

The Pearlstone Conference and Retreat Center

Financial Report
June 30, 2019

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Independent Auditor's Report

To the Board of Directors
The Pearlstone Conference and Retreat Center

Report on the Financial Statements

We have audited the accompanying financial statements of The Pearlstone Conference and Retreat Center (the Center), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses and cash flows 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

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 Center'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 the Center as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the Center adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in additional footnote disclosures, changes to the classifications of net assets and the presentation of separate statements of functional expenses. Our opinion is not modified with respect to this matter.

RSM US LLP

Baltimore, Maryland
March 6, 2020

The Pearlstone Conference and Retreat Center

Statement of Financial Position

June 30, 2019

(With Comparative Totals as of June 30, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Assets				
Cash	\$ 76,842	\$ 1,340,295	\$ 1,417,137	\$ 261,421
Property and equipment, net (Note 3)	4,195,032	-	4,195,032	2,702,975
Accounts receivable	326,660	-	326,660	268,416
Pledges and grants receivable (Note 8)	44,437	290,000	334,437	616,588
Employee loans receivable (Note 7)	12,724	-	12,724	16,601
Prepaid expenses	10,710	-	10,710	7,572
Inventory	64,246	-	64,246	57,042
Due from The Associated: Jewish Community Federation of Baltimore, Inc. (Note 7)	28,620	-	28,620	-
Total assets	\$ 4,759,271	\$ 1,630,295	\$ 6,389,566	\$ 3,930,615
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 406,209	\$ -	\$ 406,209	\$ 295,594
Due to The Associated: Jewish Community Federation of Baltimore, Inc. (Note 7)	-	-	-	40,691
Notes payable (Note 10)	-	-	-	351,500
Mortgage payable (Note 11)	536,000	-	536,000	-
Deferred revenue	861,209	-	861,209	517,208
Total liabilities	1,803,418	-	1,803,418	1,204,993
Commitments (Notes 6 and 9)				
Net assets	2,955,853	1,630,295	4,586,148	2,725,622
Total liabilities and net assets	\$ 4,759,271	\$ 1,630,295	\$ 6,389,566	\$ 3,930,615

See notes to financial statements.

The Pearlstone Conference and Retreat Center

**Statement of Financial Position
June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash	\$ 118,388	\$ 143,033	\$ 261,421
Property and equipment, net (Note 3)	2,702,975	-	2,702,975
Accounts receivable	268,416	-	268,416
Pledges and grants receivable (Note 8)	401,514	215,074	616,588
Employee loans receivable (Note 7)	16,601	-	16,601
Prepaid expenses	7,572	-	7,572
Inventory	57,042	-	57,042
Total assets	\$ 3,572,508	\$ 358,107	\$ 3,930,615
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 295,594	\$ -	\$ 295,594
Due to The Associated: Jewish Community Federation of Baltimore, Inc. (Note 7)	40,691	-	40,691
Notes payable (Note 10)	351,500	-	351,500
Deferred revenue	517,208	-	517,208
Total liabilities	1,204,993	-	1,204,993
Commitments (Notes 6 and 9)			
Net assets	2,367,515	358,107	2,725,622
Total liabilities and net assets	\$ 3,572,508	\$ 358,107	\$ 3,930,615

See notes to financial statements.

The Pearlstone Conference and Retreat Center

**Statement of Activities
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)**

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, gains and other support:				
Grant revenue	\$ 619,977	\$ 2,013,689	\$ 2,633,666	\$ 1,066,956
Allocation from The Associated: Jewish Community Federation of Baltimore, Inc. (Note 7)	929,778	-	929,778	880,327
Contributions	91,393	12,500	103,893	123,662
Retreat Center income	3,252,404	-	3,252,404	2,734,531
Other income	78,874	-	78,874	46,093
Satisfaction of donor restrictions (Note 5)	754,001	(754,001)	-	-
Total revenue, gains and other support	5,726,427	1,272,188	6,998,615	4,851,569
Expenses:				
Program	4,318,453	-	4,318,453	3,891,851
General and administrative	734,918	-	734,918	661,221
Fundraising	84,718	-	84,718	77,302
Total expenses	5,138,089	-	5,138,089	4,630,374
Change in net assets	588,338	1,272,188	1,860,526	221,195
Net assets:				
Beginning of year	2,367,515	358,107	2,725,622	2,504,427
End of year	\$ 2,955,853	\$ 1,630,295	\$ 4,586,148	\$ 2,725,622

See notes to financial statements.

The Pearlstone Conference and Retreat Center

**Statement of Activities
Year Ended June 30, 2018**

	With Donor Restrictions	Without Donor Restrictions	Total
Revenue, gains and other support:			
Grant revenue	\$ 520,994	\$ 545,962	\$ 1,066,956
Allocation from The Associated: Jewish Community Federation of Baltimore, Inc. (Note 7)	880,327	-	880,327
Contributions	70,162	53,500	123,662
Retreat Center income	2,734,531	-	2,734,531
Other income	46,093	-	46,093
Satisfaction of donor restrictions (Note 5)	686,857	(686,857)	-
Total revenue, gains and other support	4,938,964	(87,395)	4,851,569
Expenses:			
Program	3,891,851	-	3,891,851
General and administrative	661,221	-	661,221
Fundraising	77,302	-	77,302
Total expenses	4,630,374	-	4,630,374
Change in net assets	308,590	(87,395)	221,195
Net assets:			
Beginning of year	2,058,925	445,502	2,504,427
End of year	<u>\$ 2,367,515</u>	<u>\$ 358,107</u>	<u>\$ 2,725,622</u>

See notes to financial statements.

The Pearlstone Conference and Retreat Center

Statement of Functional Expenses
 Year Ended June 30, 2019
 (With Comparative Totals for 2018)

	2019				2018
	Program	General and Administrative	Fundraising	Total	
Salaries, taxes and benefits	\$ 2,545,432	\$ 356,406	\$ 64,489	\$ 2,966,327	\$ 2,656,332
Occupancy costs	530,480	73,141	13,234	616,855	601,876
Other programming expenses	395,884	2,732	566	399,182	299,397
Food and beverage	359,291	-	-	359,291	352,542
Professional fees	-	125,369	-	125,369	116,164
Advertising and promotion	70,183	43,094	1,778	115,055	94,085
Contract services	112,560	-	-	112,560	89,768
Depreciation	87,522	12,254	2,217	101,993	111,055
Information technology	11,621	85,495	265	97,381	77,310
Consulting fees	63,457	-	-	63,457	63,488
Office expenses	46,638	6,267	631	53,536	36,449
Insurance	44,835	6,277	1,136	52,248	42,815
Honorariums	21,551	-	-	21,551	15,670
Travel	15,883	2,224	402	18,509	37,464
Conferences, conventions and meetings	13,067	2,989	-	16,056	19,631
Interest	-	9,820	-	9,820	7,668
Other expenses	49	8,850	-	8,899	8,660
Total expenses	\$ 4,318,453	\$ 734,918	\$ 84,718	\$ 5,138,089	\$ 4,630,374

The Pearlstone Conference and Retreat Center

**Statement of Functional Expenses
Year Ended June 30, 2018**

	2018			
	Program	General and Administrative	Fundraising	Total
Salaries, taxes and benefits	\$ 2,279,444	\$ 319,142	\$ 57,746	\$ 2,656,332
Occupancy costs	516,513	72,284	13,079	601,876
Other programming expenses	298,564	705	128	299,397
Food and beverage	352,542	-	-	352,542
Professional fees	-	116,164	-	116,164
Advertising and promotion	52,633	40,105	1,347	94,085
Contract services	89,768	-	-	89,768
Depreciation	95,299	13,342	2,414	111,055
Information technology	15,383	61,434	493	77,310
Consulting fees	63,488	-	-	63,488
Office expenses	30,654	5,445	350	36,449
Insurance	36,740	5,144	931	42,815
Honorariums	15,670	-	-	15,670
Travel	32,149	4,501	814	37,464
Conferences, conventions and meetings	13,004	6,627	-	19,631
Interest	-	7,668	-	7,668
Other expenses	-	8,660	-	8,660
Total expenses	\$ 3,891,851	\$ 661,221	\$ 77,302	\$ 4,630,374

The Pearlstone Conference and Retreat Center

Statements of Cash Flows Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,860,526	\$ 221,195
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	101,993	111,055
Contributions restricted for long-term investment	(1,355,000)	(250,000)
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(58,244)	(225,678)
Pledges and grants receivable	152,151	231,563
Prepaid expenses	(3,138)	(2,006)
Inventory	(7,204)	(4,022)
Due from The Associated: Jewish Community Federation of Baltimore, Inc.	(28,620)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	110,615	(5,737)
Due to The Associated: Jewish Community Federation of Baltimore, Inc.	(40,691)	26,147
Deferred revenue	344,001	165,394
Net cash provided by operating activities	1,076,389	267,911
Cash flows from investing activities:		
Purchases of property and equipment	(1,058,050)	(513,726)
Collection on employee loan receivable, net	3,877	13,407
Net cash used in investing activities	(1,054,173)	(500,319)
Cash flows from financing activities:		
Repayment of notes payable	(351,500)	-
Proceeds from contributions restricted for long-term investment	1,485,000	-
Net cash provided by financing activities	1,133,500	-
Net increase (decrease) in cash	1,155,716	(232,408)
Cash:		
Beginning	261,421	493,829
Ending	\$ 1,417,137	\$ 261,421
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 7,497	\$ 7,668
Supplemental schedules of noncash investing and financing activities:		
Property and equipment purchases included in accounts payable	\$ 80,724	\$ 63,070
Property and equipment purchases funded by mortgage payable	\$ 536,000	\$ -

See notes to financial statements.

The Pearlstone Conference and Retreat Center

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Pearlstone Conference and Retreat Center (the Center) is a retreat center predominantly serving the Jewish community that provides a unique residential environment in which people are actively engaged in education, spiritual growth and community building. The Center promotes affordable community-wide usage, innovative programming through its on-site farm and high-quality service throughout its entire operation.

Affiliation: The Center is a constituent agency of The Associated: Jewish Community Federation of Baltimore, Inc. (The Associated). The Associated owns some of the Center's land and buildings.

A summary of the Center's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) regarding financial statements of not-for-profit organizations. Under these requirements, the Center is required to report information regarding financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors. There were no Board-designated net assets without donor restrictions as of June 30, 2019 and 2018.

Net assets with donor restrictions: Net assets with donor restrictions are net assets that are contributions and endowment investment earnings subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that either expire by passage of time or can be fulfilled and removed by actions of the Center pursuant to these stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. For the years ended June 30, 2019 and 2018, net assets with donor restrictions were released as expenditures were incurred.

Accounts receivable and pledges and grant receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management has determined all receivables to be fully collectible; therefore, an allowance has not been recorded as of June 30, 2019 and 2018. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Property and equipment: Property and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from 2 to 30 years.

The Pearlstone Conference and Retreat Center

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of long-lived assets: As required by the FASB Accounting Standard Codification (the Codification), Accounting for Impairment or Disposal of Long-Lived Assets, long-lived assets and certain identifiable intangible assets are to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Revenue recognition: The Center's retreat center revenue is recognized when the event takes place. Grant revenue is generally recognized when funds are encumbered or when the reimbursement reports are submitted to the funding agency, if required. Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Appropriations from The Associated are recognized when awarded.

Gifts-in-kind: Donated assets are recorded at their fair value at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Supporting expenses include those expenses that are not directly identifiable with any specific function, but which provide for the overall support and direction of the Center. The costs of providing various program and supporting activities have been presented on a detailed functional basis in the statements of functional expenses. The statements of functional expenses present expenses on a full allocation basis in accordance with accounting principles general accepted in the United States of America (GAAP). Accordingly, certain costs have been allocated among programs and supporting services benefited. All other costs are charged directly to the appropriate program. Expenses that are attributed to more than one program or supporting function are allocated consistently based on the following:

- Salaries, taxes and benefits are allocated based on management's estimates of time and effort.
- The travel, depreciation, insurance, and occupancy cost expense lines have been allocated completely based on the calculated ratio determined by management for salaries, taxes and benefits.
- Advertising and promotion, office expenses and information technology have various expenses within them that are allocated based on the calculated ratio determined by management for salaries, taxes and benefits, while other components of these lines can be directly allocated to their functionality.

Credit risk: The Center has funds on deposit with financial institutions in excess of federally-insured amounts. The Center has not experienced any losses on cash accounts and management believes the Center is not exposed to significant credit risk on cash.

Inventory: The Center values its inventories at the lower of cost, using the first-in, first-out method (FIFO) or net realizable value.

Deferred revenue: Deferred revenue represents cash deposits paid in advance related to retreat activities.

The Pearlstone Conference and Retreat Center

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adopted accounting standard: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in the financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to the net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The Center has implemented ASU 2016-14 and has modified the presentation of its financial statements accordingly. The ASU has been applied retrospectively to all periods presented. As permitted by the ASU, the liquidity and availability disclosure is not presented on a comparative basis. As a result of the pronouncement application, net asset classifications have been reduced from three categories to two categories.

Recent accounting pronouncements not yet adopted: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Customers*, and supersede the revenue requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for the Center for annual reporting beginning July 1, 2019. The impact of adopting ASU 2014-09 on the Center's financial statements for subsequent periods is currently being determined.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Center for fiscal years beginning July 1, 2021. The Center's management is in the process of evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Center is a resource recipient, the ASU is applicable to contributions received for annual periods beginning July 1, 2019. The Center is currently evaluating the impact of the adoption of this guidance on its financial statements.

Income tax status: The Center is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Center had no net unrelated business income for the years ended June 30, 2019 and 2018.

The Center has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, the Center may recognize the tax benefit from an uncertain tax position, only if, it is more likely than not, that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position.

The Pearlstone Conference and Retreat Center

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Management has evaluated the Center's tax positions and has concluded that the Center has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance. Generally, the Center is no longer subject to income tax examination by tax authorities for years before 2016.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results may vary from those estimates.

Reclassifications: Certain 2018 amounts have been reclassified to conform to the 2019 presentation. The reclassifications had no effect on the previously stated net assets or change in net assets.

Subsequent events: Subsequent events have been evaluated through March 6, 2020, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The Center is primarily supported by grants, contributions, retreat center income, and its annual allocation from The Associated. Historical operating revenues in excess of operating expenses are instrumental to maintain short-term liquidity.

Short-term cash liquidity is measured and sustained by the excess of operating revenue after incurring operating expenses. Cash received for a specific use is reserved and held in separately restricted accounts, only to be used upon the release of the restrictions and transfer of the assets.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2019 are as follows:

Cash	\$ 1,417,137
Accounts receivable	326,660
Pledges and grants receivable	334,437
Employee loans receivable	12,724
Due from The Associated: Jewish Community Federation of Baltimore, Inc.	<u>28,620</u>
Total financial assets	<u>2,119,578</u>
Less:	
Donor restricted cash	(1,340,295)
Donor restricted pledges and grants receivable	(290,000)
Employee loans receivable	<u>(12,724)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 476,559</u></u>

The Pearlstone Conference and Retreat Center

Notes to Financial Statements

Note 3. Property and Equipment

Property and equipment as of June 30, 2019 and 2018, is as follows:

	2019	2018
Building and building improvements	\$ 1,619,517	\$ 822,377
Land	460,292	213,330
Furniture and equipment	666,522	704,985
Construction in progress	1,946,606	1,396,658
	<u>4,692,937</u>	<u>3,137,350</u>
Less accumulated depreciation	(497,905)	(434,375)
	<u>\$ 4,195,032</u>	<u>\$ 2,702,975</u>

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2019 and 2018:

	2019	2018
Capital projects	\$ 1,129,429	\$ 115,074
Youth and Families Pathway	210,000	-
Project Accelerate	168,500	50,000
Jewish Farmer Network Conference	50,000	-
Programming	45,000	183,167
FBEN conference	12,500	-
Cardin women garden	9,866	9,866
Car charging station	5,000	-
	<u>\$ 1,630,295</u>	<u>\$ 358,107</u>

Note 5. Releases From Donor Restrictions

Amounts were released from donor restrictions for the following purposes at June 30, 2019 and 2018:

	2019	2018
Capital projects	\$ 340,645	\$ 134,926
Programming	302,356	551,931
Project Accelerate	111,000	-
	<u>\$ 754,001</u>	<u>\$ 686,857</u>

The Pearlstone Conference and Retreat Center

Notes to Financial Statements

Note 6. Retirement Plan

The Center contributes to a 401(k) thrift plan (the Plan). Employees normally scheduled to work 18.75 hours or more per week are automatically enrolled in the Plan at a 2% pre-tax deferral rate each month following completion of the eligibility requirement of three months of service. Each year, eligible participants may contribute between 1% and 100% of their annual compensation as defined in the Plan subject to annual limitations in the IRC. Participants may designate some or all their own contributions as Roth 401(k) contributions. Such contributions and any activity related to these amounts will be accounted for separate from the participant's pre-tax contributions. In addition, employees may rollover distributions received from other plans. Participants direct the investment of contributions into various investment options offered by the Plan on a daily basis. The Plan currently offers mutual funds and a common collective trust as investment options for participants.

The Plan allows for Safe Harbor matching contributions up to a maximum of 4% of compensation for eligible employees. Participants vest immediately in both their and employer contributions plus actual earnings thereon. Under the Plan, the Center may also make a discretionary contribution.

Pension expense was \$60,500 and \$50,807 for the years ended June 30, 2019 and 2018, respectively.

Note 7. Related Party Transactions

On July 24, 2009, the Center loaned \$30,000 to an employee for the purchase of property. The loan is to be repaid over 108 months at an interest rate of 2.06% per year, with the first payment in the amount of \$3,000 due on September 1, 2009. Thereafter, \$250 is deducted on a monthly basis from the employee's salary to pay the Center for each monthly loan payment. The remaining receivable was \$1,406 and \$4,699 at June 30, 2019 and 2018, respectively, and is included in employee loans receivable on the statements of financial position.

The Center has executed a memorandum of understanding, effective July 1, 2016, with The Associated outlining the services provided by The Associated to the Center. The memorandum outlines the type of services provided to the Center including real estate, finance/payroll, human resources, information technology, marketing, property management and repairs, investment management and security, as well as the agreed upon value to these services. The memorandum creates no contractual obligations and automatically renews annually, unless terminated under terms of the agreement. The memorandum is amended each year to reflect updated costs of the services provided by The Associated to the Center. In addition, the Center entered into a lease arrangement with The Associated for an initial lease term of 10 years, automatically renewable for three additional 10-year terms. The terms of the lease provide for an increase of 3% from the initial rent on an annual basis. In addition, The Associated provides a rent subsidy to the Center, through allocations from The Associated that matches the annual rent expense after each annual increase.

The Associated provided an allocation to the Center totaling \$929,778 and \$880,327 for the years ended June 30, 2019 and 2018, respectively.

The Associated provides administrative services for accounting, information technology, human resources, marketing, rent, maintenance and security to the Center. The total value of these services provided was \$484,564 and \$452,837 for the years ended June 30, 2019 and 2018, respectively, and is included in allocation from The Associated: Jewish Community Federation of Baltimore, Inc. on the statements of activities.

The Pearlstone Conference and Retreat Center

Notes to Financial Statements

Note 7. Related Party Transactions (Continued)

On December 14, 2014, the Trustees of the Charitable Income Trust U/W J.H. Pearlstone, Jr. (the Trust) and The Associated created a Capital Fund Agreement to designate the future use of the Fund for capital projects that benefit the Center that have been authorized by the Board of Directors with the consent of the Trustees of the Trust and The Associated. During the September 24, 2014 Board meeting, the Board of Directors approved new capital projects with estimated costs of \$2,000,000. During the year ended June 30, 2019, the Center recorded \$485,477 of grant revenue and a receivable of \$147,600 related to expenditures incurred under capital grants. During the year ended June 30, 2018, the Center recorded \$455,411 of grant revenue and a receivable of \$170,211 related to expenditures incurred under capital grants.

Note 8. Pledges and Grants Receivable

As of the June 30, 2019 and 2018, the pledges and grants receivable balances were \$334,437 and \$616,588, respectively, and management has determined all receivables to be fully collectible.

Note 9. Commitments

The Center has an employment agreement with a member of senior management that includes a term of four years expiring on June 30, 2022, which provides for compensation and benefits.

Note 10. Notes Payable

The Center obtained a \$300,000 line of credit from The Associated on June 22, 2017, to finance the purchase of an adjacent property. The balance was paid in-full during the year ended June 30, 2019.

The Center obtained a \$50,000 short-term loan from Pearlstone Endowment Fund as held by The Associated. The balance was paid in-full during the year ended June 30, 2019.

Note 11. Mortgage Payable

The Center obtained a \$536,000 mortgage from a commercial bank on May 3, 2019, to finance the purchase of an adjacent property and house. The mortgage has a maturity date of November 3, 2029 and accrues interest at a rate of 5.2%. Interest-only payments will be made until December 2019, at which time payments will include principal and interest. Accrued interest as of June 30, 2019 is \$2,323 and is included in accounts payable and accrued expenses on the statement of financial position.

The future principal payments are expected to be made as follows:

Years ending June 30:	
2020	\$ 24,359
2021	43,512
2022	45,830
2023	48,270
2024	50,841
Thereafter	323,188
	<u>\$ 536,000</u>



RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
The Pearlstone Conference and Retreat Center

We have audited the financial statements of The Pearlstone Conference and Retreat Center as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon, dated March 6, 2020, which contained an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Baltimore, Maryland
March 6, 2020

The Pearlstone Conference and Retreat Center

Statement of Financial Position – By Internal Fund

June 30, 2019

(With Comparative Totals as of June 30, 2018)

	2019			2018
	Operating	Capital	Total	Total
Assets				
Cash	\$ 583,400	\$ 833,737	\$ 1,417,137	\$ 261,421
Property and equipment	-	4,195,032	4,195,032	2,702,975
Accounts receivable	179,060	147,600	326,660	268,416
Pledges and grants receivable	252,005	82,432	334,437	616,588
Employee loans receivable	12,724	-	12,724	16,601
Prepaid expenses	10,710	-	10,710	7,572
Inventory	64,246	-	64,246	57,042
Due from The Associated: Jewish Community Federation of Baltimore, Inc.	28,620	-	28,620	-
Due from (to) other funds	658,845	(658,845)	-	-
Total assets	\$ 1,789,610	\$ 4,599,956	\$ 6,389,566	\$ 3,930,615
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 306,913	\$ 99,296	\$ 406,209	\$ 295,594
Due to The Associated: Jewish Community Federation of Baltimore, Inc.	-	-	-	40,691
Notes payable	-	-	-	351,500
Mortgage payable	-	536,000	536,000	-
Deferred revenue	861,209	-	861,209	517,208
Total liabilities	1,168,122	635,296	1,803,418	1,204,993
Net assets	621,488	3,964,660	4,586,148	2,725,622
Total liabilities and net assets	\$ 1,789,610	\$ 4,599,956	\$ 6,389,566	\$ 3,930,615

The Pearlstone Conference and Retreat Center

Statement of Activities – By Internal Fund
 Year Ended June 30, 2019
 (With Comparative Totals for the Year Ended June 30, 2018)

	2019			2018
	Operating	Capital	Total	Total
Revenue, gains and other support:				
Grant revenue	\$ 793,189	\$ 1,840,477	\$ 2,633,666	\$ 1,066,956
Allocation from The Associated: Jewish Community Federation of Baltimore, Inc.	929,778	-	929,778	880,327
Contributions	103,893	-	103,893	123,662
Retreat Center income	3,252,404	-	3,252,404	2,734,531
Other income	78,874	-	78,874	46,093
Total revenue, gains and other support	5,158,138	1,840,477	6,998,615	4,851,569
Expenses:				
Program	4,104,538	213,915	4,318,453	3,891,851
General and administrative	694,412	40,506	734,918	661,221
Fundraising	79,308	5,410	84,718	77,302
Total expenses	4,878,258	259,831	5,138,089	4,630,374
Change in net assets	279,880	1,580,646	1,860,526	221,195
Net assets:				
Beginning of year	341,608	2,384,014	2,725,622	2,504,427
End of year	\$ 621,488	\$ 3,964,660	\$ 4,586,148	\$ 2,725,622

The Pearlstone Conference and Retreat Center

Statement of Financial Position – Without Donor Restrictions – By Internal Fund
 June 30, 2019
 (With Comparative Totals as of June 30, 2018)

	2019			2018
	Operating	Capital	Total	Total
Assets				
Cash	\$ 302,534	\$ (225,692)	\$ 76,842	\$ 118,388
Property and equipment, net	-	4,195,032	4,195,032	2,702,975
Accounts receivable	179,060	147,600	326,660	268,416
Pledges and grants receivable	32,005	12,432	44,437	401,514
Employee loans receivable	12,724	-	12,724	16,601
Prepaid expenses	10,710	-	10,710	7,572
Inventory	64,246	-	64,246	57,042
Due from The Associated: Jewish Community Federation of Baltimore, Inc.	28,620	-	28,620	-
Due from (to) other funds	658,845	(658,845)	-	-
Total assets	\$ 1,288,744	\$ 3,470,527	\$ 4,759,271	\$ 3,572,508
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 306,913	\$ 99,296	\$ 406,209	\$ 295,594
Due to The Associated: Jewish Community Federation of Baltimore, Inc.	-	-	-	40,691
Notes payable	-	-	-	351,500
Mortgage payable	-	536,000	536,000	-
Deferred revenue	861,209	-	861,209	517,208
Total liabilities	1,168,122	635,296	1,803,418	1,204,993
Net assets	120,622	2,835,231	2,955,853	2,367,515
Total liabilities and net assets	\$ 1,288,744	\$ 3,470,527	\$ 4,759,271	\$ 3,572,508

The Pearlstone Conference and Retreat Center

Statement of Financial Position – With Donor Restrictions – By Internal Fund
 June 30, 2019
 (With Comparative Totals as of June 30, 2018)

	2019			2018
	Operating	Capital	Total	Total
Assets				
Cash	\$ 280,866	\$ 1,059,429	\$ 1,340,295	\$ 143,033
Property and equipment, net	-	-	-	-
Accounts receivable	-	-	-	-
Pledges and grants receivable	220,000	70,000	290,000	215,074
Employee loans receivable	-	-	-	-
Prepaid expenses	-	-	-	-
Inventory	-	-	-	-
Due from The Associated: Jewish Community Federation of Baltimore, Inc.	-	-	-	-
Due from (to) other funds	-	-	-	-
Total assets	\$ 500,866	\$ 1,129,429	\$ 1,630,295	\$ 358,107
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -
Due to The Associated: Jewish Community Federation of Baltimore, Inc.	-	-	-	-
Notes payable	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	-	-
Net assets	500,866	1,129,429	1,630,295	358,107
Total liabilities and net assets	\$ 500,866	\$ 1,129,429	\$ 1,630,295	\$ 358,107

The Pearlstone Conference and Retreat Center

**Statement of Activities – Without Donor Restrictions – By Internal Fund
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)**

	2019			2018
	Operating	Capital	Total	Total
Revenue, gains and other support:				
Grant revenue	\$ 134,500	\$ 485,477	\$ 619,977	\$ 520,994
Allocation from The Associated: Jewish Community Federation of Baltimore, Inc.	929,778	-	929,778	880,327
Contributions	91,393	-	91,393	70,162
Retreat Center income	3,252,404	-	3,252,404	2,734,531
Other income	78,874	-	78,874	46,093
Satisfaction of donor restrictions	413,356	340,645	754,001	686,857
Total revenue, gains and other support	4,900,305	826,122	5,726,427	4,938,964
Expenses:				
Program	4,104,538	213,915	4,318,453	3,891,851
General and administrative	694,412	40,506	734,918	661,221
Fundraising	79,308	5,410	84,718	77,302
Total expenses	4,878,258	259,831	5,138,089	4,630,374
Change in net assets	22,047	566,291	588,338	308,590
Net assets:				
Beginning of year	98,575	2,268,940	2,367,515	2,058,925
End of year	\$ 120,622	\$ 2,835,231	\$ 2,955,853	\$ 2,367,515

The Pearlstone Conference and Retreat Center

Statement of Activities – With Donor Restrictions – By Internal
Fund Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			2018
	Operating	Capital	Total	Total
Revenue, gains and other support:				
Grant revenue	\$ 658,689	\$ 1,355,000	\$ 2,013,689	\$ 545,962
Allocation from The Associated: Jewish Community Federation of Baltimore, Inc.	-	-	-	-
Contributions	12,500	-	12,500	53,500
Retreat Center income	-	-	-	-
Other income	-	-	-	-
Satisfaction of donor restrictions	(413,356)	(340,645)	(754,001)	(686,857)
Total revenue, gains and other support	257,833	1,014,355	1,272,188	(87,395)
Expenses:				
Program	-	-	-	-
General and administrative	-	-	-	-
Fundraising	-	-	-	-
Total expenses	-	-	-	-
Change in net assets	257,833	1,014,355	1,272,188	(87,395)
Net assets:				
Beginning of year	243,033	115,074	358,107	445,502
End of year	\$ 500,866	\$ 1,129,429	\$ 1,630,295	\$ 358,107