIP COMMITMENTS

Membership Commitments include a mandatory security fee and voluntary supplemental contributions. Payments by members whose Membership Commitments were at the “investing level” totaled \$651,700 for the year ended May 31, 2019. Included in these Membership Commitments were voluntary supplemental contributions totaling \$494,850 for the year ended May 31, 2019.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 - ENDOWMENT FUNDS

An endowment fund is an established fund of cash, securities, or other assets to provide income for the maintenance of the Congregation. The use of the assets of the fund may be restricted in perpetuity, restricted temporarily, or without restriction. Endowment funds are generally established by donor restricted gifts and bequests to provide a permanent endowment, which is to provide a permanent source of income, or a term endowment, which is to provide income for a specified period. A board-designated endowment or funds functioning as endowments, which results from an internal designation, is not donor restricted and is classified as without donor restrictions net assets.

Return Objective and Risk Parameters

The endowment's objective is to earn a reasonable, long-term risk-adjusted total rate of return to support its designated programs and at the same time allow for long-term growth of the endowment. The Congregation recognizes and accepts that pursuing a reasonable rate of return involves risk and potential volatility. The Congregation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

Consistent with state law, the Board of Directors has adopted a policy that, in the administration of its powers to appropriate appreciation, to make and retain investments, and to delegate investment management of institutional funds, it will exercise ordinary business care and prudence. The Board takes into account all relevant considerations including, but not limited to, the long and short-term needs of the Congregation in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, and general economic conditions.

Endowment Net Asset Composition

The following table represents the composition of the Congregation's endowment net assets by type as of May 31, 2019.

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated for quasi-endowment	\$ 1,822,056	\$ -	\$ 1,822,056
Donor restricted endowment funds	-	3,863,230	3,863,230
Total endowment funds	\$ 1,822,056	\$ 3,863,230	\$ 5,685,286

CONGREGATION RODEPH SHALOM AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 - ENDOWMENT FUNDS

The activity in the endowment funds for the year ended May 31, 2019 was:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 405,343	\$ 3,974,076	\$ 4,379,419
Investment returns:			
Investment income	29,591	209,893	239,484
Net depreciation	(2,741)	(161,536)	(164,277)
Total investment returns	26,850	48,357	75,207
Contributions received	1,408,103	10,593	1,418,696
Spending rate allocation	(18,240)	(169,796)	(188,036)
	1,389,863	(159,203)	1,230,660
Endowment net assets, end of year	\$ 1,822,056	\$ 3,863,230	\$ 5,685,286

14 - CONCENTRATION OF CREDIT RISK

A significant portion of the Congregation's assets are invested in the financial markets. The Congregation's future net realized and unrealized gains or losses from these investments are subject to financial market fluctuations. Although a downswing in the financial market would have a material effect on the financial strength of the Congregation, the Congregation's investment committee meets regularly to assess investments and makes necessary adjustments in holdings.

The Congregation maintains significant cash amounts in one institution. Banks accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, these balances may exceed FDIC limits; however, the Congregation has not experienced any losses in such accounts.

CONGREGATION RODEPH SHALOM AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 - RETIREMENT PLAN

The Congregation has a noncontributory retirement pension plan covering all full-time noncontract employees. The Congregation participates in two separate plans covering contract employees. The pension contribution for both plans was based on a percentage of eligible participants' compensation and amounted to \$186,958 for the year ended May 31, 2019.

16 - UNCERTAIN TAX POSITIONS

Management of the Congregation considers the likelihood of challenges by taxing authorities to its status as a tax exempt organization and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Congregation's status as a not-for-profit entity. Management believes the Congregation met the requirements to maintain its tax-exempt status and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying consolidated financial statements.

17 - SUBSEQUENT EVENTS

The Congregation has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 2, 2019, the date on which the consolidated financial statements were available to be issued.