



AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2020 and 2019

# **UNITED JEWISH FEDERATION OF NORTHEASTERN NEW YORK, INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
United Jewish Federation of Northeastern New York, Inc.

We have audited the accompanying financial statements of United Jewish Federation of Northeastern New York, Inc. (the Federation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federation as of December 31, 2020 and 2019, 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.

*UHY* <sup>LLP</sup>

Albany, New York  
September 2, 2021

**UNITED JEWISH FEDERATION OF  
NORTHEASTERN NEW YORK, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,033,792	\$ 1,019,611
Pledges receivable, net	715,100	948,563
Other receivables	344,357	347,339
Investments	26,136,149	24,509,110
Net cash value of life insurance	958,022	964,412
Net property and equipment	1,258,584	1,335,303
Other assets	110,205	113,451
	<b>\$ 30,556,209</b>	<b>\$ 29,237,789</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 188,353	\$ 155,786
Paycheck protection program loan	283,300	-
Other liabilities	647,924	629,060
Total liabilities	<b>1,119,577</b>	<b>784,846</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Without donor restriction	<b>5,766,963</b>	<b>5,684,877</b>
With donor restriction:		
Time or purpose	8,105,087	8,322,807
Perpetual	12,903,783	12,251,039
Endowment returns subject to future appropriation	2,680,017	2,212,145
Underwater endowments	(19,218)	(17,925)
Total with donor restriction	<b>23,669,669</b>	<b>22,768,066</b>
Total net assets	<b>29,436,632</b>	<b>28,452,943</b>
	<b>\$ 30,556,209</b>	<b>\$ 29,237,789</b>

See notes to financial statements.

**UNITED JEWISH FEDERATION OF NORTHEASTERN NEW YORK, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Years ended December 31, 2020 and 2019

	2020			2019		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total All Funds</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total All Funds</u>
<b>SUPPORT AND REVENUES</b>						
<i><b>Contributions:</b></i>						
General campaign	\$ 1,204,326	\$ 790,960	\$ 1,995,286	\$ 1,752,635	\$ 978,602	\$ 2,731,237
Other contributions	24,791	1,173,011	1,197,802	51,992	1,096,510	1,148,502
Transfer from life insurance policy	(110,981)	110,981	-	-	-	-
Net assets released from general campaign contributions restrictions	978,602	(978,602)	-	596,862	(596,862)	-
Total contributions	<u>2,096,738</u>	<u>1,096,350</u>	<u>3,193,088</u>	<u>2,401,489</u>	<u>1,478,250</u>	<u>3,879,739</u>
<i><b>Other revenues:</b></i>						
Interest and dividends, net	73,738	378,368	452,106	21,604	476,705	498,309
Program and other revenue	465,623	-	465,623	620,234	-	620,234
Net assets released through satisfaction of program restrictions	1,701,904	(1,701,904)	-	1,295,834	(1,295,834)	-
Total other revenue	<u>2,241,265</u>	<u>(1,323,536)</u>	<u>917,729</u>	<u>1,937,672</u>	<u>(819,129)</u>	<u>1,118,543</u>
Total support and revenue	<u>4,338,003</u>	<u>(227,186)</u>	<u>4,110,817</u>	<u>4,339,161</u>	<u>659,121</u>	<u>4,998,282</u>
<b>EXPENSES</b>						
Program services	3,686,500	-	3,686,500	3,514,050	-	3,514,050
Management and general	373,689	-	373,689	389,583	-	389,583
Fund raising	422,350	-	422,350	524,105	-	524,105
Total expenses	<u>4,482,539</u>	<u>-</u>	<u>4,482,539</u>	<u>4,427,738</u>	<u>-</u>	<u>4,427,738</u>
<b>CHANGE IN NET ASSETS BEFORE INVESTMENT TRANSACTIONS</b>	(144,536)	(227,186)	(371,722)	(88,577)	659,121	570,544
Gain (loss) on sale of investments	13,972	63,449	77,421	(31,664)	(141,753)	(173,417)
Unrealized gain on investments	212,650	1,065,340	1,277,990	560,373	2,538,535	3,098,908
<b>CHANGE IN NET ASSETS</b>	<u>82,086</u>	<u>901,603</u>	<u>983,689</u>	<u>440,132</u>	<u>3,055,903</u>	<u>3,496,035</u>
Net assets, beginning of year	<u>5,684,877</u>	<u>22,768,066</u>	<u>28,452,943</u>	<u>5,244,745</u>	<u>19,712,163</u>	<u>24,956,908</u>
Net assets, end of year	<u>\$ 5,766,963</u>	<u>\$ 23,669,669</u>	<u>\$ 29,436,632</u>	<u>\$ 5,684,877</u>	<u>\$ 22,768,066</u>	<u>\$ 28,452,943</u>

See notes to financial statements.

**UNITED JEWISH FEDERATION OF NORTHEASTERN NEW YORK, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 983,689	\$ 3,496,035
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	95,019	91,764
Allowance for uncollectible campaign pledges	(34,489)	(6,438)
Net unrealized gain on investments	(1,277,990)	(3,098,908)
Realized (gain) loss on sale of investments	(77,421)	173,417
Donated securities	(221,397)	(523,429)
Changes in:		
Pledges receivable	267,952	(348,072)
Other receivables	2,982	(89,111)
Other assets	3,246	(3,647)
Accounts payable and accrued expenses	32,567	(20,117)
Other liabilities	18,864	(45,413)
Net cash used in operating activities	<u>(206,978)</u>	<u>(373,919)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(6,171,098)	(4,825,314)
Sales and maturities of investments	6,120,867	5,043,665
Proceeds from life insurance policy	110,981	-
Change in cash value of life insurance	(104,591)	(64,303)
Purchase of property and equipment	(18,300)	(21,331)
Net cash (used in) provided by investing activities	<u>(62,141)</u>	<u>132,717</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from paycheck protection program loan	283,300	-
Net cash provided by financing activities	<u>283,300</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	14,181	(241,202)
Cash and cash equivalents, beginning of year	1,019,611	1,260,813
Cash and cash equivalents, end of year	<u>\$ 1,033,792</u>	<u>\$ 1,019,611</u>

See notes to financial statements.

**UNITED JEWISH FEDERATION OF NORTHEASTERN NEW YORK, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years ended December 31, 2020 and 2019**

	2020				2019			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Salaries/staffing	\$ 801,398	\$ 187,828	\$ 262,959	\$ 1,252,185	\$ 835,249	\$ 201,122	\$ 278,153	\$ 1,314,524
Benefits and payroll related costs	166,530	39,030	54,643	260,203	167,886	40,427	55,908	264,221
Total salaries and related expenses	967,928	226,858	317,602	1,512,388	1,003,135	241,549	334,061	1,578,745
Allocations to beneficiary organizations	2,290,198	-	-	2,290,198	2,068,492	-	-	2,068,492
Travel	3,325	11	317	3,653	7,295	329	1,557	9,181
Bad debts, net	-	-	16,101	16,101	-	-	49,945	49,945
Conferences	2,128	1,525	1,290	4,943	7,970	2,876	2,528	13,374
Data processing	3,446	31,017	-	34,463	3,105	27,940	-	31,045
Depreciation	60,375	14,537	20,107	95,019	58,307	14,039	19,418	91,764
Dues	11,387	2,952	-	14,339	7,060	3,357	-	10,417
Event	156,015	20	20,520	176,555	153,410	234	64,063	217,707
General insurance and related costs	24,207	32,080	-	56,287	35,876	32,479	-	68,355
Marketing	18,138	459	-	18,597	7,242	1,804	2,818	11,864
Meetings	1,029	317	501	1,847	4,880	770	1,245	6,895
Occupancy	87,670	20,548	28,768	136,986	87,801	21,139	29,239	138,179
Office	30,923	7,247	10,146	48,316	32,015	7,710	10,661	50,386
Postage	4,754	1,144	1,583	7,481	6,703	1,613	2,232	10,548
Printing	5,588	1,310	1,834	8,732	10,143	2,444	3,378	15,965
Professional fees	10,000	31,463	500	41,963	11,728	29,162	-	40,890
Telephone	9,389	2,201	3,081	14,671	8,888	2,138	2,960	13,986
Totals	\$ 3,686,500	\$ 373,689	\$ 422,350	\$ 4,482,539	\$ 3,514,050	\$ 389,583	\$ 524,105	\$ 4,427,738

*Federation allocates certain functional expenses based on historical time studies and/or expense tracking. The remainder of functional expenses are allocated to each program and support function based on actual expense incurred.*

*See notes to financial statements.*

**UNITED JEWISH FEDERATION OF  
NORTHEASTERN NEW YORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 1 – ORGANIZATION**

United Jewish Federation of Northeastern New York, Inc. (the "Federation") is a non-profit tax exempt corporation, organized in 1986, to coordinate Jewish philanthropic, social service, welfare and communal activities, and to coordinate fund raising for national, overseas and local causes related to Jewish life. The Federation functions as the community's central agency for meeting Jewish needs and articulating Jewish concerns in the Capital Region, in Israel, nationally, and around the world.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Method of accounting and financial statement presentation:** The Federation follows accounting and reporting guidelines established by the Financial Accounting Standards Board which include established standards for external financial reporting, including the classification of resources into two net asset categories according to externally imposed restrictions:

**Net assets without donor restriction** primarily consist of revenues generated from contributions to the Federation's annual campaign and contributions without donor imposed restriction.

**Net assets with donor restriction**

**Net assets restricted by time or purpose** are primarily comprised of donor contributions restricted for the funding of certain Federation programs and functions. Time restricted net assets include contributions related to the Federation's Annual Campaign received in advance of the respective campaign years (in the approximate amounts of \$791,000 and \$979,000 at December 31, 2020 and 2019, respectively), the restriction on which is satisfied by the passage of time. Purpose restricted net assets include cumulative investment income and appreciation of the Endowment Fund, net of amounts appropriated for expenditures (see Note 9), and certain donor-advised funds, whereby donors are given the opportunity to make non-binding recommendations with respect to charitable distributions from their funds. Donor-advised funds approximated \$2,301,000 and \$2,448,000 at December 31, 2020 and 2019, respectively. Generally, purpose restrictions are satisfied by actions of the Federation.

**Net assets restricted in perpetuity** consist of endowments established by various donors which are invested in perpetuity to provide a permanent source of income, the use of which is restricted according to the donors' instructions. All endowment investment income and unrealized and realized gains/losses are recorded as a component of net assets restricted by time or purpose.

**Cash and cash equivalents:** Cash equivalents principally represent money market funds. The Federation places its cash and cash equivalents with high credit quality financial institutions. Such amounts, however, are generally in excess of FDIC insurance limits.

**Pledges receivable:** The Federation records unconditional promises to give (pledges) as receivables and revenue and, in addition, distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. As more fully disclosed under Note 3, the Federation reports pledges receivable as a component of its Annual Campaign. Pledges are stated net of an allowance to reduce pledges receivable to their estimated realizable value. Campaign contributions are recorded in the year pledged for financial reporting purposes and, as such, differ from the Federation's campaign year and related internal campaign reporting.



**UNITED JEWISH FEDERATION OF  
NORTHEASTERN NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Other contributions:** Other contributions represent support received for Federation activities, other than the Annual Campaign. Depending on the existence of any donor restrictions, such contributions are recorded as revenue with or without donor restriction.

**Program and other revenues:** Other revenues are principally comprised of grants, sponsorships, event income and fees for certain programs and services.

**Investments:** As more fully disclosed under Note 5, investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. To adjust the carrying value of investments, the change in fair market value is reflected in the financial statements.

**Property and equipment:** As more fully disclosed under Note 6, property and equipment are stated at cost, net of accumulated depreciation. Depreciation is recorded on the straight-line basis, over the estimated useful life of the asset, generally ranging from 3 to 30 years.

**Cash value of life insurance:** The Federation is the owner and beneficiary of certain life insurance policies (generally contributed in prior years, by donors). The sum of all death benefits, which are recorded in the financial statements only to the extent of the underlying cash value, is approximately \$4,320,000. Upon the death of the insured, the death benefits are expected to be added to the Federation's Endowment Fund.

**Allocations to beneficiary agencies:** Allocations to beneficiary agencies are authorized by the Federation's Board of Directors and recorded in the year of commitment. Such allocations are determined based on pledges and contributions expected to be received during each campaign year, net of appropriate reductions for operating expenses and a provision for uncollectible pledges.

**Contributed services:** A substantial number of volunteers have donated significant amounts of their time in support of the Federation's fund raising activities, programs and administrative services. These contributed services have not been quantified and, as such, no revenue or expense has been recognized in the accompanying financial statements.

**Endowment spending policy:** As more fully disclosed under Note 9, the Federation has an endowment spending policy which is applied to the Federation's perpetually restricted investments. The policy is intended to preserve the purchasing power of the corpus and insulate program spending from fluctuations in capital markets. The amount of perpetually restricted investments made available annually is based on various financial and economic factors specified in the endowment spending policy.

**Income tax status:** The Federation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. The Federation follows the guidance issued by the Financial Accounting Standards Board regarding accounting for uncertainty in income taxes. This guidance requires an assessment of the likelihood of a tax position being sustained upon examination by the taxing authorities and prescribes the minimum recognition level. The Federation believes that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within 12 months of the reporting date. None of the Federation's federal or state information returns are currently under examination by the Internal Revenue Service or New York State authorities.

**Subsequent events:** Subsequent events have been evaluated through September 2, 2021, the date the financial statements were available to be issued.

**UNITED JEWISH FEDERATION OF  
NORTHEASTERN NEW YORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimates and assumptions:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassification:** Certain 2019 financial statement line items have been reclassified to conform with the current year presentation.

**NOTE 3 – PLEDGES RECEIVABLE**

Pledges receivable, which are stated in the Statements of Financial Position net of an allowance for uncollectable pledges, are comprised of the following:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Annual campaign pledges receivable	\$ 770,582	\$ 1,038,534
Less allowance for uncollectible campaign pledges	(55,482)	(89,971)
Annual campaign, net	<u>\$ 715,100</u>	<u>\$ 948,563</u>

**NOTE 4 – OTHER RECEIVABLES**

Other receivables are comprised of the following:

	<b>December 31</b>	
<b>Category of Receivable</b>	<b>2020</b>	<b>2019</b>
Accrued investment income	\$ 45,649	\$ 54,677
Accrued corporate sponsorships	158,900	161,150
Receivable from Grinspoon Foundation relating to the Life & Legacy program	85,300	93,750
Note receivable from Capital District Community Loan Fund	20,000	20,000
Note receivable from VAAD	20,000	-
Note receivable from Sidney Albert Albany Jewish Community Center	7,000	7,000
Other receivables	7,508	10,762
	<u>\$ 344,357</u>	<u>\$ 347,339</u>

**UNITED JEWISH FEDERATION OF  
NORTHEASTERN NEW YORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 5 – INVESTMENTS**

**Overview:** The Federation's investments are managed by independent investment advisors, with the oversight of the Federation's Endowment Investment Committee. The primary investment goal is to maximize the growth of the fund so that, over time, the fund will grow at a rate equal to the payout rate, plus the rate of inflation. The Committee establishes investment and fiscal policies which provide, among other things, broad guidance to the investment advisors in allocating investments between equity and fixed income securities. The long-term benchmark for evaluating investment performance is the S&P 500 Index (with a 60% allocation) and the Barclay's Capital Credit Index (with a 40% allocation).

**Valuation:** The Federation provides for Fair Value Measurements for investments, a practice which establishes a framework for measuring fair value under generally accepted accounting principles and providing disclosures about fair value measurements. The framework emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing an asset.

Equity and debt securities (including U.S. government securities) are valued at the closing price reported on the active market on which the individual securities are traded. State of Israel bonds are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer (an amount which, generally, approximates par value). Other securities are valued based on other observable inputs from similar investments (an amount which approximates an annual valuation driven redemption value).

The Federation's investments, which include certain investments held under deferred giving arrangements (see Note 8), are comprised of the following:

	<b>December 31, 2020</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain</b>
Cash Equivalents	\$ 788,435	\$ 788,435	\$ -
State of Israel Bonds	3,315,000	3,315,000	-
Equity Securities	11,911,224	16,111,045	4,199,821
Debt Securities	5,397,414	5,501,839	104,425
Other Securities	218,182	419,830	201,648
	<u>\$ 21,630,255</u>	<u>\$ 26,136,149</u>	<u>\$ 4,505,894</u>
	<b>December 31, 2019</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain</b>
Cash Equivalents	\$ 1,257,737	\$ 1,257,737	\$ -
State of Israel Bonds	3,190,000	3,190,000	-
Equity Securities	11,412,932	14,988,108	3,575,176
Debt Securities	5,160,076	4,812,279	(347,797)
Other Securities	218,182	260,986	42,804
	<u>\$ 21,238,927</u>	<u>\$ 24,509,110</u>	<u>\$ 3,270,183</u>

**UNITED JEWISH FEDERATION OF  
NORTHEASTERN NEW YORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 5 – INVESTMENTS (Continued)**

**Fair Value Measurements:** The inputs for valuing the Federation's investments are not necessarily an indication of the risk associated with investing in those investments. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the investment. The following section describes the valuation techniques used by Federation:

Level 1: Investments in securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. Fair value of exchange-traded contracts are based upon exchange settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

Level 2: Investments in corporate bonds and government obligations are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 2 in the fair value hierarchy.

Level 3: Investments which are not readily marketable are classified as Level 3 in the fair value hierarchy. The Federation holds certain other non-marketable investments. Since there is no active market which provides for the redemption of these investments, they are classified as Level 3 in the fair value hierarchy.

The following tables summarize the valuation of the Federation's investments under the fair value hierarchy:

<b>Assets at Fair Value as of December 31, 2020</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash Equivalents	\$ 788,435	\$ -	\$ -	\$ 788,435
State of Israel Bonds	-	3,315,000	-	3,315,000
Equity Securities	16,111,045	-	-	16,111,045
Debt Securities	5,501,839	-	-	5,501,839
Other Securities	1,151	-	418,679	419,830
	<u>\$ 22,402,470</u>	<u>\$ 3,315,000</u>	<u>\$ 418,679</u>	<u>\$ 26,136,149</u>

<b>Assets at Fair Value as of December 31, 2019</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash Equivalents	\$ 1,257,737	\$ -	\$ -	\$ 1,257,737
State of Israel Bonds	-	3,190,000	-	3,190,000
Equity Securities	14,988,108	-	-	14,988,108
Debt Securities	4,812,279	-	-	4,812,279
Other Securities	1,145	-	259,841	260,986
	<u>\$ 21,059,269</u>	<u>\$ 3,190,000</u>	<u>\$ 259,841</u>	<u>\$ 24,509,110</u>

**UNITED JEWISH FEDERATION OF  
NORTHEASTERN NEW YORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 5 – INVESTMENTS (Continued)**

Changes to Other Securities, measured at fair value using unobservable (Level 3) inputs, for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ 259,841	\$ 254,112
Unrealized gain relating to securities held	<u>158,838</u>	<u>5,729</u>
Balance, December 31	<u><u>\$ 418,679</u></u>	<u><u>\$ 259,841</u></u>

Federation's investments are exposed to various market uncertainties, including interest rate 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 at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in these statements.

**NOTE 6 – NET PROPERTY AND EQUIPMENT**

Net property and equipment is comprised of the following:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 2,174,138	\$ 2,174,138
Office equipment	360,049	341,749
Furniture and fixtures	<u>251,867</u>	<u>251,867</u>
	2,786,054	2,767,754
Less accumulated depreciation	<u>1,527,470</u>	<u>1,432,451</u>
	<u><u>\$ 1,258,584</u></u>	<u><u>\$ 1,335,303</u></u>

The Federation's Community Services Building, an office and community resource facility, was developed in 2007 and is the principal component of property and equipment. As more fully disclosed under Note 11, this facility was developed on land owned by Daughters of Sarah Foundation, Inc. and is subject to a long-term ground lease.

Depreciation expense approximated \$95,000 and \$91,800 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 7 – RETIREMENT PLAN**

The Federation maintains a defined contribution retirement plan covering substantially all employees who complete one year of service and work in excess of 1,000 hours annually. The plan is non-contributory and has a seven year vesting period in which a participant vests 20% each year beginning in year three of participation in the plan. The Federation contributed approximately \$135,000 and \$123,000 to the plan for the years ended December 31, 2020 and 2019, respectively.

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***NOTE 8 – DEFERRED GIVING ARRANGEMENTS***

The Federation enters into deferred giving agreements with donors to accept and administer charitable gift annuities, charitable remainder trusts, charitable lead trusts and other split-interest arrangements, the beneficiaries of which include the Federation. The Federation manages and invests these assets on behalf of these beneficiaries until the agreement expires and the assets are distributed. In addition, the Federation is the beneficiary of other deferred giving arrangements that are held and administered by others. Certain of these other deferred giving arrangements are not quantifiable.

Split-interest agreements provide for payments to the donors or their beneficiaries based upon either the income earned on related investments or specified annuity amounts. Assets held under these arrangements, which approximated \$414,000 and \$401,000 at December 31, 2020 and 2019, respectively, have been recorded in accordance with the provisions of New York State's gift annuity statute. These gift annuity investments are reported as a component of investments in the accompanying Statements of Financial Position. Contribution revenue is recognized at the date the trust or annuity contract is established after recording liabilities for the present value of the estimated future payments expected to be made to the donors and/or other beneficiaries. The liabilities for these arrangements, which approximated \$36,000 and \$48,000 at December 31, 2020 and 2019, respectively, are adjusted annually for amortization of the discount and other changes in the estimates of future payments. Such liabilities are reported as a component of other liabilities in the accompanying Statements of Financial Position.

***NOTE 9 – ENDOWMENT FUNDS***

In 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Act replaced and supplements previous New York law and applies to all endowment funds. The Act is applicable on a fund-by-fund basis, with provisions that specific written donor intentions may override some of the Act's restrictions and restrict some institutional discretion.

NYPMIFA requires institutions to adopt written investment policies and for institutions to consider specific factors when making decisions on investments in endowments and other institutional funds. These factors include general economic conditions, possible effects of inflation and deflation, possible tax consequences of investments, effect of each investment on the overall investment portfolio, expected total return from income and appreciation from investments, needs of the Federation to make distributions while preserving capital and an asset's special relationship or value to the Federation, if any. The Act also provides standards for the delegation of investment and management functions to outside professionals.

NYPMIFA follows the concept of balancing the desires of donors to both support an institution on a current basis while maintaining the purchasing power of an endowed fund for the benefit of future generations. For gift instruments executed on or after the effective date of NYPMIFA, the statute establishes a rebuttable presumption of imprudence where there is an appropriation for expenditure in any year of an amount greater than 7% of the fair market value of an endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than five years immediately preceding the year in which the appropriation for expenditure is made.

The Federation has adopted the guidelines of NYPMIFA and calculates yearly expenditures using a twenty quarter rolling average of its endowment fund and disburses 4.0% of the average. For endowed funds held less than four quarters on the date the twenty quarter rolling average concludes, a gift will be distributed in the year after the funds have been held for four quarters; the amount to be distributed will be calculated using the four quarters that Federation has held the funds. Along with a 1% management fee, the maximum disbursement on the endowment fund is capped at 5.0%.

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**NOTE 9 – ENDOWMENT FUNDS (Continued)**

The following table presents the composition of Federation's endowment net assets, by type of fund (net of underwater endowments):

	<b>December 31, 2020</b>		
	<b>Endowment Returns Subject to Future Appropriation</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 2,194,220	\$ 12,251,039	\$ 14,445,259
Contributions	-	245,000	245,000
Transfers from restricted donor advised funds	18,275	296,763	315,038
Transfer from life insurance policy	-	110,981	110,981
Investment income and net depreciation	1,043,841	-	1,043,841
Amounts appropriated for expenditure	(595,537)	-	(595,537)
Endowment net assets, end of year	<u>\$ 2,660,799</u>	<u>\$ 12,903,783</u>	<u>\$ 15,564,582</u>

  

	<b>December 31, 2019</b>		
	<b>Endowment Returns Subject to Future Appropriation</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 715,496	\$ 11,798,790	\$ 12,514,286
Contributions	-	431,318	431,318
Transfers from restricted donor advised funds	-	20,931	20,931
Investment income and net appreciation	1,942,327	-	1,942,327
Amounts appropriated for expenditure	(463,603)	-	(463,603)
Endowment net assets, end of year	<u>\$ 2,194,220</u>	<u>\$ 12,251,039</u>	<u>\$ 14,445,259</u>

A donor-restricted endowment fund is considered to be 'underwater' if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. At times, the Federation may have individual donor-restricted endowment funds that are underwater, due to market performance in conjunction with the spending formula as aforementioned in this Note. In accordance with U.S. GAAP, underwater funds are reported in net assets with donor restriction. The amount by which funds were underwater was calculated as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Aggregate original gift amount	\$ 265,772	\$ 310,772
Aggregate fair value	<u>246,554</u>	<u>292,847</u>
Aggregate deficiency	<u>\$ (19,218)</u>	<u>\$ (17,925)</u>

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**NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN**

In May 2020, the Federation entered into a Paycheck Protection Program (PPP) loan with the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan is for \$283,300, matures in 24 months and incurs interest of 1%. The loan is subject to potential forgiveness if certain provisions are met. Under the terms of the PPP, all of the principal may be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES Act, such as payroll costs, benefits, rent, and utilities (see Note 13).

According to the rules of the SBA, the Federation is required to retain PPP Loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Federation's judgments pertaining to satisfying PPP Loan eligibility or forgiveness conditions, the Federation may be required to adjust previously reported amounts and disclosures in the financial statements.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

**Land Lease**

The Federation's Community Services Building was developed on land owned by Daughters of Sarah Foundation, Inc. (DoS) and is subject to a ground lease under which the Federation will pay DoS approximately \$25,000 annually (with future year escalations) over the 99 year term of the lease. The Federation follows provisions in 'Accounting for Leases' and records annual rent expense on a straight-line basis over the term of the lease, a computation which approximates \$72,000 each year. As a result, the Federation has recorded approximately \$532,000 and \$490,000 as deferred rent liability (a component of other liabilities on the Statements of Financial Position) as of December 31, 2020 and 2019, respectively.

At December 31, 2020, the future minimum lease obligation under the DoS land lease is comprised of the following:

<u>Year</u>	<u>Cash Payment</u>	<u>Lease Expense</u>
2021	\$ 29,970	\$ 71,873
2022	32,967	71,873
2023	32,967	71,873
2024	32,967	71,873
2025	32,967	71,873
Thereafter	<u>6,551,278</u>	<u>5,821,683</u>
	<u>\$ 6,713,116</u>	6,181,048
Amounts previously amortized		<u>532,068</u>
		<u>\$ 6,713,116</u>



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**NOTE 11 – COMMITMENTS AND CONTINGENCIES** *(Continued)*

**COVID-19 Pandemic**

During February and March 2020, as the COVID-19 pandemic spread throughout the world, substantially all investment markets sustained significant declines in fair value. As of December 31, 2020, investment markets had rebounded with increases in fair value as seen in Note 5. The Federation, and its investment advisors will continue to monitor its investments as it has successfully done in the past. There are no immediate plans to change its investment portfolio.

The Federation's equity and debt securities, mutual funds, and other investments are exposed to a variety of uncertainties, including market, interest rate, and credit risks. The level of risk is such that it is possible that the market's extreme volatility could result in a further decline to the values of the Federation's investments in the near term. Other issues, including potentially negative trends in future donor pledges, contributions, and collections, may also impact the Federation. Such issues could materially affect the amounts reported in future financial statements of the Federation.

When the Federation first shut down due to the COVID 19 pandemic, active fundraising was reduced due to uncertainties around how donors were being affected. Several of the Federation's donors that were financially affected by COVID-19 were predominately those in the commercial real estate business. The Federation did do some successful fundraising in 2020 to support their beneficiary organizations with issues they were having as a result of the pandemic. Some of the donors that were negatively affected were unable to give at their normal levels, however, other donors did step up with additional support for this directed initiative. The Federation is currently fundraising and invoicing donors for their pledges.

Looking to the future, the Federation is exploring hybrid opportunities for bringing community and donors together as they have had limited in person events, including both program events and fundraising events, as a result of the pandemic. It is unknown if donors involved in commercial real estate will see a turn around. The Federation still expects other donors to continue to step up but feels that those donations will probably be restricted by the donor's wishes.

During the pandemic, the Federation had minor turnover in staffing and consolidated jobs to cover any lost positions. It is the Federation's intention to hire back staff as needed as they begin to reinstate programs that were shuttered because of the pandemic.

Known and unknown risks and uncertainties caused by the COVID-19 pandemic, including those described above, are having, and will likely continue to have, an impact on the Federation's operations and limits the Federation's ability to forecast the pandemic's full impact on the financial position.

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***NOTE 12 – LIQUIDITY AND AVAILABILITY***

The Federation's significant financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,033,792
Pledges receivable, net	715,100
Other receivables	<u>344,357</u>
Net assets available for general expenditures	<u><u>\$ 2,093,249</u></u>

Additionally, at December 31, 2020 the Federation had investments without restriction approximating \$5,154,000, of which approximately \$788,000 was held in money market funds.

***NOTE 13 – SUBSEQUENT EVENT***

In July 2021, the lender and the SBA approved the PPP loan for full forgiveness. As a result, the Federation's PPP loan will be recorded as gain on extinguishment of debt in the Statement of Activities and Changes in Net Assets for the year ended December 31, 2021.