# GATEWAYS: ACCESS TO JEWISH EDUCATION, INC.

## FINANCIAL STATEMENTS

## YEARS ENDED JUNE 30, 2018 AND 2017

ROY S. SCHREIBER & CO.
Certified Public Accountants

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FINANCIAL STATEMENTS
June 30, 2018 and 2017

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Certified Public Accountants

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# Independent Auditor's Report

Board of Directors
Gateways: Access to Jewish Education, Inc.
Newton, Massachusetts

## Report on the Financial Statements

I have audited the accompanying financial statements of Gateways: Access to Jewish Education, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gateways: Access to Jewish Education, Inc., as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sharon, Massachusetts
October 23, 2018

# GATEWAYS: ACCESS TO JEWISH EDUCATION, INC.
## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|---|---|---|
| **ASSETS:** | | |
| Cash and cash equivalents (Note 1) | $ 720,569 | $ 546,572 |
| Investments (Notes 1 and 5) | 967,041 | 907,401 |
| Tuition and fees receivable, net of allowance of $0, for 2018 and 2017 (Note 1) | 87,933 | 165,501 |
| Contributions receivable (Note 1) | 25,250 | 39,515 |
| Prepaid and other expenses | 19,083 | 12,838 |
| Property and equipment, net (Notes 1 and 4) | - | - |
| TOTAL ASSETS | $ 1,819,876 | $ 1,671,827 |
| **LIABILITIES:** | | |
| Accounts payable | $ 18,854 | $ 28,526 |
| Accrued expenses | 145,979 | 176,636 |
| Deferred revenue (Note 1) | 175,803 | 1,400 |
| TOTAL LIABILITIES | 340,636 | 206,562 |
| **NET ASSETS:** | | |
| Unrestricted (Note 1) | 1,319,446 | 1,341,335 |
| Temporarily restricted (Notes 1 and 8) | 159,794 | 123,930 |
| Permanently restricted (Note 1) | - | - |
| | 1,479,240 | 1,465,265 |
| TOTAL LIABILITIES AND NET ASSETS | $ 1,819,876 | $ 1,671,827 |

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

GATEWAYS: ACCESS TO JEWISH EDUCATION, INC.
STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|---|---|---|
| CHANGES IN UNRESTRICTED NET ASSETS: | | |
| REVENUE AND SUPPORT: | | |
| Tuition and fees, net of tuition assistance (Note 1) | $ 467,119 | $ 494,797 |
| Grants | 964,910 | 849,938 |
| Contributions | 1,056,948 | 1,305,931 |
| Other | 28,821 | 12,001 |
| Investment income | 59,940 | 125,656 |
| TOTAL UNRESTRICTED REVENUE AND SUPPORT | 2,577,738 | 2,788,323 |
| Net assets released from restricted accounts | 69,088 | 7,021 |
| TOTAL UNRESTRICTED REVENUE AND OTHER SUPPORT | 2,646,826 | 2,795,344 |
| EXPENSES: | | |
| Program services | 1,701,174 | 1,920,971 |
| Fundraising | 439,734 | 397,912 |
| Administrative and general | 527,807 | 587,027 |
| TOTAL FUNCTIONAL EXPENSES | 2,668,715 | 2,905,910 |
| DECREASE IN UNRESTRICTED NET ASSETS | (21,889) | (110,566) |
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS: | | |
| Contributions | 104,892 | 92,877 |
| Investment return | 60 | 60 |
| Net assets released from restrictions | (69,088) | (7,021) |
| INCREASE IN TEMPORARILY RESTRICTED NET ASSETS | 35,864 | 85,916 |
| INCREASE (DECREASE) IN NET ASSETS | 13,975 | (24,650) |
| NET ASSETS, beginning of year | 1,465,265 | 1,489,915 |
| NET ASSETS, end of year | $ 1,479,240 | $ 1,465,265 |

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

GATEWAYS: ACCESS TO JEWISH EDUCATION, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase (decrease) in net assets | $ 13,975 | $ (24,650) |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Unrealized gain on investments | (28,147) | (103,578) |
| Dividends and interest reinvested, net of expense | (31,493) | (20,928) |
| Decrease (increase) in tuition receivable | 77,568 | (31,516) |
| Decrease (increase) in contributions receivable | 14,265 | (39,515) |
| Decrease in grant receivable | - | 43,245 |
| (Increase) decrease in prepaid expenses | (6,245) | 3,009 |
| (Decrease) increase in accounts payable and accrued expenses | (40,329) | 21,847 |
| Increase (decrease) in deferred revenue | 174,403 | (6,970) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 173,997 | (159,056) |
| CASH FLOWS PROVIDED BY INVESTING ACTIVITIES: | | |
| Investments | - | 115,000 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | - | 115,000 |
| INCREASE (DECREASE) IN CASH | 173,997 | (44,056) |
| CASH AND CASH EQUIVALENTS, beginning of year | 546,572 | 590,628 |
| CASH AND CASH EQUIVALENTS, end of year | $ 720,569 | $ 546,572 |

Additional information:

The Organization incurred and paid no interest or taxes during the years ended June 30, 2018 and 2017.

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

GATEWAYS: ACCESS TO JEWISH EDUCATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| | Program Services | Fundraising | Administrative and General | Total | Total |
| EXPENSES: | | | | | |
| Advertising and promotion | $ 885 | $ 1,759 | $ 79 | $ 2,723 | $ 2,277 |
| Bad debt | - | - | - | - | 3,969 |
| Conferences, conventions and meetings | 18,426 | 5,680 | 3,595 | 27,701 | 34,474 |
| Fundraising event expenses | - | 52,475 | - | 52,475 | 44,037 |
| Grants | 109,720 | - | - | 109,720 | 121,140 |
| Information technology | 45,665 | 17,295 | 14,006 | 76,966 | 100,987 |
| Insurance | 15,570 | 2,395 | 3,804 | 21,769 | 24,073 |
| Miscellaneous | 1,817 | 11 | 5,803 | 7,631 | - |
| Occupancy | 50,190 | 5,875 | 14,688 | 70,753 | 64,476 |
| Office expenses | 8,376 | 42,560 | 9,797 | 60,733 | 60,641 |
| Personnel - salaries and wages | 1,087,407 | 226,396 | 399,824 | 1,713,627 | 1,974,497 |
| - benefits | 50,558 | 7,775 | 26,904 | 85,237 | 93,386 |
| - payroll taxes | 82,973 | 17,359 | 30,081 | 130,413 | 148,679 |
| - pension plan | 20,670 | 6,381 | 11,269 | 38,320 | 40,811 |
| Professional fees - accounting | 9,815 | 1,510 | 3,775 | 15,100 | 24,100 |
| - fundraising | - | 19,625 | - | 19,625 | 21,080 |
| - other | 135,146 | 31,726 | 3,484 | 170,356 | 85,402 |
| Program materials | 48,852 | - | - | 48,852 | 44,109 |
| Program fees - co-sponsorships/partner | 768 | - | - | 768 | 7,650 |
| Travel | 14,336 | 912 | 698 | 15,946 | 10,122 |
| TOTAL EXPENSES | $ 1,701,174 | $ 439,734 | $ 527,807 | $ 2,668,715 | $ 2,905,910 |

The accompanying notes are an integral part of these financial statements

GATEWAYS: ACCESS TO JEWISH EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Gateways: Access to Jewish Education, Inc. (the "Organization"), is a not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was formed to provide a mainstream Jewish education for physically, mentally, and emotionally disabled children who are not serviced by the existing Hebrew or day school system. The Organization is supported primarily through donor contributions, grants, tuition fees and fundraising events. The Organization primarily services the Boston Metropolitan area.

Basis of Accounting and Use of Estimates:

The financial statements are prepared under the accrual basis of accounting. The accrual basis of accounting records revenue in the period in which it is earned and records expenses in the period in which they are incurred. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may vary from those estimates.

Cash and Cash Equivalents:

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The balances in the accounts may exceed the Federally-insured limits from time to time.

Contributed Services:

The Organization receives a substantial amount of services donated by unpaid volunteer officers and committees for the purposes of carrying out its functions. The value of this contributed time is not reflected in the accompanying financial statements since the donated time does not meet the criteria for recognition.

Investments:

Investments are stated at fair value. Fair value is determined as per the fair value policies below. All gains and investment income are unrestricted.

Revenue Recognition:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. The Organization has not received any support that would be classified as permanently restricted. All donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions receivable consisted of $25,250 and $39,515, as of June 30, 2018 and 2017, respectively and are all current.

Tuition and Scholarships:

Tuition receivable is recorded at the net amount that the Organization's management expects to receive, not necessarily the gross amount that was due to the Organization as of June 30. Tuition receivable consists of tuition and fees related to 2017/2018 school programs as well as prior periods. The Organization provides an allowance for doubtful accounts that is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Tuition assistance for June 30, 2018 and 2017, was $51,725 and $117,345, respectively.

Property and Equipment:

Property and equipment is carried at cost or, if donated, at fair value at the date of donation. Major items and betterments are capitalized; minor items and repairs are expensed as incurred. Depreciation is calculated on the straight-line basis over the estimated useful lives of the respective assets.

Depreciation is provided over the following asset categories and lives:

| | |
|---|---|
| Computer equipment | 3 years |
| Office equipment | 5 years |
| Therapeutic equipment | 5 years |

Fair Value Measurements:

Fair value measurements are determined based on the assumptions, referred to as inputs, that market participants would use in pricing the asset or liability. Fair value standards require an entity to maximize the use of observable inputs (such as appraisals or valuation techniques) to determine fair value. The Organization reports its investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the Organization to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with the net asset value practical expedient rules which allow for either a Level 2 or Level 3 classification depending on lock up and notice periods associated with the underlying funds. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share with lock up periods of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share with lock up periods in excess of 90 days.

Grants Receivable:

Grants are initially recorded at fair value as contribution revenue when verifiably committed by the donor. Fair value is determined in accordance with fair value policies discussed above. Grants receivable at June 30, 2018 and 2017, were $0 for both years.

Deferred Revenue:

Deferred revenue results from recognizing day school revenue in the period in which the related educational instruction is performed. Accordingly, day school grants received for services to be provided in the subsequent year are deferred until the services commence.

Advertising Costs:

Advertising costs incurred in the production and printing of the Organization's literature are charged to expense as incurred. For the years ended June 30, 2018 and 2017, advertising costs amounted to $2,723 and $2,277, respectively.

Basis of Presentation:

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

## 2. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management.

## 3. LEASE OBLIGATION

The Organization rents its premises for its office space located in Newton, Massachusetts, under a five-year lease commenced on August 16, 2009. Rent is payable in monthly installments, initially $3,133.33, with annual escalator adjustments of up to five percent per year. The contract was renewed on July 1, 2014, for an additional five years with a base rent of $4,000 per month, with annual escalator adjustments of up to five percent per year. Additional rent in the amount of $1,000 per month is paid for program space rental. Total rent expense for the years ended June 30, 2018 and 2017, was $68,754 and $64,476, respectively.

Minimum annual obligations under the lease for the next five years ending June 30 are expected to be:

| | |
|---|---|
| 2019 | $ 73,692 |
| 2020 | - |
| 2021 | - |
| 2022 | - |
| 2023 | - |

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

| | 2018 | 2017 |
|---|---|---|
| Office and computer equipment | $ 7,900 | $ 7,900 |
| Therapeutic equipment | 2,404 | 2,404 |
| Total property and equipment | 10,304 | 10,304 |
| Less: accumulated depreciation | (10,304) | (10,304) |
| Property and equipment, net | $ - | $ - |

Depreciation expense amounted to $0 for each of the years ended June 30, 2018 and 2017, respectively.

5. INVESTMENTS AND FAIR VALUE MATTERS

Investments consists of the following at June 30:

| | 2018 | 2017 |
|---|---|---|
| Interest in Jewish Community Endowment Pool, LLP (JCEP) | $ 967,041 | $ 907,401 |
| | $ 967,041 | $ 907,401 |

The Jewish Community Endowment Pool, LLP, (JCEP) was created in 1998 by the Combined Jewish Philanthropies of Greater Boston, Inc., (CJP) to serve as an endowment investment solution for small to mid-sized endowment funds of eligible 501(c)(3) public charities. All participants share proportionally in the underlying money-management and custodial costs relative to their investments in the fund. JCEP benefits from full-time investment oversight provided by CJP's Board of Managers of Trust Property.

The Organization measures its interest in JCEP as a recurring Level 2 fair value measure under the so-called practical expedient rules which allow for such valuations at net asset value per share if certain criteria are met. The Level 2 determination is based on the short notice period of one week allowing for monthly redemptions of balances. There were no transfers between levels in 2018 or 2017. The Organization has no intentions or plans to liquidate its NAV practical expedient investments at other than NAV per share.

Investment activities consisted of the following for the years ended June 30:

| | 2018 | 2017 |
|---|---|---|
| Investments, beginning of year | $ 907,401 | $ 897,895 |
| Additions | 100,000 | 400,000 |
| Deductions | (100,000) | (515,000) |
| Investment returns: | | |
| Interest and dividend income | 7,014 | 6,645 |
| Realized gains on investments | 29,821 | 21,142 |
| Fees | (5,341) | (6,185) |
| Unrealized (loss) gain on investments | 28,147 | 102,904 |
| Total investment returns | 59,640 | 9,506 |
| Investments, end of year | $ 967,041 | $ 907,401 |

JCEP invests in diversified assets that allocate exposures across the following investment categories:

- Cash and Cash Equivalents including money market funds and other highly liquid debt instruments purchased with maturities of three months or less.
- Fixed Income Investments including cash, cash equivalents and direct and indirect investments in bonds and other income securities.
- Domestic, International, Emerging Markets and Private Equity Investments including direct and indirect investments in domestic and international stocks, including emerging markets, and other equity investments, including private equity and venture capital funds, and fixed income or cash reserves held by equity investment managers. Over the long term, the equity allocation is intended to preserve the real value of assets.
- Absolute Return and Hedged Equity Investments including direct and indirect investments in marketable or semi-marketable strategies such as arbitrage, long/short hedge funds, event driven strategies, provide an "absolute" return on a reasonably consistent basis that in general provides a return of 400 to 500 basis points over Treasury Bills.
- Real Asset Investments including direct and indirect investments in real estate and natural resources or commodities.

## 6. RETIREMENT PLAN

The Organization offers a SIMPLE IRA plan (the "Plan") to all employees. The Plan provides that employees who have earned at least $5,000 in the current and preceding years can elect to participate. The Organization is matching the employees' contributions dollar-for-dollar, up to 3% of pay. Expense related to the Plan was $38,325 and $40,811 for the years ended June 30, 2018 and 2017, respectively.

## 7. CONCENTRATIONS OF CREDIT RISK AND MAJOR DONORS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents in financial institutions. Credit risk concentration from tuition is not deemed a problem, since the tuition is generated by a great many individual users of the Organization's services.

Grant revenue from Combined Jewish Philanthropies (CJP) for the years ended June 30, 2018 and 2017, was $715,767 and $683,865, respectively. These amounts represent 27% and 24%, respectively, of total revenue for each year. Discontinuation of such grants, an event not deemed likely, would represent a significant reduction of total revenue.

## 8. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017, consist of time and purpose restricted net assets and are available for various funding of Special Education programs as designated by the individual donor agreements. Temporarily restricted funds in the amount of $104,892, were contributed in the year ended June 30, 2018, and represent monies expected to be granted to partner schools in the subsequent year. Temporarily restricted net assets at June 30, 2018 and 2017, were $159,794 and $123,930, respectively.

9. INCOME TAXES

Gateways: Access to Jewish Education, Inc., is a not-for-profit organization exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3). The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the Internal Revenue Service, generally for three years after filing.

10. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 23, 2018, the date which the financial statements were available to be issued. No events occurred during that time which require disclosure in these financial statements.