

EISNERAMPER

**JEWISH FEDERATION OF
GREATER PHILADELPHIA**

FINANCIAL STATEMENTS

AUGUST 31, 2022 and 2021



JEWISH FEDERATION OF GREATER PHILADELPHIA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jewish Federation of Greater Philadelphia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jewish Federation of Greater Philadelphia (the "Organization"), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities and changes in net assets, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Jewish Federation of Greater Philadelphia as of August 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

A stylized, handwritten signature of EisnerAmper LLP in black ink.

EISNERAMPER LLP
Philadelphia, Pennsylvania
March 8, 2023



JEWISH FEDERATION OF GREATER PHILADELPHIA

Statements of Financial Position (in thousands)

	August 31,	
	2022	2021
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 19,999	\$ 22,433
Assets held under revocable trust agreements	12,127	13,090
Pledges receivable, net	7,951	7,396
Customer accounts receivable, net	253	331
Prepaid expenses and other current assets	1,131	738
Assets held for sale	3,819	-
Assets held for sale - discontinued operations	-	208
Total current assets	45,280	44,196
Pledges receivable, noncurrent	1,580	2,145
Land, buildings and equipment, net	25,366	29,629
Operating lease right-of-use assets	4,244	-
Assets held under charitable remainder trust agreements	1,248	1,603
Long-term investments	306,138	340,864
Nonparticipating assets	1,022	1,062
Other assets	4,996	5,210
Total assets	\$ 389,874	\$ 424,709
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Grants payable	\$ 8,869	\$ 8,407
Donor-designated liabilities	550	368
Accounts payable and accrued expenses	2,865	2,523
Current portion of long-term debt	161	193
Current portion of operating lease liabilities	321	-
Liabilities under revocable trust agreements	12,127	13,090
Current portion of liabilities under charitable remainder trust agreements	87	102
Current portion of liabilities under charitable gift annuities	431	440
Deferred revenue	812	225
Liabilities held for sale - discontinued operations	-	568
Total current liabilities	26,223	25,916
Long-term debt, net of current portion	37,125	37,632
Long-term operating lease liabilities	3,923	-
Long-term portion of liabilities under charitable remainder trust agreements	522	701
Long-term portion of liabilities under charitable gift annuities	3,040	3,586
Accrued pension benefit costs	17,953	23,099
Other noncurrent liabilities	99	2,617
Total liabilities	88,885	93,551
<i>Net assets</i>		
Without donor restrictions	115,893	138,230
With donor restrictions	185,096	192,928
Total net assets	300,989	331,158
Total liabilities and net assets	\$ 389,874	\$ 424,709

See notes to financial statements.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Statement of Activities and Changes in Net Assets Year Ended August 31, 2022 (in thousands)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Public and nonpublic support			
<i>Public support</i>			
Campaign pledges	\$ 14,402	\$ 7,332	\$ 21,734
Grants to campaigns from philanthropic donor-advised and endowment funds	(2,428)	-	(2,428)
Other contributions and bequests	16,256	7,091	23,347
Total public support	<u>28,230</u>	<u>14,423</u>	<u>42,653</u>
<i>Nonpublic support</i>			
Investment income, net	2,916	990	3,906
Realized and unrealized losses on investments	(20,487)	(14,036)	(34,523)
Change in value			
Nonparticipating assets	(23)	-	(23)
Charitable remainder trust agreements	-	(123)	(123)
Charitable gift annuities	760	-	760
Other income	2,930	-	2,930
In-kind contributions	669	-	669
Total nonpublic support	<u>(13,235)</u>	<u>(13,169)</u>	<u>(26,404)</u>
Net assets released from restrictions	<u>9,086</u>	<u>(9,086)</u>	<u>-</u>
Total public and nonpublic support	<u>24,081</u>	<u>(7,832)</u>	<u>16,249</u>
Program allocations and operations expenses			
<i>Grants and allocations</i>			
Jewish Continuity	4,396	-	4,396
Safety Net	3,935	-	3,935
<i>Designated campaign</i>			
Jewish Continuity	1,717	-	1,717
Safety Net	1,926	-	1,926
Philanthropic donor-advised fund grants	17,661	-	17,661
Direct endowment fund grants	2,780	-	2,780
<i>Program operations</i>			
Jewish Federation managed programs	4,556	-	4,556
Campus operations	2,961	-	2,961
Departmental operations	4,575	-	4,575
Other program expense	301	-	301
Total program allocations and program operations expenses	<u>44,808</u>	<u>-</u>	<u>44,808</u>
<i>Other expenses</i>			
Financial resource development	4,778	-	4,778
Management and general	3,671	-	3,671
Provision for uncollectible pledges	768	-	768
Total other expenses	<u>9,217</u>	<u>-</u>	<u>9,217</u>
Total program allocations and expenses	<u>54,025</u>	<u>-</u>	<u>54,025</u>
Change in net assets from continuing operations	<u>(29,944)</u>	<u>(7,832)</u>	<u>(37,776)</u>
Discontinued Operations			
Net income from Jewish Exponent	59	-	59
Change in net assets from discontinuing operations	59	-	59
<i>Other changes in net assets</i>			
Net periodic benefit cost and other pension-related changes	5,147	-	5,147
Change in fair value of interest rate swap agreements	2,401	-	2,401
Total other changes in net assets	<u>7,607</u>	<u>-</u>	<u>7,607</u>
Change in net assets	<u>(22,337)</u>	<u>(7,832)</u>	<u>(30,169)</u>
Net assets at beginning of year	138,230	192,928	331,158
Net assets at end of year	<u>\$ 115,893</u>	<u>\$ 185,096</u>	<u>\$ 300,989</u>

See notes to financial statements.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Statement of Activities and Changes in Net Assets Year Ended August 31, 2021 (in thousands)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Public and nonpublic support			
<i>Public support</i>			
Campaign pledges	\$ 15,443	\$ 9,693	\$ 25,136
Grants to campaigns from philanthropic donor-advised and endowment funds	(4,039)	-	(4,039)
Other contributions and bequests	9,940	6,865	16,805
Total public support	<u>21,344</u>	<u>16,558</u>	<u>37,902</u>
<i>Nonpublic support</i>			
Investment income, net	2,474	664	3,138
Realized and unrealized losses on investments	26,416	36,044	62,460
Change in value			
Nonparticipating assets	120	-	120
Charitable remainder trust agreements	-	100	100
Charitable gift annuities	105	-	105
Gain on forgiveness of PPP loan	1,966	-	1,966
Other income	2,615	-	2,615
In-kind contributions	748	-	748
Total nonpublic support	<u>34,444</u>	<u>36,808</u>	<u>71,252</u>
Net assets released from restrictions	<u>17,233</u>	<u>(17,233)</u>	<u>-</u>
Total public and nonpublic support	<u>73,021</u>	<u>36,133</u>	<u>109,154</u>
Program allocations and operations expenses			
Grants and allocations			
Jewish Continuity	4,343	-	4,343
Safety Net	3,833	-	3,833
Designated campaign			
Jewish Continuity	1,802	-	1,802
Safety Net	3,126	-	3,126
Philanthropic donor-advised fund grants	11,895	-	11,895
Direct endowment fund grants	3,362	-	3,362
Program operations			
Jewish Federation managed programs	6,062	-	6,062
Campus operations	3,178	-	3,178
Departmental operations	4,279	-	4,279
Other program expense	362	-	362
Total program allocations and program operations expenses	<u>42,242</u>	<u>-</u>	<u>42,242</u>
<i>Other expenses</i>			
Financial resource development	4,955	-	4,955
Management and general	3,824	-	3,824
Provision for uncollectible pledges	502	-	502
Unrelated business income tax	50	-	50
Total other expenses	<u>9,331</u>	<u>-</u>	<u>9,331</u>
Total program allocations and expenses	<u>51,573</u>	<u>-</u>	<u>51,573</u>
Change in net assets from continuing operations	<u>21,448</u>	<u>36,133</u>	<u>57,581</u>
Discontinued Operations			
Loss from operation of Jewish Exponent	(26)	-	(26)
Change in net assets from discontinuing operations	(26)	-	(26)
<i>Other changes in net assets</i>			
Net periodic benefit cost and other pension-related changes	4,341	-	4,341
Change in fair value of interest rate swap agreements	1,042	-	1,042
Total other changes in net assets	<u>5,357</u>	<u>-</u>	<u>5,357</u>
Change in net assets	<u>26,805</u>	<u>36,133</u>	<u>62,938</u>
Net assets at beginning of year	<u>111,425</u>	<u>156,795</u>	<u>268,220</u>
Net assets at end of year	<u>\$ 138,230</u>	<u>\$ 192,928</u>	<u>\$ 331,158</u>

See notes to financial statements.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Statements of Cash Flows (in thousands)

	Year Ended	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (30,169)	\$ 62,938
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Realized and unrealized losses (gains) on investments	34,523	(62,460)
Change in value - nonparticipating assets	23	(120)
Change in value - charitable remainder trust agreements	123	(100)
Change in value - charitable gift annuities	(760)	(105)
Change in fair value of interest rate swap agreements	(2,401)	(1,042)
Gain on forgiveness of PPP loans	-	(2,131)
Depreciation	898	1,185
Provision for uncollectible pledges	768	502
Contribution of charitable gift annuities	(619)	(7)
Contributions restricted to endowment	(1,159)	(2,923)
Loss on disposal of fixed assets	170	9
<i>Changes in operating assets and liabilities</i>		
<i>(Increase) decrease in</i>		
Assets held under revocable trust agreements	963	(1,965)
Pledges receivable	(758)	414
Customer accounts receivables, prepaid expenses and other current assets	286	339
Other assets	238	(607)
<i>Increase (decrease) in</i>		
Grants payable	462	404
Donor-designated liabilities	182	269
Accounts payable and accrued expenses	338	(394)
Liabilities under revocable trust agreements	(963)	1,965
Deferred revenue	(568)	11
Accrued pension benefit costs	(5,147)	(4,341)
Other noncurrent liabilities	(117)	34
Net cash used in operating activities	<u>(3,687)</u>	<u>(8,125)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(34,657)	(38,721)
Proceeds from sales and distributions of investments	34,860	34,476
Proceeds from sales of nonparticipating assets	17	1,391
Proceeds from charitable remainder trust assets	135	204
Purchase of building and equipment	(623)	(76)
Net cash used in investing activities	<u>(268)</u>	<u>(2,726)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line-of-credit payments, net	-	(1,546)
Proceeds from long-term debt	-	165
Repayments of long-term debt	(724)	(299)
Payments to charitable remainder trust beneficiaries	(97)	(96)
Payments to charitable gift annuity beneficiaries	(411)	(445)
Proceeds from charitable gift annuities	1,235	14
Proceeds from contributions restricted to endowment	1,159	2,923
Net cash provided by financing activities	<u>1,162</u>	<u>716</u>
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Cash flows provided by (used in) discontinued operations	<u>359</u>	<u>(66)</u>
Net decrease in cash and cash equivalents	<u>(2,434)</u>	<u>(10,201)</u>
Cash and cash equivalents at beginning of year	<u>22,433</u>	<u>32,634</u>
Cash and cash equivalents at end of year	<u>\$ 19,999</u>	<u>\$ 22,433</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 940	\$ 975
Write-off of fully depreciated assets	\$ 566	\$ 8
Obtaining a right-of-use asset in exchange for a lease liability	\$ 4,218	\$ -

See notes to financial statements.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 1 - NATURE OF ACTIVITIES

The financial statements of Jewish Federation of Greater Philadelphia include the accounts of Jewish Federation of Greater Philadelphia ("Organization"), and through February 28, 2022, its wholly-owned subsidiary, the Jewish Publishing Group ("Jewish Exponent"). As more fully disclosed in Note 17, the Jewish Exponent was sold to a third party in February 2022. The assets and liabilities have been segregated as held for sale - discontinued operations on the statement of financial position as of August 31, 2021. The net gain (loss) from operations of the Jewish Exponent have been segregated as discontinued operations for the period September 1, 2022 to February 28, 2022 and for the year ended August 31, 2021.

The Jewish Federation has received a determination letter from the Internal Revenue Service ("IRS") stating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Jewish Federation is the hub of Greater Philadelphia's Jewish community through giving, inclusion and tradition. Through philanthropists, organizations, volunteers and staff, the Jewish Federation fills three key roles: community convener, fundraiser and grant maker. The Jewish Federation mobilizes financial and volunteer resources to address the communities' most critical priorities locally, in Israel and around the world.

The Jewish Exponent published a weekly newspaper (the *Jewish Exponent*) and an annual *Guide to Jewish Philadelphia*, which were distributed in the Philadelphia metropolitan-area Jewish community.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[a] Basis of accounting:

These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

[b] Classification of net assets:

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

Net Assets Without Donor Restrictions - Represent net assets available for use in general operations that are not subject to donor-imposed restrictions including amounts designated by the board as an endowment.

Net Assets With Donor Restrictions - Represent net assets that are subject to donor-imposed restrictions that will be met, either by actions of the Organization and/or the passage of time or where donor stipulates that resources be maintained in perpetuity. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both or through appropriation of endowment income or corpus pursuant to an endowment spending rate policy, and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

[c] Use of estimates:

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements
August 31, 2022 and 2021
(in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[d] Cash and cash equivalents:

Cash and cash equivalents represent cash in banks and investment portfolios, money market funds, and other highly liquid investments with an original maturity of three months or less. As of August 31, 2022 and 2021, the Organization had deposits in money market funds of \$18,667 and \$19,834, respectively, which are included in cash and cash equivalents.

[e] Assets and liabilities under revocable trust agreements:

Revocable trust agreements represents funds held and invested for other not-for-profit organizations by the Jewish Federation, which is also the trustee of these funds. These funds may be revoked at will by these third parties; therefore, a liability for the fair value of these funds has been recorded. The receipt, allocation of investment gains and losses, and subsequent distribution of these funds are accounted for as pass-through transactions and thus are not included in the accompanying statements of activities and changes in net assets.

[f] Pledges receivable:

Pledges receivable generally represent amounts receivable from donors for the Jewish Federation's Jewish Community Fund campaign and other ongoing campaigns. Pledges receivable expected to be collected after one year are discounted at a risk-free rate of return. Management determines the allowance for uncollectible accounts based on historical collections experience and its estimate of realization of the underlying pledges. Individual pledges are written off when deemed uncollectible. Pledges are recorded at their fair value when received. Fair values are measured based on the present value of future cash flows, considering expectations about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The fair value measurements also include consideration of the donor's credit risk.

[g] Customer accounts receivable:

The Jewish Federation's customer accounts receivable relate to amounts due from tenants at the Schwartz Campus and other trade receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to the aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as revenue when received. Interest is not recorded on any past-due balances.

[h] Land, buildings and equipment, net:

The Jewish Federation capitalizes all buildings and equipment purchased with a cost of \$5,000 or more and a useful life beyond one year. Expenditures for additions, renewals and betterments are capitalized. Maintenance and repairs are charged to operations when incurred. Land, buildings and equipment are recorded at cost. Buildings and equipment are depreciated on a straight-line basis over the estimated useful lives of the respective assets as follows:

Buildings	30 - 40 years
Building alterations	15 - 20 years
Furniture and equipment	7 years
Computer equipment	3 - 5 years

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[h] Land, buildings and equipment, net: (continued)

Donated property and equipment are recorded at fair value at the date of the receipt and then recorded as net assets without donor restrictions at the date the asset is placed in service, unless the donor stipulates otherwise. The cost and accumulated depreciation of property sold or retired are removed from the related asset and accumulated depreciation accounts, and the resultant gain or loss is recorded in the period of disposal.

The Jewish Federation reviews its property for impairment when facts or circumstances indicate a potential impairment, and for the years ended August 31, 2022 and 2021, there were no adjustments made for impairment losses.

[i] Charitable remainder trusts:

The Jewish Federation acts as trustee for various trusts. These trusts are governed by the respective trust agreements, which generally provide for an income stream to the donor or a third-party beneficiary. Upon termination of the trust, the Jewish Federation or another not-for-profit organization receives the remaining assets in the trust. Contributions made through the establishment of charitable remainder trusts with the Jewish Federation are accounted for as net assets with donor restrictions when the trust agreements are executed.

Assets under charitable remainder trusts are recorded at the fair value of the related trust assets, and liabilities under the charitable remainder trusts are recorded at the present value of the estimated payments to the outside beneficiaries. Estimated life expectancy is determined using IRS mortality tables. The liabilities are adjusted annually for amortization of discount and changes in actuarial assumptions. These adjustments are recorded as changes in value of charitable remainder trusts. The Jewish Federation records the present value of the charitable remainder interest discounted at rates of approximately 2% to 3%, which is based on current market conditions.

[j] Charitable gift annuities:

Under charitable gift annuities, the Jewish Federation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contribution revenues under charitable gift annuity arrangements are recognized as the net of the related assets that have been recorded at fair value, less the related liabilities that have been recorded at the present value of the estimated payments to the beneficiaries. Estimated life expectancy is determined using IRS mortality tables. The liabilities are adjusted annually for amortization of discount and changes in actuarial assumptions. These adjustments are recorded as changes in value of charitable gift annuities. The Jewish Federation records the present value of the estimated payments to beneficiaries discounted at rates of approximately 2% to 3%, which is based on current market conditions. Assets held under charitable gift annuities are included in long-term investments in the statements of financial position.

[k] Long-term investments:

Investments are stated at fair value in the accompanying statements of financial position. Gains and losses on investments, including unrealized gains and losses, are reported as increases or decreases in net assets without donor restrictions unless the use of the investment or income is limited by law or donor-imposed restriction. Donor-restricted income is reported as an increase in net assets with donor restrictions.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[l] Nonparticipating assets:

Nonparticipating assets generally represent noncash contributions from donors that are to be used for funding purposes once such assets have been converted into cash. Nonparticipating assets are recorded as net assets without donor restrictions, or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions when received. Such assets are recorded at fair value or another basis, as described in Note 6, at the date of contribution.

[m] Other assets:

Other assets consist primarily of the cash surrender value of life insurance policies on Jewish Federation donors. The Jewish Federation is both the owner and beneficiary of 79 life insurance policies as of August 31, 2022 and 2021. The face value of the policies is \$48,407 as of both August 31, 2022 and 2021. The cash surrender value of the policies is \$4,336 and \$4,526 as of August 31, 2022 and 2021, respectively.

[n] Grants payable:

Program allocations/grants are approved annually in the program allocation process by the Finance Committee, the Planning and Resourcing Committee, the Board of Directors, and the Board of Trustees. The grants payable are recorded when the amounts are approved (normally in May) and based on the approved amounts to be paid the following fiscal year. Amounts approved to fund Jewish Federation-run programs are recognized in the period the expense is incurred.

[o] Donor-designated liabilities:

Donor-designated liabilities represent cash received on certain campaign pledges that are payable to specified third parties, at the recommendation of the donor.

[p] Campaign pledges/other contributions and bequests:

Campaign pledges and other contributions and bequests are recognized when the donor makes a promise to the Jewish Federation that is measurable and unconditional. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There were no conditional contributions for either of the years ended August 31, 2022 or 2021. Campaign pledges and other contributions and bequests received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

The Jewish Federation conducts a fundraising campaign each year. The Jewish Federation's annual campaign lasts 12 months and ends August 31 to coincide with the Jewish Federation's fiscal year-end. Pledges made during the Jewish Federation's 12-month fiscal year are recorded as public support in the fiscal year the pledge is made.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[q] Grants to campaigns from philanthropic donor-advised and endowment funds:

With consideration given to the nonbinding recommendations of the donors, philanthropic donor-advised funds of the Jewish Federation may be distributed, at the Jewish Federation's discretion, to the Jewish Federation for its campaigns. In addition, certain endowment funds have been established by donors to provide a distribution to fulfill their annual Jewish Federation campaign gift in perpetuity. As the philanthropic donor-advised and endowment fund contributions are already included in campaign revenue and the net assets of the Jewish Federation, such amounts distributed in the current year are included as a reduction of public support.

[r] Donated assets:

Donated marketable securities and other noncash donations are recorded as contributions at their fair value at the date of donation within the appropriate statements of activities and changes in net assets' line item.

In-kind contributions

Donations of materials and services for events, food for the Mitzvah Food Program, and other materials and supplies are recorded as contributions at their fair value at the date of donation or at their fair value when the services are received. Fair value is determined using estimated prices of identical or similar products. Donated materials are used in Jewish Federation managed programs. Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose.

[s] Fair value of financial instruments:

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants.

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[s] Fair value of financial instruments: (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of August 31, 2022 or 2021.

Mutual funds – Valued at the net asset value of shares held by the Organization at year-end.

Bonds and asset-backed securities – Valued at the closing price of assets held by the Organization at year-end based upon valuations provided by independent, third-party pricing agents.

Publicly-traded stock – Valued at the closing price reported on the active market on which the individual securities are traded.

Alternative investments – Valued at net asset value as a practical expedient.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

Changes in fair value levels:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended August 31, 2022 and 2021, there were no transfers into or out of Levels 1, 2 or 3.

[t] Credit and financial risk:

Substantially all promises to give are derived from individual donors. All of these receivables are unsecured. The Jewish Federation's customer accounts receivable are also unsecured.

The Jewish Federation maintains its cash in bank deposit accounts, which periodically may exceed federally insured limits. The Jewish Federation has not experienced any losses in such accounts. The Jewish Federation believes it is not exposed to any significant financial risk on cash.

The Jewish Federation invests in a professionally managed portfolio that contains mutual funds, asset-backed securities, bonds, and alternative investments. Such investments are exposed to several risks, such as interest rate, market, and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the financial statements.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[u] Interest rate swap agreements:

The Jewish Federation participates in interest rate swap agreements, which are a derivative financial instrument required to be recorded at fair value. The Jewish Federation recognizes such derivative financial instruments as either assets or liabilities at their fair value (based on a third party's proprietary discounted cash flow model, which considers past, present, and future assumptions regarding interest rates and market conditions to estimate the fair value of the agreement) in the statements of financial position, with the current year changes in the fair value reported in the statements of activities and changes in net assets.

[v] PPP loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provided businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus (COVID-19) outbreak. During fiscal years 2021 and 2020, the Organization applied for and received PPP funds. The Organization has elected to record the PPP funds as loans under FASB ASC 470, *Debt*. Loan forgiveness will be recognized when the conditions for loan forgiveness are met and the forgiveness amounts are formally approved by the bank and SBA. The Organization's PPP loans are more fully described in Note 9.

[w] Functional allocation of expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and real estate maintenance (occupancy), which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

[x] Leases:

The Organization follows the provisions of ASU 2016-02, *Leases (Topic 842)*. The Organization determines if an arrangement is a lease at inception. Operating leases are recorded as operating lease right-of-use ("ROU") assets and operating lease liabilities (current portion and long-term portion) on the accompanying statement of financial position. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As the Organization's leases do not provide an implicit rate, an incremental borrowing rate based on the information available at the commencement date is used as a practical expedient in determining the present value of future payments. The operating lease ROU assets exclude lease incentives and initial direct costs incurred. For operating leases, interest on the lease liability and the amortization of ROU asset result in straight-line rent expense over the lease term.

The Organization's policy with respect to short-term leases is to exempt such agreements from the requirements of ASC 842 and account for the associated lease cost within real estate maintenance and insurance on the schedule of functional expenses on a straight-line basis over the lease term. No right-of-use asset nor lease liability is established on the Organization's statement of financial position with respect to short-term leases. Short-term leases are generally defined as with an original term of twelve months or less upon commencement.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[x] Leases: (continued)

Finance leases are recorded as finance lease ROU assets and finance lease liabilities (current portion and long-term portion) on the accompanying statement of financial position. Finance lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. If an implicit rate is not available, an incremental borrowing rate based on the information available at commencement date is used as a practical expedient in determining the present value of future payments. The finance lease ROU assets are depreciated on a straight-line basis over the lease term with the related interest expense of the lease liability payment recognized over the lease term using the effective interest method.

[y] Adoption of new accounting pronouncements:

In February 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. ASU 2016-02 establishes principles to present transparent information about assets and liabilities that arise from lease arrangements. The guidance results in a more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize lease assets and lease liabilities on their statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. This guidance, as amended, has been codified as ASC 842. The Organization adopted ASU 2016-02 on September 1, 2021. The Organization was not a lessee at time of adoption. Topic 842 is being applied to all new leases after date of adoption. Lessor accounting under Topic 842 did not significantly change.

In September 2020, FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofit organizations to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. Under the new standard’s requirements, gifts-in-kind are to be presented as a separate line item, instead of remaining grouped among contributions of cash or other financial assets, on the statement of activities and changes in net assets. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021. Management has adopted ASU 2020-07 as of and for the year ended August 31, 2022. The adoption of ASU 2020-07 resulted in additional disclosures related to in-kind contributions and reclassification of 2021 in-kind amounts.

[z] Reclassification:

Certain amounts in the 2021 financial statements have been reclassified to conform to the current year presentation.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of August 31, 2022 and 2021:

	August 31,	
	2022	2021
Current financial assets:		
Cash and cash equivalents	\$ 19,999	\$ 22,433
Pledges receivable, net	7,951	7,396
Customer accounts receivable, net	253	331
	<u>28,203</u>	<u>30,160</u>
Less amounts not available to be used within one year:		
Philanthropic donor-advised funds included in cash and cash equivalents	(8,342)	(13,094)
Endowment assets included in cash and cash equivalents	(9,057)	(6,579)
Plus amounts available through spending policy and appropriation	<u>9,319</u>	<u>8,450</u>
Financial assets available for expenditure within one year	<u>20,123</u>	<u>18,937</u>
Other liquidity resources:		
Lines-of-credit	<u>2,500</u>	<u>5,000</u>
Total financial assets and other liquidity resources	<u>\$ 22,623</u>	<u>\$ 23,937</u>

Jewish Federation's policy for liquidity management is to structure financial assets to be available as program and operating expenditures, liabilities and other obligations come due. To assist managing unanticipated liquidity needs, Jewish Federation has a line-of-credit in the amount of \$2,500 it could draw upon (see Note 8). Jewish Federation also relies upon cash flow from current annual campaign donations to fund current operations.

Jewish Federation has Board-designated funds that function as quasi-endowments. Although Jewish Federation does not intend to spend from its quasi-endowments, other than amounts appropriated for expenditure in accordance with the spending policy, amounts from quasi-endowments could be made available if necessary. Jewish Federation's donor-restricted endowments and income from those funds are restricted for specific purposes or time periods and are not available for general expenditure.

Included in Jewish Federation's net assets without donor restrictions are philanthropic donor-advised funds ("DAF") amounting to \$84,678 and \$102,216 as of August 31, 2022 and 2021, respectively. Jewish Federation serves as the sponsoring organization, in accordance with IRS regulations, to these separately identified DAF accounts comprised of contributions made by donors and related earnings from investments. Once donors make contributions, Jewish Federation has exclusive legal control over the funds. However, the donor, or the donor's representative, retains advisory privileges with respect to the distribution of funds and the investment of assets in the account. Jewish Federation honors donors' grant recommendations for grants to 501(c) (3) public charities, in good standing with the IRS for charitable purposes that are not in conflict with Jewish Federation's mission, subject to Jewish Federation's review and approval, and does not consider these assets to be available for general expenditures.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable as of August 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Annual campaign	\$ 9,875	\$ 9,977
Less allowance for uncollectible pledges	<u>(344)</u>	<u>(436)</u>
Net pledges receivable	<u>\$ 9,531</u>	<u>\$ 9,541</u>
Amounts due:		
Less than one year	\$ 8,295	\$ 7,832
One to five years	<u>1,580</u>	<u>2,145</u>
	<u>\$ 9,875</u>	<u>\$ 9,977</u>
Pledges receivable, current, net	\$ 7,951	\$ 7,396
Pledges receivable, noncurrent	<u>1,580</u>	<u>2,145</u>
Net pledges receivable	<u>\$ 9,531</u>	<u>\$ 9,541</u>

NOTE 5 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment as of August 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,250	\$ 1,250
Building, furniture and equipment	10,155	9,979
Computer hardware and software	1,310	1,736
Properties used by agencies and other:		
Land	5,800	5,804
Buildings and equipment	<u>29,300</u>	<u>38,455</u>
	47,815	57,224
Less accumulated depreciation	<u>(22,449)</u>	<u>(27,595)</u>
	<u>\$ 25,366</u>	<u>\$ 29,629</u>

Depreciation was \$898 and \$1,185 for the years ended August 31, 2022 and 2021, respectively.

The Jewish Federation listed for sale the building at 2100 Arch Street, which has a book value of \$3,819 as of August 31, 2022, which indicated in the statement of financial position. Assets held for sale are no longer subject to depreciation.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 6 - INVESTMENTS

To obtain investment flexibility, certain investments are combined in pooled investment accounts managed by outside investment firms.

The following tables set forth, by level, the Organization's investments, within the fair value hierarchy, as of August 31, 2022 and 2021:

	2022				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Fixed income mutual funds	\$ 73,374	\$ 66,601	\$ -	\$ -	66,601
Equity mutual funds	130,560	175,059	-	-	175,059
State of Israel bonds	10,455	-	10,229	-	10,229
	<u>214,389</u>	<u>241,660</u>	<u>10,229</u>	<u>-</u>	<u>251,889</u>
Less assets held under revocable trust agreements	<u>(7,725)</u>	<u>(12,127)</u>	<u>-</u>	<u>-</u>	<u>(12,127)</u>
	206,664	<u>\$ 229,533</u>	<u>\$ 10,229</u>	<u>\$ -</u>	239,762
Alternative investments (A)	<u>46,304</u>				<u>66,376</u>
	<u>\$ 252,968</u>				<u>\$ 306,138</u>
	2021				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Bond and asset-backed securities	\$ 4,321	\$ -	\$ 4,685	\$ -	\$ 4,685
Fixed income mutual funds	76,792	78,980	-	-	78,980
Equity mutual funds	117,895	208,777	-	-	208,777
State of Israel bonds	10,899	-	10,886	-	10,886
	<u>209,907</u>	<u>287,757</u>	<u>15,571</u>	<u>-</u>	<u>303,328</u>
Less assets held under revocable trust agreements	<u>(6,594)</u>	<u>(13,090)</u>	<u>-</u>	<u>-</u>	<u>(13,090)</u>
	203,313	<u>\$ 274,667</u>	<u>\$ 15,571</u>	<u>\$ -</u>	290,238
Alternative investments (A)	<u>36,487</u>				<u>50,626</u>
	<u>\$ 239,800</u>				<u>\$ 340,864</u>

(A) Investments measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 6 - INVESTMENTS (CONTINUED)

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of August 31, 2022:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity (a)	\$ 42,913	\$ 11,918	N/A	N/A
Private real estate (b)	3,013	1,033	N/A	N/A
Venture capital (c)	<u>20,450</u>	<u>6,785</u>	N/A	N/A
	<u>\$ 66,376</u>	<u>\$ 19,736</u>		

[a] This category includes investments in primarily limited partnerships that seek capital appreciation through various strategies. Private equity investments generally have long investment holding periods and are considered illiquid. The fair values of the investments in this category have been estimated using the net asset value, as a practical expedient, per share of the investments.

[b] This category includes investments in limited partnerships that seek long-term capital appreciation through investing in real estate related assets, through direct and indirect investments in sub partnerships and the issuance of lines-of-credit. Private real estate investments generally have long investment holding periods and are considered illiquid. The fair values of the investments in this category have been estimated using the net asset value, as a practical expedient, per share of the investments.

[c] This category includes investments in limited partnerships focused on providing growth capital to proven management teams focused primarily on the upstream sector in North America's oil and gas industry. Venture capital investments generally have long investment holding periods and are considered illiquid. The fair values of the investments in this category have been estimated using the net asset value, as a practical expedient, per share of the investments.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 7 - NONPARTICIPATING ASSETS

Nonparticipating assets as of August 31, 2022 and 2021 consisted of the following:

Nonparticipating Assets at Fair Value as of August 31, 2022			
<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Publicly-traded stock	\$ 729	\$ -	\$ 729
Real estate (A)			150
Other nonparticipating assets (A)			143
			<u>\$ 1,022</u>

Nonparticipating Assets at Fair Value as of August 31, 2021			
<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Publicly-traded stock	\$ 769	\$ -	\$ 769
Real estate (A)			150
Other nonparticipating assets (A)			143
			<u>\$ 1,062</u>

(A) Nonparticipating assets not measured at fair value at each reporting date have not been classified in the fair value hierarchy. Real estate and other nonparticipating assets were valued at appraised value and at fair value, respectively, on the date of the contribution. The amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

NOTE 8 - LINES-OF-CREDIT

The Jewish Federation has an unsecured line-of-credit with a bank, with a maximum borrowing of \$2,500 and \$5,000 to be used for working capital purposes as of August 31, 2022 and 2021, respectively. As of August 31, 2022, the interest rate on the line-of-credit was 2.899%, 1.37% plus the 30-day Secured Overnight Financing Rate or "SOFR" (rate as of (2) U.S. Government Securities Business Days preceding each Interest Rate Change Date). As of August 31, 2021, the interest rate on the line of credit was the one-month LIBOR, rounded upwards to the nearest 1/10th of 1%, plus 1.250% (1.35%). An additional fee of .125% is charged for the unused line-of-credit.

The current terms of the line-of-credit were extended to April 28, 2023.

There were no borrowings on the line-of-credit as of August 31, 2022 or 2021.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 9 - LONG-TERM DEBT

Long-term debt payable as of August 31, 2022 and 2021 consists of the following:

	<u>August 31,</u>	
	<u>2022</u>	<u>2021</u>
Tax-exempt loan - variable rate debt through the National Jewish Federation Bond Program issued by Colorado Educational and Cultural Facilities Authority, variable interest rate as of August 31, 2021 of 2.63%; with a portion of the debt subject to a fixed interest rate of 3.17% under an interest rate swap agreement; interest is payable on a monthly basis; annual principal payments varying from \$161 to \$282 through 2034 and \$23,419 due in May 2038; collateralized by certain property of the Jewish Federation	\$ 26,045	\$ 26,201
Taxable loan - variable rate loan through the National Jewish Federation Bond Program; variable interest rate as of August 31, 2021 of 3.32%; with a portion of the debt subject to a fixed interest rate of 3.99% under an interest rate swap agreement; interest is payable on a monthly basis; principal payment of \$11,241 due in May 2038; collateralized by certain property of the Jewish Federation	11,241	11,241
Loan payable in monthly installments of \$3, plus interest at one-month LIBOR rounded upwards to the nearest 1/10th of 1%, plus 1.250% (1.35% as of August 31, 2021); collateralized by certain investments of the Jewish Federation; on February 10, 2022, the Jewish Federation repaid this loan in its entirety	-	383
Lease payable in monthly installments of \$1, including interest at 1.50%, with a final installment of remaining principal and interest due in November 2025; collateralized by certain equipment; amount fully paid in fiscal year 2022	-	20
Subtotal, carried forward	37,286	37,845

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 9 - LONG-TERM DEBT (CONTINUED)

	August 31,	
	2022	2021
Subtotal, brought forward	37,286	37,845
On March 1, 2021, the Jewish Exponent received proceeds from a \$165 loan pursuant to the CARES Act PPP Loan; neither principal nor interest is due for a ten-month deferral period, or when the loan is forgiven, whichever is later; this loan may be forgiven subject to bank and SBA approval in accordance with SBA guidelines which include using the PPP proceeds for qualified expenses, and maintain certain employment levels during covered period; any outstanding principal of the loan that is not forgiven under the PPP Loan program at the end of the deferral period will convert to a term loan with an interest rate of 1% payable in equal installments of principal and interest over the next 18 months; the loan matures on March 1, 2022; the Jewish Exponent had applied for forgiveness electing a 24-week covered period; in October 2021, the Small Business Administration forgave \$165 of the principal, which is reflected in the statement of activities and changes in net assets from discontinued operations (see Note 17)	-	165
	37,286	38,010
Less long-term debt included in liabilities held for sale - discontinued operations	-	(165)
Less current portion	(161)	(193)
	<u>\$ 37,125</u>	<u>\$ 37,652</u>

Loans Funded through National Jewish Federation Bond Program

Effective November 1, 2018, the Jewish Federation refinanced the tax-exempt and taxable bonds with tax-exempt and taxable loans with a different bank. The loan agreements include Initial Fixed Mandatory Repurchase (tax-exempt) and Mandatory Prepayment (taxable) dates of November 1, 2028. All other terms remain similar to the previous bond agreements.

The Jewish Federation used the proceeds of the refinanced tax-exempt bonds to refund previously issued bonds for the purpose of (i) refinancing a portion of short-term debt obtained for the acquisition of the property at the Schwartz Campus; (ii) paying down mortgages for the KleinLife branch and 2100 Arch Street; (iii) funding capital improvements at 2100 Arch Street, the Mandell Campus, and the KleinLife branch; (iv) financing certain issuance expenses; and (v) paying capitalized interest on the tax-exempt bonds.

The Jewish Federation used the proceeds of the refinanced taxable bond financing to refund previously issued taxable bonds for the purpose of (i) refinancing a portion of short-term debt obtained for the acquisition of the property at the Schwartz Campus not able to be financed via tax-exempt bonds; (ii) terminating the interest rate swap relating to the tax-exempt bond that was originally issued in December 2004; (iii) paying the issuance costs of the tax-exempt and taxable bonds issued on September 4, 2012; and (iv) paying capitalized interest and issuance costs of the taxable bonds.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Loans Funded through National Jewish Federation Bond Program (continued)

The loans require the Jewish Federation to comply with certain financial and nonfinancial covenants.

The scheduled aggregate maturities of obligations for the year ended August 31, 2022 were as follows:

<u>Year Ending</u> <u>August 31,</u>	<u>Debt</u>
2023	\$ 161
2024	171
2025	186
2026	192
2027	202
Thereafter	<u>36,374</u>
	<u><u>\$ 37,286</u></u>

Interest Rate Swap Agreements

The Jewish Federation uses interest rate swap agreements to mitigate the risk of changes in interest rates associated with variable interest rate indebtedness. Under such arrangements, a portion of the variable-rate indebtedness is converted to fixed rates based on a notional principal amount. Interest rate swap agreements are measured at fair value and categorized as Level 2 based upon the level of judgment associated with the inputs used to measure the fair value as detailed in Note 2[v].

The Jewish Federation has an interest rate swap agreement in place related to its tax-exempt financing. As of August 31, 2022, the notional principal amount of \$13,000 under the interest rate swap agreement matures in November 2028. The fixed interest rate under this interest rate swap agreement is 3.17% as of August 31, 2022 and 2021. As of August 31, 2022 and 2021, the fair value of the interest rate swap agreement was an asset of \$10 and a liability of \$1,545, respectively, which is included in the statements of financial position in other noncurrent assets and noncurrent liabilities, respectively. The change in fair value of the interest rate swap agreement of \$1,555 and \$675 for the years ended August 31, 2022 and 2021, respectively, is included in the statements of activities and changes in net assets.

The Jewish Federation has an interest rate swap agreement in place related to its taxable financing. As of August 31, 2022, the notional principal amount of \$5,600 under the interest rate swap agreement matures in November 2028. The fixed interest rate under this interest rate swap agreement is 3.99% as of August 31, 2022 and 2021. As of August 31, 2022 and 2021, the fair value of the interest rate swap agreement was an asset of \$12 and a liability of \$833, respectively, which is included in the statements of financial position in other noncurrent assets and noncurrent liabilities, respectively. The change in fair value of the interest rate swap agreement of \$846 and \$367 for the years ended August 31, 2022 and 2021, respectively, is included in the statements of activities and changes in net assets.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions include funds that are available for use in general operations and not subject to donor-imposed restrictions which includes amounts designated by the board as an endowment. The components of net assets without donor restrictions as of August 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Board-designated	\$ 32,726	\$ 40,792
Philanthropic donor-advised funds	84,678	102,216
Accrued pension benefit costs	(17,953)	(23,099)
Undesignated	<u>16,442</u>	<u>18,321</u>
	<u>\$ 115,893</u>	<u>\$ 138,230</u>

Included in net assets without donor restrictions are Board-designated funds allocated by the Board of Directors for specific purposes. The Board of Directors has established two funds, the Board Designated Endowment Fund and the Board Designated Endowment Fund - Kimmel Fund. In 2022, the Board approved a reclassification of the 2029 Society Fund to a temporarily restricted fund for general operations of the Jewish Federation when it matures in the year 2029. The Board Designated Endowment Fund provides allocations to other organizations at the discretion of the Board, to support the Jewish Federation endowment department operating costs, as well as other Board-approved uses. The Board Designated Endowment Fund - Kimmel Fund is to fund the Jewish Federation's incremental premium costs from the donor life insurance program where the Jewish Federation is either the sole or majority beneficiary.

Also included in net assets without donor restrictions are philanthropic donor-advised funds that are distributed at the discretion of the Jewish Federation. While philanthropic donor-advised funds lack donor-imposed restrictions, those funds have been segregated so that distributions may be made to Section 501(c)(3) charities, including the Jewish Federation under its Jewish Community Fund campaign and other campaigns, with consideration given to the nonbinding recommendations of the donors.

Undesignated net assets are available for operations. Any income earned on these net assets is recorded as net assets without donor restrictions in the accompanying statements of activities and changes in net assets. In order to fund the net assets without donor restrictions deficit associated with the accrued pension benefit costs, the Jewish Federation and other constituent agencies that participate in the Jewish Federation of Greater Philadelphia Retirement Plan will continue to pay existing unfunded liabilities, as measured annually (see Note 16).

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditures for specified purpose:		
Health and welfare	\$ 64,641	\$ 65,560
Jewish education and child care	25,931	22,849
Operations of agencies	1,001	1,128
Capital repairs	136	150
Pledges receivable, the proceeds of which have been restricted by donors for:		
Health and welfare	2,693	2,984
Jewish education and child care	2,491	2,500
	<u>96,893</u>	<u>95,171</u>
Subject to passage of time:		
Charitable remainder trust	639	799
Pledges receivable that are not restricted by donors, but which are unavailable for expenditure until due	604	764
	<u>1,243</u>	<u>1,563</u>
Endowments:		
Subject to the Organization's spending policy and appropriation:		
Health and Welfare	7,029	10,060
Jewish education and child care	8,152	10,907
Financial assistance to medical students	3,263	4,027
Operations of agencies	(87)	561
Perpetual annual campaign	4,133	7,259
Capital repairs	52	121
	<u>22,542</u>	<u>32,935</u>
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Investments in perpetuity:		
Health and Welfare	18,824	18,767
Jewish education and child care	15,912	15,568
Financial assistance to medical students	1,067	1,056
Operations of agencies	5,627	5,542
Perpetual annual campaign	22,324	21,662
Capital repairs	664	664
	<u>64,418</u>	<u>63,259</u>
Total endowments	<u>86,960</u>	<u>96,194</u>
	<u>\$ 185,096</u>	<u>\$ 192,928</u>

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Health and welfare	\$ 3,992	\$ 9,148
Jewish education and child care	749	3,296
Operations of agencies	138	96
Capital repairs	4	611
	<u>4,883</u>	<u>13,151</u>
Distributions		
Charitable remainder trust	<u>38</u>	<u>107</u>
Satisfaction of time restrictions:		
Expiration of time restrictions	<u>556</u>	<u>505</u>
Restricted purpose spending-rate distributions and appropriations:		
Health and welfare	1,121	1,078
Jewish education and child care	957	944
Financial assistance to medical students	180	179
Operations of agencies	229	228
Perpetual annual campaign	1,107	1,026
Capital repairs	15	15
	<u>3,609</u>	<u>3,470</u>
	<u>\$ 9,086</u>	<u>\$ 17,233</u>

NOTE 12 - ENDOWMENTS

The Jewish Federation follows FASB ASC 958-205-05, *Not for Profit Entities, Presentation of Financial Statements-Reporting Endowment Funds*, which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and additional disclosures about an organization's endowment funds. The Commonwealth of Pennsylvania has not adopted UPMIFA.

The Jewish Federation's endowment consists of various investment funds established primarily for support of the Jewish Federation's mission. Its endowment includes donor-restricted as well as Board-designated endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Jewish Federation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 12 - ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The Board of Directors has elected to be governed by the Section 8113 of Title 20 under the Pennsylvania Probate, Estates and Fiduciaries Code ("Code"). The Code permits a total return policy that allows a nonprofit to choose to treat a percentage of the average fair value of the endowment's investments as income each year for use in current operations. Pennsylvania law permits a percentage not less than 2% and not more than 7%.

However, the long-term preservation of the real value of the assets must be taken into consideration when the Board of Directors elects the amount. In accordance with the Code, the Jewish Federation annually applies the approved spending rate percentage to a 12-quarter average fair value of the endowment fund investments. The Jewish Federation classifies as net assets with donor restrictions the original value of gifts donated to the endowment. Earnings on these gifts are accumulated in net assets with donor restrictions. The Jewish Federation considers the following factors in making a determination to set a spending rate:

- a. Protecting the corpus of the endowment fund
- b. Preserving the spending power of assets
- c. Obtaining maximum investment return with reasonable risk and operational consideration
- d. Complying with applicable laws and donor restrictions

Endowment fund net assets as of August 31, 2022 and 2021 consisted of the following:

August 31, 2022	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Board-designated endowment funds	\$ 32,726	\$ -	\$ 32,726
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	64,418	64,418
Accumulated investment gains	-	22,542	22,542
	\$ 32,726	\$ 86,960	\$ 119,686
August 31, 2021	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Board-designated endowment funds	\$ 40,792	\$ -	\$ 40,792
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	63,259	63,259
Accumulated investment gains	-	32,935	32,935
	\$ 40,792	\$ 96,194	\$ 136,986

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 12 - ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (continued)

The following represents the change in endowment funds, by net assets classification, for the years ended August 31, 2022 and 2021:

	2022				
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		Total	
	Board- Designated	Subject to Appropriation and Expenditure			
		Perpetual in Nature			
Endowment net assets at beginning of year	\$ 40,792	\$ 32,935	\$ 63,259	\$ 136,986	
Investment income	1,569	411	-	1,980	
Realized and unrealized loss on investments	(2,918)	(7,195)	-	(10,113)	
Additions to board designated endowment Contributions	1,731	-	-	1,731	
	-	-	1,159	1,159	
Distribution from Board-designated endowment pursuant to distribution policy	(2,550)	-	-	(2,550)	
Appropriation of endowment assets pursuant to spending-rate policy	-	(3,609)	-	(3,609)	
Reclassification of restricted funds	(5,898)	-	-	(5,898)	
Endowment net assets at end of year	<u>\$ 32,726</u>	<u>\$ 22,542</u>	<u>\$ 64,418</u>	<u>\$ 119,686</u>	
	2021				
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		Total	
	Board- Designated	Subject to Appropriation and Expenditure			
		Perpetual in Nature			
Endowment net assets at beginning of year	\$ 33,904	\$ 17,373	\$ 60,336	\$ 111,613	
Investment income	1,406	275	-	1,681	
Realized and unrealized gain on investments	6,571	18,757	-	25,328	
Additions to board designated endowment Contributions	2,662	-	-	2,662	
	-	-	2,923	2,923	
Distribution from Board-designated endowment pursuant to distribution policy	(3,751)	-	-	(3,751)	
Appropriation of endowment assets pursuant to spending-rate policy	-	(3,470)	-	(3,470)	
Endowment net assets at end of year	<u>\$ 40,792</u>	<u>\$ 32,935</u>	<u>\$ 63,259</u>	<u>\$ 136,986</u>	

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 12 - ENDOWMENTS (CONTINUED)

Funds with Deficiencies

Periodically, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor has required the Jewish Federation to retain as a fund of perpetual duration. Total deficiencies of this nature, which had an original gift value of \$7,674 and \$2,759, current fair value of \$6,314 and \$1,850, and a deficiency of \$1,360 and \$909 as of August 31, 2022 and 2021, respectively, and reduce net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new net assets with donor restrictions contributions and continued discretionary appropriations for certain programs that were deemed prudent by the Board of Directors. The spending policy remains unchanged if funds are underwater.

Return Objectives and Risk Parameters

The Jewish Federation has adopted investment and spending policies for endowment assets that attempt to provide a reasonable level of funding to programs supported by its endowment, while seeking to enhance the purchasing power of the fund's corpus by striving for long-term growth. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity, as well as those of Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the policy benchmark while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Jewish Federation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Jewish Federation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Investment Committee of the Board of Directors, are given guidelines to the percentage that can be committed to a particular investment or investment category.

Spending Policy and Investment Objectives Related to Spending Policy

In accordance with the Code, the Jewish Federation annually applies the approved spending rate percentage (4.75% for each of the years ended August 31, 2022 and 2021) to a 12-quarter average fair value of the net assets with donor restrictions and transfers the amount to net assets without donor restrictions for use in current operations. The Jewish Federation believes that this spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the Jewish Federation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

NOTE 13 - PROGRAM ALLOCATIONS

The Jewish Federation carries out program allocations to address two key priorities: Jewish Continuity and Safety Net, locally, in Israel and around the world. Internal staff, along with lay leadership, are charged with identifying the key issues in the local and overseas communities, as well as determining how to best address these issues. The Jewish Federation staff and lay leadership create, coordinate, and deliver services either directly or by granting funds to organizations through the annual program allocations grant process. For the years ended August 31, 2022 and 2021, there was \$2,515 and \$2,465, respectively, granted to support these priority areas in Israel and around the world.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 13 - PROGRAM ALLOCATIONS (CONTINUED)

The Jewish Federation addresses Safety Net through a commitment to fund services that meet the needs of vulnerable community members of all ages in Greater Philadelphia, in Israel and around the world. This includes delivering nutritional support, providing economic and emotional security through grants and counseling, enabling people with disabilities to reach their full potential and facilitating a wide array of services helping older adults to age safely, nourish their souls and live with dignity in their own homes.

The Jewish Federation addresses Jewish Continuity by supporting and facilitating vibrant Jewish living and learning locally and abroad for children, teens, young adults, and families. No matter where people are on their Jewish journey, the Jewish Federation helps provide opportunities including educational and camping resources, leadership development and family programs. This enables community members of all ages to engage in the rich tapestry of Jewish life, while securing the future of their Jewish world.

Amounts distributed to support overseas Jewish Continuity and Safety Net allocations are administered by the Jewish Federations of North America ("JFNA"), the umbrella organization of the North American Jewish Federations. JFNA, through its partner agencies and service providers, the Jewish Agency for Israel ("JAFI") and the American Jewish Joint Distribution Committee ("JDC"), supports needs in Israel and around the world.

Philanthropic donor-advised fund grants consist of distributions made to Section 501(c)(3) charities, with consideration given to the nonbinding recommendations of the donor advisers.

Direct endowment fund grants are distributions from restricted endowment funds which support the purpose of the Jewish Federation and are in addition to those amounts allocated through the annual program allocations grant process.

NOTE 14 - FUNCTIONAL EXPENSES - JEWISH FEDERATION

The following represents the costs of activities and services provided by the Jewish Federation presented on a functional basis and by natural classification for the years ended August 31, 2022 and 2021. Indirect costs have been allocated to these activities based on the support they require.

Program Allocations are defined in greater detail in Note 2(o) and Note 13. Jewish Federation Managed Programs are those programs administered by Jewish Federation, e.g. food program, NORC, etc., rather than through a grant making process, that further the Jewish Federation's mission. Campus Operations are programmatic costs incurred to fulfill the Jewish Federation's mission in running five campuses in the Greater Philadelphia region. Departmental Operations are those programmatic costs incurred to administer the Jewish Federation departments fulfilling its mission through the various priority areas.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 15 - INCOME TAXES

The IRS has determined that the Jewish Federation qualifies as a publicly supported organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, there is no income tax applicable to its core business activities. The Jewish Federation does make payments for federal taxes relative to certain noncore business activities that subject the Jewish Federation to federal unrelated business income taxes ("UBIT"). For the years ended August 31, 2022 and 2021, the Jewish Federation reflected UBIT expense of \$-0- and \$50, respectively, of which \$-0- and \$50, respectively, is included in management and general expenses in the statements of activities and changes in net assets.

The Organization adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. This interpretation clarifies the accounting for income taxes by prescribing the minimum standard a tax position is required to meet before being recognized in the financial statements. The Jewish Federation has not taken any uncertain tax position that should be accounted for under ASC 740. However, to the extent net operating loss carryforwards are utilized in the future, these losses may still be adjusted upon examination.

NOTE 16 - RETIREMENT PLANS

403(b) Plan

The Jewish Federation sponsors a deferred compensation plan pursuant to Internal Revenue Code Section 403(b). The 403(b) plan permits employees to voluntarily defer a percentage of their compensation, subject to statutory limits, until future years. Employees are eligible to participate in the 403(b) plan on the date of hire. The deferred compensation is not available to the employees until termination, retirement, death, or hardship distribution. The Jewish Federation matches 100% of each employee's contributions, up to 5% of the employee's compensation. For the years ended August 31, 2022 and 2021, the Jewish Federation contributed \$274 and \$269, respectively, to the plan.

Deferred Compensation Plan

The Jewish Federation offers certain management employees the option to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan permits the employees to voluntarily defer a percentage of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Jewish Federation does not fund the plan. The Jewish Federation had three employees in the deferred compensation plan as of August 31, 2022 and 2021. The cumulative amount deferred is not material to these financial statements.

Post-Retirement Benefit Plan

The Jewish Federation has post-retirement benefit plan obligations as of August 31, 2022 and 2021 for former executives. Payments by the Jewish Federation on the obligations are payable when the former executives attain age 65 of which one of the participants reached in 2022 leaving only one remaining. The benefit plan obligation liabilities are to be paid out over the next 14 years and have been recorded using a discount rate of approximately 2% to 3%. As of August 31, 2022 and 2021, the Jewish Federation has recorded a post-retirement benefit plan liability of \$50 and \$59, respectively, which is included in other noncurrent liabilities.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 16 - RETIREMENT PLANS (CONTINUED)

Defined-Benefit Pension Plan

The Jewish Federation sponsors the Jewish Federation of Greater Philadelphia Retirement Plan ("Plan"), a multiple-employer defined-benefit pension plan, in which the Jewish Federation and several of its constituent agencies participate. The Plan is considered a Church Plan under Section 414(e) of the Internal Revenue Code and is not subject to the general requirements of a pension plan under the Employee Retirement Income Security Act of 1974. Under the pension plan arrangement, the assets of the Plan are pooled and cannot be bifurcated among participants. These funds are generally available to pay benefits for employees of any of the participating employers. Benefits under the Plan are based on the employee's years of service and compensation during the years preceding retirement.

The Jewish Federation, along with the 13 remaining agencies, has frozen its participation in the Plan and will no longer be responsible for paying annual pension expense but will be required to pay any existing unfunded liability, measured annually. As part of the freeze, no new employees are entering the Plan and active participants in the Plan ceased accruing additional benefits, based on the freeze date of the respective agency.

The Jewish Federation has no present intention of terminating the Plan.

The measurement dates used to determine the benefit obligations and fair value of Plan assets were August 31, 2022 and 2021.

The following table presents the changes in benefit obligations, changes in Plan assets, and the composition of accrued benefit costs in the statements of financial position as of August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Changes in benefit obligations:		
Benefit obligations at beginning of year	\$ 47,435	\$ 48,789
Interest cost	1,147	1,112
Actuarial gain	(9,068)	(328)
Benefit paid	<u>(2,147)</u>	<u>(2,138)</u>
Balance at end of year	<u>\$ 37,367</u>	<u>\$ 47,435</u>
Changes in plan assets:		
Fair value of plan assets at beginning of year	\$ 24,335	\$ 21,348
Actual (loss) return on plan assets (net of expense)	(3,615)	4,165
Employer contributions	841	961
Benefits paid	<u>(2,147)</u>	<u>(2,138)</u>
Balance at end of year	<u>\$ 19,414</u>	<u>\$ 24,336</u>
Accrued benefit costs:		
Funded status	<u>\$ (17,953)</u>	<u>\$ (23,099)</u>

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 16 - RETIREMENT PLANS (CONTINUED)

Defined-Benefit Pension Plan (continued)

Items not yet recognized as a component of net periodic benefit costs for the years ended August 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Net actuarial loss	<u>\$ 4,660</u>	<u>\$ 10,305</u>

The estimated net loss and prior service cost for the defined-benefit pension plan that will be amortized from changes in net assets without donor restrictions into net periodic benefit cost over fiscal years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Estimated net loss	<u>\$ 791</u>	<u>\$ 1,701</u>

The accumulated benefit obligation for the pension plan was \$37,367 and \$47,435 as of August 31, 2022 and 2021, respectively.

The components of net periodic benefit cost for the years ended August 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Service cost	\$ 77	\$ 77
Interest cost	1,147	1,112
Expected return on plan assets	(1,657)	(1,453)
Recognized actuarial loss	<u>1,773</u>	<u>2,745</u>
	1,340	2,481
Net changes in benefit obligations and plan assets	<u>3,807</u>	<u>1,860</u>
	<u>\$ 5,147</u>	<u>\$ 4,341</u>

The change in the pension obligation other than net periodic benefit costs was (\$5,645) and (\$5,861) for the years ended August 31, 2022 and 2021, respectively, and has been recorded within net periodic benefit cost and other pension-related changes in the statements of activities and changes in net assets.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 16 - RETIREMENT PLANS (CONTINUED)

Defined-Benefit Pension Plan (continued)

Other information for the Plan for the years ended August 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Benefits paid, including constituent agencies	\$ 2,147	\$ 2,138
Employer contributions, including constituent agencies	\$ 841	\$ 961
<i>Weighted-average assumptions used in computing benefit obligations at end of year:</i>		
Discount rate	4.38%	2.47%
Rate of compensation increase	N/A	N/A
<i>Weighted-average assumptions used in computing net periodic pension cost:</i>		
Discount rate	2.47%	2.31%
Rate of compensation increase	N/A	N/A
Expected return on assets	7.00%	7.00%

The overall expected long-term rate of return on assets is based on the target asset allocation of Plan assets (primarily equity and fixed income mutual funds) and the expected long-term returns of each asset class.

The Jewish Federation's pension plan weighted-average asset allocation as of August 31, 2022 and 2021, by asset category, is as follows:

	<u>2022</u>	<u>2021</u>
Equity mutual funds	60%	65%
Fixed income mutual funds	39%	33%
Other - including alternative investments *	1%	2%
	<u>100%</u>	<u>100%</u>

*Alternative investments include real estate, private equity and hedge funds.

It is the policy of the Jewish Federation to invest 50%-70% of Plan assets in equities, 30%-50% of Plan assets in fixed income, and 0%-5% of Plan assets in cash and cash equivalents. Allocations outside those parameters are generally due to either the timing of investment purchases and sales or anticipation of future distributions.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 16 - RETIREMENT PLANS (CONTINUED)

Defined-Benefit Pension Plan (continued)

Cost and fair values of the Jewish Federation's retirement plan investments were as follows as of August 31, 2022 and 2021:

	Investment Assets as of August 31, 2022				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 216	\$ 216	\$ -	\$ -	\$ 216
Fixed income mutual funds	8,201	7,523	-	-	7,523
Equity mutual funds	8,781	11,674	-	-	11,674
	17,198	\$ 19,413	\$ -	\$ -	19,413
Alternative investments (A)	16				1
	<u>\$ 17,214</u>				<u>\$ 19,414</u>

	Investment Assets as of August 31, 2021				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 294	\$ 294	\$ -	\$ -	\$ 294
Fixed income mutual funds	8,082	8,252	-	-	8,252
Equity mutual funds	8,687	15,788	-	-	15,788
	17,063	\$ 24,334	\$ -	\$ -	24,334
Alternative investments (A)	16				2
	<u>\$ 17,079</u>				<u>\$ 24,336</u>

(A) Investments measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

The Jewish Federation attempts to mitigate investment risk by rebalancing between equity and fixed income funds as the Jewish Federation's and its constituent agencies' contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains and losses would not be realized unless the investments are sold.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements
August 31, 2022 and 2021
(in thousands)

NOTE 16 - RETIREMENT PLANS (CONTINUED)

Defined-Benefit Pension Plan (continued)

The Jewish Federation and its constituent agencies expect to contribute approximately \$519 to the Plan in 2023. No Plan assets are expected to be returned to the Jewish Federation and its constituent agencies during 2023.

The following benefit payments are expected to be paid:

Year Ending August 31,	
2023	\$ 2,327
2024	2,393
2025	2,428
2026	2,475
2027	2,490
2028 - 2029	<u>12,363</u>
	<u><u>\$ 24,476</u></u>

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 17 - DISCONTINUED OPERATIONS

On February 28, 2022, Jewish Publishing Group, a wholly-owned subsidiary of the Organization, sold the intangible assets of the Jewish Exponent to the WJW Group, LLC, which owns and operates several periodicals similar in nature and audience to the Jewish Exponent. As a condition of the sale, the Jewish Federation committed to a minimum annual advertising spend in the Jewish Exponent of \$75 for five years, subject to the new owner satisfying certain contractual obligations.

Statements of Financial Position from Discontinued Operations

	Year Ended	
	August 31,	
	2022	2021
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ -	\$ 66
Customer accounts receivable, net	-	112
Prepaid expenses and other current assets	-	10
Other assets	-	20
	<hr/>	<hr/>
Assets held for sale - discontinued operations	-	208
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	-	143
Line-of-credit borrowings	-	240
Due to Jewish Federation	-	325
Long-term debt	-	185
	<hr/>	<hr/>
Liabilities held for sale - discontinued operations	-	893
	<hr/>	<hr/>
<i>Net assets</i>		
Without donor restrictions	-	(685)
With donor restrictions	-	-
	<hr/>	<hr/>
Total net assets	-	(685)
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 208</u>

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 17 - DISCONTINUED OPERATIONS (CONTINUED)

Statements of Activities and Changes in Net Assets from Discontinued Operations

	Year Ended August 31,	
	<u>2022</u>	<u>2021</u>
<i>Revenue</i>		
Advertising revenue	\$ 742	\$ 1,523
Subscription revenue	53	121
Gain on forgiveness of PPP loan	165	-
Other income	<u>-</u>	<u>53</u>
Total revenue	<u>960</u>	<u>1,697</u>
<i>Expenses</i>		
Production	476	638
Editorial	12	324
Administration	366	313
Sales and office	<u>47</u>	<u>398</u>
Total expenses	<u>901</u>	<u>1,673</u>
Net income from discontinued operations	59	24
Net assets deficiency at beginning of year	(685)	(709)
Indebtedness with JFGP, converted to capital contribution	325	-
Capital contribution provided by JFGP to pay liabilities	<u>301</u>	<u>-</u>
Net assets deficiency at end of year	<u><u>\$ -</u></u>	<u><u>\$ (685)</u></u>

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 17 - DISCONTINUED OPERATIONS (CONTINUED)

Statements of Cash Flows from Discontinued Operations

	Year Ended August 31,	
	2022	2021
Change in net assets	\$ 685	\$ 24
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</i>		
Gain on forgiveness of PPP loans	(165)	(165)
<i>Changes in operating assets and liabilities (Increase) decrease in</i>		
Customer accounts receivables, prepaid expenses and other current assets	142	149
<i>Increase (decrease) in</i>		
Accounts payable and accrued expenses	(143)	(74)
Net cash provided by (used in) operating activities	<u>519</u>	<u>(66)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line-of-credit payments, net	(240)	(40)
Proceeds from long-term debt	-	165
Repayments of long-term debt	(345)	(6)
Net cash provided by (used in) financing activities	<u>(585)</u>	<u>119</u>
Net increase (decrease) in cash and cash equivalents from discontinued operations	(66)	53
Cash and cash equivalents at beginning of year	<u>66</u>	<u>13</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>	<u><u>\$ 66</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3	\$ 10
Write-off of fully depreciated assets	\$ 281	\$ -

NOTE 18 - COMMITMENTS

The Organization is subject to claims and litigation in the ordinary course of business and maintains insurance and (where applicable) reserves, with respect to the possible liability arising from such claims. In management's opinion, the ultimate resolution of these claims will not have a material adverse effect on the Organization's financial position and changes in net assets.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements August 31, 2022 and 2021 (in thousands)

NOTE 19 - LEASES

On April 26, 2022, the Organization entered into a lease agreement for an office space suite within a commercial rental complex, accounted for during the year ended August 31, 2022 in accordance with ASC 842 as an operating lease agreement. The lease began on April 26, 2022, the date the office space was first made available to be used by the Organization, with the first rental payment due on January 23, 2023. The lease agreement expires on August 29, 2030. Monthly base rent under this lease is approximately \$48 and escalates over the term of the lease up to approximately \$57. Upon entering into the lease, the Organization recognized a lease liability in the amount of \$4,218 which represents the sum of remaining minimum lease payments discounted at the Organization's incremental borrowing rate of 1.5%, as well as a right-of-use asset in the amount of \$4,218.

The liabilities under operating leases are recorded at the present value of the minimum lease payments. Lease expense of \$48 relating to operating lease, consisting of right-of-use asset amortization and lease liability interest, is included in management and general on the statement of activities and changes in net assets.

The following maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of August 31, 2022 is approximately as follows:

<u>Year Ending August 31,</u>	<u>Debt</u>
2023	\$ 383
2024	585
2025	589
2026	609
2027	629
Thereafter	<u>1,717</u>
	4,512
Less amount representing interest	<u>(268)</u>
	<u>\$ 4,244</u>
 <u>Reported as of August 31, 2022</u> 	
Current portion of operating lease liabilities	\$ 321
Long-term operating lease liabilities	<u>3,923</u>
	<u>\$ 4,244</u>

NOTE 20 - RELATED PARTY TRANSACTIONS

The Federation Endowments Corporation ("FEC") is a separate 501(c)(3) organization. The FEC's Board of Directors is appointed by the President of FEC, with the consent of the Board Chair of the Jewish Federation. The FEC has no assets or liabilities and generates no income. Rather, the FEC secures and administers endowments for the benefit of the community and has been given limited discretion by the Jewish Federation with regard to distributions of endowment funds held by the Jewish Federation. The FEC has no ownership interest in the assets of the Jewish Federation.

JEWISH FEDERATION OF GREATER PHILADELPHIA

Notes to Financial Statements **August 31, 2022 and 2021** *(in thousands)*

NOTE 20 - RELATED PARTY TRANSACTIONS (CONTINUED)

The Jewish Federation is affiliated with the Foundation for Jewish Day Schools of Greater Philadelphia ("FJDS"). The FJDS is a separate 501(c)(3) organization. The Board Chair of the Jewish Federation elects the FJDS' Board of Directors; however, the financial statements exclude the accounts of FJDS, as the Jewish Federation does not have an economic interest in the FJDS. The Jewish Federation charges an administrative fee to FJDS based on revenue earned for the year. Fees charged were \$382 and \$345 for the years ended August 31, 2022 and 2021, respectively. There were no amounts due from FJDS as of August 31, 2022 or 2021.

During the years ended August 31, 2022 and 2021, the Jewish Federation allocated a certain amount to cover fundraising and administrative expenses of the FJDS. During the years ended August 31, 2022 and 2021, the Jewish Federation incurred \$-0- and \$109, respectively, for fundraising expenses and \$-0- and \$73, respectively, for administrative expenses of the FJDS. Amounts allocated to FJDS are to be reimbursed to the Jewish Federation.

NOTE 21 - LEASE AGREEMENT

Effective on July 1, 2008, the Jewish Federation, as landlord ("Landlord"), entered into a lease agreement with the Jack M. Barrack Hebrew Academy, as tenant ("Tenant"), for buildings and playing fields on a portion of the Jewish Federation's 35 acre Schwartz Campus in Radnor, Pennsylvania. The Tenant makes payments under the lease when it raises money under its capital campaign. Those payments are pledged to the Jewish Federation and, in turn, certain amounts are to be applied by the Jewish Federation to reduce the principal amount of the tax-exempt debt. If the Tenant is unable to make payments in accordance with the lease agreement, the Jewish Federation is nonetheless obligated to ensure that the debt service payments are made.

The lease agreement provides for a base rent, to be paid by the Tenant under the lease, which consists of three separate components: acquisition cost, interest cost, and refinancing cost. The acquisition cost component, which was \$10,000, is one-third of the purchase price paid by the Jewish Federation to purchase the Schwartz Campus property. The interest cost component consists of interest on the outstanding acquisition cost component based on the variable rate and fixed interest swap rate of the tax-exempt debt used to refinance the acquisition cost. The refinancing cost component is determined based on total refinancing costs incurred by the Jewish Federation multiplied by the Loan Balance Ratio (Loan Balance Ratio is 38% as of August 31, 2022 and 2021).

Per the terms of the lease agreement, the Tenant was required to use its best efforts to pay the total base rent by July 1, 2015. The Tenant was unsuccessful in meeting this requirement. The Tenant and Landlord continue to develop methods by which the Tenant can satisfy the base rent obligations. The balance of the acquisition cost component, interest cost component, and refinancing cost component as of August 31, 2022 was \$9,221, \$2,142 and \$84, respectively. The balance of the acquisition cost component, interest cost component, and refinancing cost component as of August 31, 2021 was \$9,221, \$1,924 and \$81, respectively. Cumulative base-rent payments totaled \$1,865 through August 31, 2022 and 2021. These amounts have been fully reserved as it is currently unknown if the lessee will be able to pay the outstanding balance in the future.

NOTE 22 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 8, 2023, which is the date the financial statements were available to be issued.

On December 16, 2022, the Organization signed an agreement of sale with DAJ Arch LLC to purchase the former headquarters of the Organization located at 2100 Arch Street in Philadelphia, PA for \$12 million. Settlement is scheduled for March 31, 2023.