

DURHAM-CHAPEL HILL JEWISH FEDERATION

D/B/A JEWISH FOR GOOD

Financial Statements

September 30, 2022 and 2021

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
NOTES TO FINANCIAL STATEMENTS	9 - 27



Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Durham-Chapel Hill Jewish Federation
D/B/A Jewish for Good
Durham, North Carolina

We have audited the accompanying financial statements of Durham-Chapel Hill Jewish Federation, D/B/A Jewish for Good (the "Federation") (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federation as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Federation 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 the 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 Federation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Federation'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 Federation'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Thomas, Judy & Duck, P.A.

Durham, North Carolina
February 21, 2023

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,435,369	\$ 1,003,231
Accounts Receivable	62,298	48,738
Pledges Receivable, Net	1,801,787	536,195
Prepaid Expenses	28,914	29,119
Investments	3,574,035	4,513,855
Other Assets		6,400
	6,902,403	6,137,538
Pledges Receivable, Net	1,852,418	880,260
Property and Equipment, Net	6,707,909	6,617,684
Due From Related Party	397,770	397,770
	\$ 15,860,500	\$ 14,033,252
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Current Portion of Long-Term Debt	\$	\$ 150,000
Current Portion of Capital Lease		15,841
Accounts Payable	37,243	1,640
Due to Related Party	250	250
Deferred Revenue	109,891	70,122
Accrued Liabilities	84,081	129,857
	231,465	367,710
Long-Term Liabilities:		
Long-Term Debt, Net	2,598,878	2,488,800
Accrued Holding Loss on Swap		47,462
	2,830,343	2,903,972
Net Assets:		
Without Donor Restrictions:		
Undesignated	5,162,397	4,756,324
Designated by the Board for Operating Reserve	400,000	435,000
Designated by the Board for Endowment	372,232	474,151
With Donor Restrictions	7,095,528	5,463,805
	13,030,157	11,129,280
Total Liabilities and Net Assets	\$ 15,860,500	\$ 14,033,252

See Accompanying Notes

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 171,924	\$ 653,049	\$ 824,973
Pledges Income		3,671,878	3,671,878
Grant Income	173,736		173,736
Membership Income	1,002,648		1,002,648
Program Services	944,963		944,963
Rental Income	40,664		40,664
Net Investment Return	(82,446)	(868,128)	(950,574)
Café Sales, Net of Expenses of \$65,010	109,070		109,070
Other Income	221,557		221,557
Special Events Income	27,206		27,206
Total Support and Revenue	2,609,322	3,456,799	6,066,121
Net Assets Released from Restrictions	<u>1,825,076</u>	<u>(1,825,076)</u>	
Total Support, Revenue and Net Assets Released from Restrictions	<u>4,434,398</u>	<u>1,631,723</u>	<u>6,066,121</u>
Expenses:			
Program:			
Engaging	1,303,413		1,303,413
Healthy Living	1,303,413		1,303,413
Helping	735,265		735,265
Management and General	619,948		619,948
Fundraising	203,205		203,205
Total Expenses	<u>4,165,244</u>		<u>4,165,244</u>
Change in Net Assets	269,154	1,631,723	1,900,877
Net Assets, Beginning of Year	<u>5,665,475</u>	<u>5,463,805</u>	<u>11,129,280</u>
Net Assets, End of Year	<u><u>\$ 5,934,629</u></u>	<u><u>\$ 7,095,528</u></u>	<u><u>\$ 13,030,157</u></u>

See Accompanying Notes

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 198,089	\$ 510,829	\$ 708,918
Pledges Income		2,353,217	2,353,217
Grant Income	629,288		629,288
Membership Income	671,011		671,011
Program Services	988,070		988,070
Rental Income	16,599		16,599
Net Investment Return	66,261	570,618	636,879
Café Sales, Net of Expenses of \$50,597	120,415		120,415
Other Income	85,309		85,309
Special Events Income	18,520		18,520
Total Support and Revenue	2,793,562	3,434,664	6,228,226
Net Assets Released from Restrictions	2,012,536	(2,012,536)	
Total Support, Revenue and Net Assets Released from Restrictions	4,806,098	1,422,128	6,228,226
Expenses:			
Program:			
Engaging	1,289,777		1,289,777
Healthy Living	1,289,777		1,289,777
Helping	727,557		727,557
Management and General	733,843		733,843
Fundraising	178,992		178,992
Total Expenses	4,219,946		4,219,946
Change in Net Assets	586,152	1,422,128	2,008,280
Net Assets, Beginning of Year	5,079,323	4,041,677	9,121,000
Net Assets, End of Year	\$ 5,665,475	\$ 5,463,805	\$ 11,129,280

See Accompanying Notes

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2022

	Program Expenses				Management and General	Fundraising	Total
	Engaging	Healthy Living	Helping	Total			
Advertising Expense	\$ 13,741	\$ 13,741	\$ 7,752	\$ 35,234	\$ 3,687	\$ 2,049	\$ 40,970
Awards and Grants	211,816	211,816	119,487	543,119			543,119
Bad Debt Expense					21,091		21,091
Bank Charges					84,753		84,753
Contract Services	56,880	56,880	32,087	145,847	15,263	8,479	169,589
Depreciation	91,550	91,550	51,645	234,745	24,566	13,648	272,959
Design Planning					5,567		5,567
Fundraising						49,075	49,075
Fundraising Support						2,054	2,054
Insurance	21,986	21,986	12,403	56,375	5,900	3,278	65,553
Interest	23,109	23,109	13,036	59,254	6,201	3,445	68,900
Memberships and Dues	5,024	5,024	2,834	12,882	1,349	749	14,980
Membership Services	46,596	46,596	26,285	119,477	12,504	6,946	138,927
Miscellaneous	66,988	66,988	37,789	171,765	120,118	5	291,888
Occupancy Expense	71,429	71,429	40,294	183,152	17,176	9,542	209,870
Office Expense	24,269	24,269	13,689	62,227	6,512	3,618	72,357
Postage and Printing	2,587	2,587	1,459	6,633	694	386	7,713
Salaries and Fringe Benefits	636,082	636,082	358,815	1,630,979	286,167	95,265	2,012,411
Staff Development	13,868	13,868	7,824	35,560	3,721	2,067	41,348
Technology Expenses	39,242	39,242	22,138	100,622	10,530	5,850	117,002
Travel, Meetings, and Meals	50	50	28	128			128
Total Expenses	1,325,217.00	1,325,217.00	747,565.00	3,397,999.00	625,799.00	206,456.00	4,230,254.00
Less Expenses Included with Revenue on the Statement of Activities:							
Café Supplies	21,804	21,804	12,300	55,908	5,851	3,251	65,010
	<u>\$ 1,303,413</u>	<u>\$ 1,303,413</u>	<u>\$ 735,265</u>	<u>\$ 3,342,091</u>	<u>\$ 619,948</u>	<u>\$ 203,205</u>	<u>\$ 4,165,244</u>

See Accompanying Notes

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2021

	Program Expenses				Management and General	Fundraising	Total
	Engaging	Healthy Living	Helping	Total			
Advertising Expense	\$ 17,780	\$ 17,780	\$ 10,029	\$ 45,589	\$ 4,771	\$ 2,650	\$ 53,010
Awards and Grants	284,833	284,833	160,676	730,342			730,342
Bad Debt Expense					83,255		83,255
Bank Charges					71,960		71,960
Contract Services	50,389	50,389	28,424	129,202	13,521	7,512	150,235
Depreciation	90,665	90,665	51,144	232,474	24,329	13,516	270,319
Design Planning					15,349		15,349
Fundraising						29,802	29,802
Fundraising Support						550	550
Insurance	17,607	17,607	9,932	45,146	4,724	2,625	52,495
Interest	28,400	28,400	16,021	72,821	7,620	4,234	84,675
Memberships and Dues	2,916	2,916	1,645	7,477	781	435	8,693
Membership Services	53,468	53,468	30,162	137,098	14,348	7,971	159,417
Miscellaneous	2,365	2,365	1,324	6,054	184,479		190,533
Occupancy Expense	65,608	65,608	37,010	168,226	15,237	8,465	191,928
Office Expense	20,616	20,616	11,630	52,862	5,533	3,073	61,468
Postage and Printing	2,496	2,496	1,408	6,400	670	372	7,442
Rebranding					98		98
Refunds	10,062	10,062	5,676	25,800	2,700	1,500	30,000
Salaries and Fringe Benefits	616,992	616,992	348,047	1,582,031	277,606	92,474	1,952,111
Staff Development	10,803	10,803	6,094	27,700	2,898	1,610	32,208
Technology Expenses	31,747	31,747	17,908	81,402	8,518	4,733	94,653
Total Expenses	1,306,747	1,306,747	737,130	3,350,624	738,397	181,522	4,270,543
Less Expenses Included with Revenue on the Statement of Activities:							
Café Supplies	16,970	16,970	9,573	43,513	4,554	2,530	50,597
	<u>\$ 1,289,777</u>	<u>\$ 1,289,777</u>	<u>\$ 727,557</u>	<u>\$ 3,307,111</u>	<u>\$ 733,843</u>	<u>\$ 178,992</u>	<u>\$ 4,219,946</u>

See Accompanying Notes

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,900,877	\$ 2,008,280
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Contributions Restricted for Endowments	(653,049)	(510,829)
Depreciation	272,959	270,319
Amortization of Debt Issuance Costs	2,108	
Change in Accrued Holding Loss	(47,462)	(41,309)
Realized and Unrealized Loss (Gain) on Investments	991,568	(620,778)
Changes in Assets and Liabilities that Provided (Used) Cash:		
Accounts Receivable	(13,560)	144,564
Pledges Receivable, Net of Allowance	(2,237,750)	(959,931)
Prepaid Expenses	205	4,907
Other Assets	6,400	(5,100)
Accounts Payable	35,603	(16,626)
Due to Related Party		250
Deferred Revenue	39,769	(76,195)
Accrued Liabilities	(45,776)	65,110
Net Cash Provided by Operating Activities	251,892	262,662
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(363,184)	(62,258)
Purchase of Investments	(5,183,861)	
Proceeds from Sale of Investments	5,132,113	67,401
Net Cash Provided (Used) by Investing Activities	(414,932)	5,143
Cash Flows from Financing Activities:		
Contributions Restricted for Endowments	653,049	510,829
Proceeds of Long-Term Debt	2,660,000	
Payments on Long-Term Debt	(2,638,800)	(150,000)
Payment of Deferred Finance Fee	(63,230)	
Payments on Capital Lease	(15,841)	(30,678)
Net Cash Provided by Financing Activities	595,178	330,151
Net Increase in Cash and Cash Equivalents	432,138	597,956
Cash and Cash Equivalents, Beginning of Year	1,003,231	405,275
Cash and Cash Equivalents, End of Year	\$ 1,435,369	\$ 1,003,231
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	\$ 68,900	\$ 84,675

See Accompanying Notes

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

1. Summary of Significant Accounting Policies

Operations

The Durham-Chapel Hill Jewish Federation, D/B/A Jewish for Good (the “Federation”) is a not-for-profit corporation organized under the laws of the State of North Carolina in 1998. The Federation was formed to strengthen and enrich the Jewish community locally, in Israel, and throughout the world. The fundraising efforts of the Federation support a broad range of services including direct aid, education, cultural activities, social services, and recreational and social activities for all ages within the community. The Federation fulfills its mission by focusing its efforts in these three primary service areas:

Engaging: Our programs are crafted to captivate people of all ages and interests, people from all backgrounds and belief systems. In so doing, we allow our Jewish culture to show and shine. These programs include Summer Camp, Afterschool and Enrichment Programs, Adult Programs, Israel Center programs, Café goodies like challah and babka, Midrasha and Teen programs, PH Library, and much more.

Healthy Living: It’s not just that each of us is welcome here. We belong here. Everything from the building to the services and friendly faces communicates that to our members. Taking care of the whole person also involves prioritizing physical activity and healthy eating. These programs include Fitness Classes, Personal Training, Pilates, Massage, Membership, Aquatics, and Childcare.

Helping: Jewish values transcend typical good-doing. We go above and beyond in our love, acceptance, and support. We fight for what’s right, offer help, speak up, and stand out. This includes emergency financial assistance, mental health counseling and memory care support, food pantry assistance, Chaverim, BRIDGES inclusion programming, outside allocations to a host of community organizations, Jewish Community Foundation programming, and much more.

Basis of Presentation

The financial statements of the Durham-Chapel Hill Jewish Federation have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Federation to report information regarding its financial position and activities according to the following net asset classifications:

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Federation. These net assets may be used at the discretion of the Federation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Federation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions, Grants and Bequests

Contributions are recognized when the donor makes a promise to give to the Federation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Bequests are recorded when the amount and rate of payment is probable.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts would be included in contribution revenue. The Federation has determined that at September 30, 2022 and 2021, the adjustment to net present value was \$(141,549) and \$0, respectively.

The Federation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made and the uncollectible amounts are charged as a loss in the statement of activities. At September 30, 2022 and 2021, the allowance for uncollectible promises to give was \$36,000.

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Federation accounts for revenue from contracts with customers in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. The unit of account in ASC 606 is a performance obligation. At the inception of each contract with a customer, the Federation determines the performance obligations under the contract and the contract’s transaction price. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is defined as the unit of account. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied.

Membership Dues

Revenues from membership dues are recognized as performance obligations and satisfied over time. Management considers recognizing revenue evenly on a monthly basis to be the best available measure of progress on these contracts.

Program Services

The Federation enters into contracts with customers to provide various program services. Revenue from these programs are recognized over time as the program services commence and the Federation satisfies the performance obligation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Federation considers cash on hand, cash in demand deposit accounts, and all short-term debt securities with a maturity of three months or less to be cash equivalents. The Federation had \$1,243,703 and \$435,000 of cash equivalents at September 30, 2022 and 2021, respectively.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Donated securities are recorded at their fair values on the dates of the gifts and, except where otherwise required by the donor or Board of Directors, are immediately sold by the Federation.

Income Taxes

The Federation is exempt from income taxes as a not-for-profit religious organization under IRS code section 501(c)(3). In addition, the Federation has been approved under Internal Revenue Code for recognition as a public charity and not as a private foundation.

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Accounting for Uncertainty in Income Taxes

As of September 30, 2022, the Federation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Federation is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services based on percentages provided by management. All other expenses are directly identified with either programs or in administration or fundraising.

The expenses that are allocated include the following:

Expense	Method of Allocation
Advertising Expense	Time and effort
Awards and Grants	Time and effort
Bank Charges	Time and effort
Contract Services	Time and effort
Depreciation	Square Footage
Design Planning	Time and effort
Fundraising	Time and effort
Fundraising Support	Time and effort
Insurance	Time and effort
Interest	Square Footage
Memberships and Dues	Time and effort
Membership Services	Time and effort
Miscellaneous	Time and effort
Occupancy Expense	Square Footage
Office Expense	Time and effort
Postage and Printing	Time and effort
Refunds	Time and effort
Salaries and Fringe Benefits	Time and effort
Staff Development	Time and effort
Technology Expenses	Time and effort

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

It is the Federation's policy to capitalize property and equipment with an original cost or donated value of \$2,500 or more and an estimated useful life of more than one year. Purchased property and equipment are carried at cost. Donations of equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. In the absence of such stipulations, contributions of equipment are recorded as unrestricted assets. Depreciation and amortization are computed using the straight-line method over the estimated useful lives as follows:

Buildings and Improvements	39	years
Furnishings and Equipment	5 - 7	years
Website Costs	5	years
Software	5	years

Depreciation expense totaled \$272,959 and \$270,319 for the years ended September 30, 2022 and 2021, respectively.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates.

Advertising

The Federation expenses advertising costs when incurred. Advertising expense totaled \$40,970 and \$53,010 for the years ended September 30, 2022 and 2021, respectively.

Derivative Instruments

The Federation uses an interest swap agreement to reduce exposure to adverse and unanticipated changes in interest rates. The Federation does not use derivative instruments for trading or speculative purposes. The Federation documents its risk management strategy at the inception and during the term of the transaction. The interest rate swap agreement is recorded on the statements of financial position.

Risks and Uncertainties

The Federation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Grant Revenue

As a result of the COVID-19 outbreak, the Federation applied for funding through the Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act to fund payroll and related expenses. As a result, the Federation signed a forgivable promissory note with a financial institution in July 2021 for \$346,640. As of September 30, 2021, all of the conditions were substantially met by the Federation to recognize the funding as revenue in accordance with ASC 958-605, *Nor for Profit Entities – Revenue Recognition*. The amount is included in grant revenue on the accompanying statement of activities for the year ended September 30, 2021. On September 20, 2021, the financial institution and the Small Business Administration approved the forgiveness application in its entirety.

2. Concentrations of Credit Risk

The Federation occasionally maintains deposits in excess of federally insured limits. These are identified as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. The Federal Deposit Insurance Corporation insures up to \$250,000 for all accounts held at a single institution. As of September 30, 2022, the Federation's uninsured cash balance was \$761,237.

The Federation also manages concentration of credit risk by investing some of its reserved funds in the Certificate of Deposit Account Registry Service ("CDARS") program, which is not subject to the \$250,000 limitation. As of September 30, 2022 and 2021, the Federation had \$0 and \$435,000, respectively, invested in the CDARS program.

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

3. Availability and Liquidity

The following represents the Federation's financial assets at September 30, 2022:

Cash and Cash Equivalents	\$ 1,435,369
Accounts Receivable	62,298
Current Pledges Receivable, Net of Allowance	1,801,787
Investments	<u>3,574,035</u>
 Total Financial Assets	 6,873,489
 Less Amounts not Available to Meet General Expenditures over the Next Twelve Months:	
Net Assets with Donor Restrictions	5,242,228
 Quasi Endowment Established by the Board	 <u>372,232</u>
 Financial Assets Available to Meet General Expenditures over the Next Twelve Months	 <u>\$ 1,259,029</u>

The Federation's endowment funds consist of donor-restricted endowments and funds designated by the Board of Directors (the "Board") as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Federation's board-designated endowment of \$372,232 is subject to the Board's spending policy as described in Note 5. Although the Federation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Federation's liquidity policy is to maintain cash reserves that cover three months of average recurring operating costs. As part of that liquidity plan, the Federation has a \$250,000 line of credit available to meet cash flow needs (see Note 9).

**DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021**

4. Pledges Receivable

Pledges receivable consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Less Than One Year	\$ 1,817,787	\$ 552,195
One to Five Years	1,570,983	398,840
More Than Five Years	<u>442,984</u>	<u>501,420</u>
Value Prior to Adjustment for Net Present Value and Allowance	3,831,754	1,452,455
Less Adjustment to Net Present Value	(141,549)	
Less Allowance for Uncollectible Accounts	<u>(36,000)</u>	<u>(36,000)</u>
	<u>\$ 3,654,205</u>	<u>\$ 1,416,455</u>

5. Cash and Investments Held in Endowments

Cash and investments in endowments includes endowment funds with donor restrictions. These funds are managed by an investment manager and at September 30, 2022 and 2021 were invested in money market funds, fixed income securities and mutual funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – North Carolina G.S. 116, Chapter 36E, Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) was signed into law March 2009 and is applied to the Federation’s endowment funds existing at September 30, 2022 and 2021. The Board of Directors interprets UPMIFA as requiring the preservation of the fair value of the original endowment gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation and subject to the donor restrictions, the Federation classifies as permanently restricted net assets (a) the original value of endowment gifts donated to the permanent endowment, (b) the original value of subsequent endowment gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by UPMIFA.

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

5. Cash and Investments Held in Endowments (Continued)

In accordance with UPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Federation and the endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Federation
7. The investment policies of the Federation

Beginning and ending values and changes in Board-designated endowments without donor restrictions were as follows for the years ended September 30:

Endowment net assets as of September 30 consist of the following:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Donor Restricted	\$ 372,232	\$ 3,434,193	\$ 372,232 3,434,193
Total	<u>\$ 372,232</u>	<u>\$ 3,434,193</u>	<u>\$ 3,806,425</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Donor Restricted	\$ 474,151	\$ 4,039,704	\$ 474,151 4,039,704
Total	<u>\$ 474,151</u>	<u>\$ 4,039,704</u>	<u>\$ 4,513,855</u>

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

5. Cash and Investments Held in Endowments (Continued)

Changes in the endowment net assets for the years ended June 30 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Fund Net Assets, September 30, 2020	\$ 417,713	\$ 3,542,765	\$ 3,960,478
Investment Returns, Net	66,201	570,618	636,819
Contributions	6,050	510,829	516,879
Distributions	<u>(15,813)</u>	<u>(584,508)</u>	<u>(600,321)</u>
Endowment Fund Net Assets, September 30, 2021	474,151	4,039,704	4,513,855
Investment Losses, Net	(82,446)	(868,128)	(950,574)
Contributions	225	653,049	653,274
Distributions	<u>(19,698)</u>	<u>(390,432)</u>	<u>(410,130)</u>
Endowment Fund Net Assets, September 30, 2022	<u>\$ 372,232</u>	<u>\$ 3,434,193</u>	<u>\$ 3,806,425</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Federation to retain as a fund of perpetual duration. Deficiencies of this nature are reported as negative net assets without donor restrictions in the schedules above. There were no deficiencies at September 30, 2022 and 2021.

Total endowment assets (both with donor restrictions and without donor restrictions) consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Investments	\$ 3,574,035	\$ 4,513,855
Cash	<u>232,390</u>	<u> </u>
Total	<u>\$ 3,806,425</u>	<u>\$ 4,513,855</u>

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

5. Cash and Investments Held in Endowments (Continued)

The ultimate responsibility for managing the cash and investments of the Federation rests with the Board of Directors, which may delegate responsibility to the Federation Investment Committee of the Board of Directors.

Investment Objectives – The investment objective is to achieve a competitive rate of total return on assets over multi-year periods in order to preserve the real value of the Federation’s assets and support the Federation’s long-term needs. Total return is defined as income plus realized and unrealized gains, less realized and unrealized losses and expenses.

Spending Policy – For net assets without donor restrictions and net assets with donor restrictions, appropriations will be made as needed to satisfy the restrictions.

6. Investments

The following schedule summarizes the investments on the statements of financial position at September 30:

	2022	2021
Fixed Income Securities	\$ 2,382,733	\$ 20,826
Mutual Funds	1,191,302	4,493,029
Total Investments at Fair Value	\$ 3,574,035	\$ 4,513,855

The following schedule summarized the investment return in the statements activities for the years ended September 30:

	2022	2021
Interest and Dividends	\$ 70,064	\$ 66,524
Realized and Unrealized Gains	(991,569)	620,778
Investment Fees	(29,069)	(50,423)
	\$ (950,574)	\$ 636,879

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

7. Fair Value Measurements

The FASB established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value of investments. The 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 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The accrued holding loss on the interest rate swap agreement had a fair value of \$0 and \$47,462 at September 30, 2022 and 2021, respectively, and is considered a level 2 measurement for fair value purposes. The interest rate swap was terminated in June 2022.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Federation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. As of September 30, 2022 and 2021, all investments are assessed at Level 1.

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. Change 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 end of the reporting period. There have been no changes in Level 1 and no changes in valuation techniques for these assets and liabilities for the years ended September 30, 2022 and 2021.

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

8. Long-Term Debt

The Federation's long-term debt as of September 30, 2022 and 2021 consisted of the following:

	2022	2021
<p>Note payable to a bank, dated December 2017. The note required annual principal payments of \$150,000 through 2035. Interest accruing at a rate of LIBOR (3.14% at September 30, 2022) was due monthly and principal payments due quarterly, with final payment of all unpaid amounts due in April 2035. This note payable was paid in full in 2022.</p>		\$ 2,638,800
<p>Note payable to a bank for \$2,660,000, dated August 10, 2022, and matures August 10, 2027. Interest accrues at a rate of 3.09%. For the first 30 months, monthly interest-only payments are due, with combined principal and interest payments of \$25,848 per month starting March 2025, and with final payment of all unpaid amounts in August 2027. The note is collateralized by the deed of trust on property.</p>	\$ 2,660,000	
<p>Less current maturities</p>		150,000
	\$ 2,660,000	\$ 2,488,800

The aggregate maturities of the long-term debt are as follows:

	Year Ending September 30	Amount
	2023	\$
	2024	
	2025	134,019
	2026	235,435
	2027	2,290,546
		2,660,000
<p>Less Unamortized Debt Issuance Costs</p>		(61,122)
		\$ 2,598,878

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

8. Long-Term Debt (Continued)

The carrying value of pledged assets under the Federation’s long-term debt was \$6,707,909 and \$6,617,684 as of September 30, 2022 and 2021, respectively.

The note payable has certain restrictive covenants. At September 30, 2022 and 2021, all restrictive covenants were met.

The Federation had an interest rate swap agreement with a bank to reduce exposure to adverse and unanticipated changes in interest rates. The agreement was an amortizing swap, which included an initial notional amount of \$2,488,800, for five years to pay a fixed rate of 2.75% and receive a variable rate of 68% of the one-month LIBOR rate plus 1.12% (2.91% at September 30, 2022). The swap agreement matured in June of 2022. For the years ended September 30, 2022 and 2021, the amount paid on the swap agreement was \$27,380 and \$35,250, respectively.

9. Line of Credit

The Federation had a line of credit in the amount of \$250,000 with a bank. Interest only was due monthly at the Lender’s Prime Rate with an interest rate floor of 2.50% (2.5% at September 30, 2022). The line matured in August of 2022. In September of 2022, the Federation opened a new line of credit in the amount of \$250,000 with a bank. Interest only is due monthly at the Daily Secured Overnight Financing Rate + 2.00% (5.08% at September 30, 2022). The line matures June 15, 2023. The balance due on both lines of credit at September 30, 2022 and 2021 was \$0.

10. Capital Lease Obligation

The Federation leased equipment under a capital lease. The capital lease expired in March of 2022. Subsequent to year end, the Federation entered into a new lease for similar equipment. The economic substance of the lease is that the Federation is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Federation’s assets and liabilities.

The following is an analysis of the leased assets included in property and equipment at September 30:

	2022	2021
Machinery and equipment	\$	\$ 113,426
Less accumulated amortization		97,585
	\$	\$ 15,841

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

10. Capital Lease Obligation (Continued)

The following is a schedule by years of future minimum lease payments required under the lease together with their present value as of September 30, 2022:

2023	\$ 34,529
2024	41,435
2025	41,435
2026	41,435
2027	<u>6,906</u>
Total minimum lease payments	165,740
Less amount representing interest	<u>25,090</u>
Present value of minimum lease payments	<u>\$ 140,650</u>

11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at September 30:

	<u>2022</u>	<u>2021</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors	<u>\$ 3,654,205</u>	<u>\$ 1,416,455</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Available for General Use	757,436	1,291,255
Teen Charity Matching Grant	71,751	129,768
Israel Center	31,858	54,347
Federation Starting Funds for New Initiatives	2,146	11,426
Jewish Burial Expenses for Those in Need	20,245	45,337
Annual Leadership Development Scholarship	10,353	19,529
Community Midrasha	13,182	17,729
JCRC and Ministeries Conference	8,771	17,331
Beth El Families Annual Camp Scholarships	28,751	14,192
Israel Experience Scholarship Fund	42,695	12,825
JCDS Scholarship Fund	6,872	79,105
Annual Holocaust Essay Contest	<u>71,461</u>	<u>9,206</u>
	<u>1,065,521</u>	<u>1,702,050</u>

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

11. Net Assets With Donor Restrictions (Continued)

	<u>2022</u>	<u>2021</u>
Subject to endowment spending policy and appropriation:		
Kehillah Rabbi Position	93,618	88,844
Federation Annual Campaign	88,955	87,814
Facilities Improvements	5,425	5,401
North Carolina Hillel	205,003	202,019
Federation Inclusion	11,240	10,614
Jewish Family Services Programs	51,885	51,023
Annual Israel Travel Scholarship	38,835	38,406
Beth El 3rd Grade Religious School Teacher	28,160	26,777
Jewish Family Services General	77,167	76,547
Kehillah General	172,652	170,061
Federation Marketing	54,130	53,827
Judea Programming	5,044	5,069
Camp Shelanu Scholarships	1,119,481	1,094,983
Annual Social Justice Experience Scholarship	23,563	23,371
Beth El Programming	86,805	129,988
Challah Baking Program	29,520	
Hadera Partnership	16,953	16,859
Lerner Scholarships	25,448	25,347
Local Hadassah	138,948	137,277
Kehillah Programming	30,675	30,504
Federation Teen Programming	<u>72,295</u>	<u>70,569</u>
	<u>2,375,802</u>	<u>2,345,300</u>
	<u>\$ 7,095,528</u>	<u>\$ 5,463,805</u>

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 September 30:

	<u>2022</u>	<u>2021</u>
Expiration of time restrictions	\$ 1,434,645	\$ 1,629,886
Donor release	<u>390,431</u>	<u>382,650</u>
Net assets released from restrictions	<u>\$ 1,825,076</u>	<u>\$ 2,012,536</u>

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

12. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 421,898	\$ 421,898
Buildings and Improvements	8,332,175	8,316,616
Furnishings and Equipment	591,316	589,016
Website Costs	28,710	28,710
Construction in Progress	<u>345,325</u>	<u> </u>
Total Property and Equipment	9,719,424	9,356,240
Less: Accumulated Depreciation	<u>3,011,515</u>	<u>2,738,556</u>
Property and Equipment, Net	<u>\$ 6,707,909</u>	<u>\$ 6,617,684</u>

13. Operating Lease

The Federation leased copiers and other equipment under noncancelable operating lease agreements expiring at various dates through March 2021. Monthly installments ranged from \$239 to \$292. Upon expiration of the copier lease, the Federation began making payments on a month-to-month basis. Rent expense related to these leases totaled \$3,263 and \$4,721 for the years ended September 30, 2022 and 2021, respectively.

14. Related Party Transactions

The Federation received pledges and contributions in 2022 and 2021 from Board members totaling \$678,083 and \$436,428, respectively.

During the construction phase of its Early Childhood Pavilion, the Lerner Day School (“Lerner School”) agreed to pay the Federation for a portion of the construction costs. The key elements of this arrangement include:

1. The implied interest rate is variable and determined by the Federation’s interest rate on the bank loan from BB&T (currently 68% of One-Month LIBOR + 1.12%).
2. Interest began accruing in May 2012.
3. Principal payments will be determined by collections of Federation pledges receivable, and based on current expectations for collections (both amounts and timing).
4. Annual principal payments will vary depending on Federation pledges collected.

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

14. Related Party Transactions (Continued)

All pledges received are allocated 85% to the Federation and 15% against the Lerner School debt owed. The balance due from the School was \$397,770 as of September 30, 2022 and 2021. The Federation forgave this balance subsequent to September 30, 2022, pursuant to an agreement between the Lerner School and the Federation in exchange for land provided by the Lerner School. The land transfer was finalized on October 13, 2022. See Note 18.

15. Retirement Plan

The Federation has adopted a retirement plan in accordance with Section 403(b)(7) of the Internal Revenue Code. The plan allows for the deferment of income to the employees by means of investing in a tax shelter account. The plan allows employer and employee contributions. Contributions by the Federation to the plan on behalf of the employees for the years ended September 30, 2022 and 2021 totaled \$19,930 and \$18,862, respectively.

16. Donated Services

The Federation receives donated services from a variety of unpaid volunteers. No amounts have been recorded in the accompanying statements of activities because the criteria for recognition of such volunteer effort has not been satisfied.

17. Reduce or Retire the Debt Campaign

In the second quarter of 2015, the Federation embarked upon a campaign to reduce and/or retire the outstanding debt owed to its bank. During the year ended September 30, 2021, \$0 in pledges were received and \$3,578 was collected. During the year ended September 30, 2022, \$0 in pledges were received and \$0 was collected. Although the Federation is primarily liable for the loan, an agreement exists wherein the Lerner School contributes 15% towards the repayment of the loan and receives a 15% credit against the debt it owes to the Federation for all money collected to retire the Federation's debt. On October 13, 2022, the Lerner School transferred land to the Federation in return for the forgiveness of the Lerner School's debt in full, pursuant to a preexisting agreement. See Note 14.

DURHAM-CHAPEL HILL JEWISH FEDERATION
D/B/A JEWISH FOR GOOD
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

18. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 21, 2023, which is the date the financial statements were available to be issued.

On October 13, 2022, the Lerner School transferred land to the Federation in return for the Federation forgiving the Lerner school's debt in full, pursuant to a preexisting agreement. See Note 14.

In October of 2022, the Federation entered into a new capital lease for equipment. See Note 10.

On December 15, 2022, the Board voted to merge the operations of the Lerner School into the Federation effective July 1, 2023.