

**JEWISH FEDERATION OF
WESTERN MASSACHUSETTS, INC.
AND SUBSIDIARY**

Independent Auditors' Report
Financial Statements

December 31, 2023 and 2022



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

JEWISH FEDERATION OF WESTERN MASSACHUSETTS, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Jewish Federation of Western
Massachusetts, Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Jewish Federation of Western Massachusetts, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jewish Federation of Western Massachusetts, Inc. and Subsidiary as of December 31, 2023 and 2022, and the changes in their net assets and their 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 Consolidated Financial Statements section of our report. We are required to be independent of Jewish Federation of Western Massachusetts, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Federation of Western Massachusetts, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Jewish Federation of Western Massachusetts, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Federation of Western Massachusetts, Inc. and Subsidiary'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.

A handwritten signature in cursive script that reads "Whittlesey PC".

Holyoke, Massachusetts
April 2, 2025

JEWISH FEDERATION OF WESTERN MASSACHUSETTS, INC. AND SUBSIDIARY**Consolidated Statements of Financial Position**

December 31, 2023 and 2022

| | 2023 | 2022 |
|---------------------------------------------|----------------------|----------------------|
| Assets | | |
| Cash | \$ 754,027 | \$ 985,324 |
| Prepaid expenses and other assets | 86,507 | 110,624 |
| Pledges receivable, net | 229,663 | 210,048 |
| Property and equipment, net | 172,695 | 236,401 |
| Investments, including endowment funds | 49,934,770 | 46,346,803 |
| Total assets | <u>\$ 51,177,662</u> | <u>\$ 47,889,200</u> |
| Liabilities | | |
| Allocations payable - national and overseas | \$ 230,372 | \$ 263,528 |
| Accounts payable and accrued expenses | 155,803 | 172,816 |
| Foundation grants payable | 153,479 | 243,621 |
| Charitable trust and annuity obligations | 543,732 | 563,080 |
| Total liabilities | <u>1,083,386</u> | <u>1,243,045</u> |
| Net Assets | | |
| Without donor restrictions: | | |
| Undesignated | 2,282,145 | 3,147,787 |
| Board Designated | 420,151 | 381,539 |
| Total net assets without donor restrictions | <u>2,702,296</u> | <u>3,529,326</u> |
| With donor restrictions: | | |
| Time and purpose restricted | 42,449,669 | 38,175,018 |
| Perpetual in nature | 4,942,311 | 4,941,811 |
| Total with donor restrictions | <u>47,391,980</u> | <u>43,116,829</u> |
| Total net assets | <u>50,094,276</u> | <u>46,646,155</u> |
| Total liabilities and net assets | <u>\$ 51,177,662</u> | <u>\$ 47,889,200</u> |

The accompanying notes are an integral part of the consolidated financial statements.

JEWISH FEDERATION OF WESTERN MASSACHUSETTS, INC. AND SUBSIDIARY

Consolidated Statements of Activities For the Years Ended December 31, 2023 and 2022

| | 2023 | | | 2022 | | |
|----------------------------------------------------------------|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and Revenue: | | | | | | |
| Campaign contributions | \$ - | \$ 446,175 | \$ 446,175 | \$ - | \$ 392,129 | \$ 392,129 |
| Other contributions and income | - | 1,303,519 | 1,303,519 | - | 1,918,138 | 1,918,138 |
| Interest and dividend income, net | 92,175 | 1,046,598 | 1,138,773 | 78,320 | 979,815 | 1,058,135 |
| Realized and unrealized gains (losses) on investments | 490,003 | 5,563,722 | 6,053,725 | (683,816) | (8,510,921) | (9,194,737) |
| Other income (loss) | (51,654) | 532 | (51,122) | 3,980 | 1,961 | 5,941 |
| Net assets released from restrictions | 4,059,307 | (4,059,307) | - | 2,214,244 | (2,214,244) | - |
| Total support and revenue | <u>4,589,831</u> | <u>4,301,239</u> | <u>8,891,070</u> | <u>1,612,728</u> | <u>(7,433,122)</u> | <u>(5,820,394)</u> |
| Expenses: | | | | | | |
| Program | 4,390,042 | - | 4,390,042 | 1,740,866 | - | 1,740,866 |
| Fundraising | 452,903 | - | 452,903 | 429,510 | - | 429,510 |
| Management and general | 573,916 | - | 573,916 | 527,930 | - | 527,930 |
| Total allocations and expenses | <u>5,416,861</u> | <u>-</u> | <u>5,416,861</u> | <u>2,698,306</u> | <u>-</u> | <u>2,698,306</u> |
| Other Changes in Net Assets: | | | | | | |
| Change in value of charitable trust and annuity obligations | - | (26,088) | (26,088) | - | 3,440 | 3,440 |
| Total other changes in net assets | <u>-</u> | <u>(26,088)</u> | <u>(26,088)</u> | <u>-</u> | <u>3,440</u> | <u>3,440</u> |
| Change in net assets | (827,030) | 4,275,151 | 3,448,121 | (1,085,578) | (7,429,682) | (8,515,260) |
| Net assets, beginning of year | <u>3,529,326</u> | <u>43,116,829</u> | <u>46,646,155</u> | <u>4,614,904</u> | <u>50,546,511</u> | <u>55,161,415</u> |
| Net assets, end of year | <u>\$ 2,702,296</u> | <u>\$ 47,391,980</u> | <u>\$ 50,094,276</u> | <u>\$ 3,529,326</u> | <u>\$ 43,116,829</u> | <u>\$ 46,646,155</u> |

The accompanying notes are an integral part of the consolidated financial statements.

JEWISH FEDERATION OF WESTERN MASSACHUSETTS, INC. AND SUBSIDIARY

Consolidated Statements of Functional Expenses

For the Years Ended December 31, 2023 and 2022

| | 2023 | | | |
|-------------------------------------------------|---------------------|-------------------|------------------------|---------------------|
| | Program | Fundraising | Management and General | Total |
| Allocations, grants and distributions | <u>\$ 3,846,410</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,846,410</u> |
| Employee compensation and related costs: | | | | |
| Salary and wages | 196,638 | 216,980 | 264,444 | 678,062 |
| Payroll taxes and benefits | 37,253 | 41,107 | 50,099 | 128,459 |
| | <u>233,891</u> | <u>258,087</u> | <u>314,543</u> | <u>806,521</u> |
| Other: | | | | |
| Bad debt expense | - | - | 18,540 | 18,540 |
| Campaign and marketing | 29,314 | 32,347 | 39,422 | 101,083 |
| Computer and telecommunications | 41,097 | 45,348 | 52,960 | 139,405 |
| Conferences and travel | 7,828 | 8,639 | 10,527 | 26,994 |
| Depreciation | 11,501 | 12,691 | 15,467 | 39,659 |
| Insurance | 6,457 | 7,124 | 8,683 | 22,264 |
| Maintenance and utilities | 1,708 | 1,885 | 2,297 | 5,890 |
| Office supplies, printing and postage | 86,997 | 71,364 | 92,686 | 251,047 |
| Professional consultants and fees | 13,973 | 15,418 | 18,791 | 48,182 |
| Program supplies and expenses | 110,866 | - | - | 110,866 |
| | <u>\$ 4,390,042</u> | <u>\$ 452,903</u> | <u>\$ 573,916</u> | <u>\$ 5,416,861</u> |
| | 2022 | | | |
| | Program | Fundraising | Management and General | Total |
| Allocations, grants and distributions | <u>\$ 1,382,231</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,382,231</u> |
| Employee compensation and related costs: | | | | |
| Salary and wages | 173,832 | 191,814 | 233,773 | 599,419 |
| Payroll taxes and benefits | 29,246 | 32,272 | 39,331 | 100,849 |
| | <u>203,078</u> | <u>224,086</u> | <u>273,104</u> | <u>700,268</u> |
| Other: | | | | |
| Campaign and marketing | 12,616 | 13,922 | 16,967 | 43,505 |
| Computer and telecommunications | 15,197 | 49,680 | 65,015 | 129,892 |
| Conferences and travel | 5,077 | 5,603 | 6,828 | 17,508 |
| Depreciation | 9,906 | 10,931 | 13,321 | 34,158 |
| Insurance | 7,377 | 8,140 | 9,921 | 25,438 |
| Maintenance and utilities | 11,898 | 13,129 | 16,000 | 41,027 |
| Office supplies, printing and postage | 15,656 | 17,275 | 21,054 | 53,985 |
| Professional consultants and fees | 22,581 | 24,916 | 30,367 | 77,864 |
| Program supplies and expenses | 55,249 | 61,828 | 75,353 | 192,430 |
| | <u>\$ 1,740,866</u> | <u>\$ 429,510</u> | <u>\$ 527,930</u> | <u>\$ 2,698,306</u> |

The accompanying notes are an integral part of the consolidated financial statements.

JEWISH FEDERATION OF WESTERN MASSACHUSETTS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|--------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 3,448,121 | \$ (8,515,260) |
| Adjustments to reconcile change in net assets to net change in operating activities: | | |
| Bad debt expense | 18,540 | - |
| Loss on disposal of vehicle | 52,735 | - |
| Realized and unrealized (gains) losses on investments | (6,053,725) | 9,194,737 |
| Depreciation | 39,659 | 34,158 |
| Change in value of charitable trust and annuity obligations | 41,045 | (3,440) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other assets | 24,117 | 6,876 |
| Pledges receivable | (38,155) | (63,519) |
| Allocations payable - national and overseas | (33,156) | (183,672) |
| Accounts payable and accrued expenses | (17,013) | 32,968 |
| Foundation grants payable | (90,142) | 30,502 |
| Net change in operating activities | <u>(2,607,974)</u> | <u>533,350</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (28,688) | (67,118) |
| Proceeds from sale of investments | 10,489,871 | 4,955,041 |
| Purchases of investments | <u>(8,024,113)</u> | <u>(5,013,204)</u> |
| Net change in investing activities | <u>2,437,070</u> | <u>(125,281)</u> |
| Cash flows used in financing activities: | | |
| Payments to annuity beneficiaries | <u>(60,393)</u> | <u>(62,421)</u> |
| Net change in cash | (231,297) | 345,648 |
| Cash, beginning of year | <u>985,324</u> | <u>639,676</u> |
| Cash, end of year | <u><u>\$ 754,027</u></u> | <u><u>\$ 985,324</u></u> |

The accompanying notes are an integral part of the consolidated financial statements.

JEWISH FEDERATION OF WESTERN MASSACHUSETTS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Jewish Federation of Western Massachusetts, Inc. (the “Federation”) was incorporated in accordance with the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts as a nonprofit organization, exempt from taxation under IRS Section 501(c)(3). The Federation provides central fundraising for international, national, and local community organizations throughout western Massachusetts in addition to providing community services through its own programs. The Federation is supported primarily through donor contributions, the majority of which are from individuals residing in Western Massachusetts.

The programs of the Federation include its operating and programming activities as well as the activities of Rachel’s Table and the Jewish Endowment Foundation of Western Massachusetts (the “Foundation”). In July 2023, Rachel’s Table separated from the Organization and became its own nonprofit organization.

JEF Properties, Inc. (“JEF Properties” or the “Subsidiary”), a wholly owned subsidiary of the Federation, was incorporated in accordance with the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts as a nonprofit organization, exempt from taxation under IRS Section 501(c)(2). JEF Properties was organized exclusively for the purpose of holding title to property and upon sale turning over the entire amount less expenses, to the Foundation and/or Federation.

Principles of Consolidation

The consolidated financial statements include the accounts of the Jewish Federation of Western Massachusetts, Inc. and JEF Properties, Inc. (collectively referred to as the “Organization”). Inter-organization and intercompany transactions and balances have been eliminated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“GAAP”). The Organization reports information regarding its financial position and activities according to two classes of net assets described as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. These funds are available for general operating purposes and/or to use at the discretion of the Federation Board of Trustees (the “Board”). From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for general use by Management.

With Donor Restrictions - Net assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provision of additional donor-imposed stipulations or a board approved spending policy.

Net assets with donor restrictions include, as noted above, under Massachusetts law, cumulative appreciation and reinvested gains on endowment funds restricted perpetually which are subject to prudent appropriation by the Board in accordance with provisions of Massachusetts law.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the consolidated financial statements and the reported consolidated amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Variance Power

Numerous arrangements entered into by the Organization and donors include a variance power provision, which gives the Board the power, whenever any restriction or condition on the distribution of funds becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the changing needs of the community, to modify any restriction or condition placed on the distribution of funds and apply to whole or any part of the principal or income of funds as, in its judgement, is necessary to serve more effectively the charitable purposes of the Organization. During the years ended December 31, 2023 and 2022, the Board did not modify any restrictions or conditions placed on funds (classified as with donor restrictions) subject to variance power.

Fund Accounting

The accounts of the Organization are maintained in accordance with the principles of fund accounting, which segregates assets, liabilities, and fund balances into separate accounting entities associated with specific activities, donor-imposed restrictions, or objectives. The Organization maintains the following self-balancing funds:

- Federation Campaign accounts for the annual fundraising campaign of the Jewish Federation of Western Massachusetts, Inc.
- Hatikvah accounts for the Holocaust Education and Resource Center dedicated to educating the community about the history and lessons of the Holocaust.
- Rachel's Table accounts for the activities of food distribution program working to alleviate hunger and reduce food waste in the Western Massachusetts area. Rachel's Table program separated from the Organization effective July 1, 2023.
- PJ Library accounts for the activities of a program which provides young families with children with Jewish books and/or music.
- Israel Desk and Community Outreach accounts for the activities of a program to promote Israel and educate the community about Israeli society and culture with the goal of strengthening ties and commitment to the Jewish homeland.
- Foundation Operations accounts for the operating expenses associated with the Foundation.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

- Foundation Investment Activities accounts for the Foundation activities associated with collecting, administering and investing gifts from donors in order to build a strong endowment to provide funds for present and future needs of the local community and world Jewry.

JEF Properties accounts for the activities associated with holding title to property and upon sale turning over the entire amount less expenses, to the Foundation to be used in accordance with its stated purpose.

Contributions

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance unconditional. Contributions to be received after one year are recorded and discounted at an appropriate rate commensurate with the risks and duration involved. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction. If a donor restriction is met in the same year as received the contribution is classified as net assets without donor restrictions.

Contributions of long-lived assets (property and equipment) are reported as increases in support without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. The Organization reports expirations of donor restrictions of acquired long-lived assets when they are placed in service.

The Organization receives contributions of cash and property from sources other than Annual Campaign contributions. Such donations are received under numerous types of arrangements which specify who is to manage the funds and who is to receive the funds upon the passage of time or other donor imposed restrictions. Funds received by the Organization for its general purposes are classified as without restrictions; all others are considered with restrictions (time and purpose or perpetual in nature).

Donated Services

Donated services are recorded as contributions when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased and recorded at that value if not provided by donation.

No amounts have been reflected in the accompanying consolidated financial statements for donated services as they do not meet the requirements for recognition in the financial statements; however, a substantial number of volunteers have donated significant amounts of their time to the activities of the Organization without compensation. Such services include helping to set agency policy, fundraising, oversight of fiscal and operational matters, representation of the Organization at Jewish and general community events and in the media, assistance with the development of Organization programs and projects, and feedback to the Organization about community needs and interests.

Pledges Receivable

Pledges receivable, less a provision for estimated uncollectible amounts and unamortized discounts, are recorded as a receivable and revenue when pledges are made.

The allowance for uncollectible pledges is based on past collection experience, management's analysis of specific promises made, and changes in current economic conditions. Pledges receivable are considered past due based on the pledge date and campaign year. Receivables are written off only when management believes amounts will not be collected. The allowance for doubtful accounts totaled \$54,229 and \$35,689 at December 31, 2023 and 2022, respectively.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Promises to give that extend more than one year are recorded based on the discounted present value of the amounts to be received in the future.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. The Organization follows the practice of capitalizing expenditures for property and equipment in excess of \$2,500 with a useful life greater than one year; the estimated fair value of contributed property and equipment is similarly capitalized. Depreciation is calculated based on the estimated useful lives of the respective assets using the straight-line method.

Estimated lives for financial reporting purposes are as follows:

| <u>Asset</u> | <u>Estimated Lives</u> |
|------------------------------------|------------------------|
| Building and building improvements | 15-40 years |
| Furniture, equipment and software | 5-10 years |
| Vehicles | 7 years |

The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the change in net assets for the period.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the consolidated statements of financial position.

The basis for determining the fair value of investments is the readily determinable sales price of the investments based on prices or quotations in readily observable exchanges.

Dividend and interest income and gains and losses on investments are reported in the consolidated statement of activities as either increases or decreases in net assets without restrictions unless their use is restricted by donor stipulation or by law.

Investments are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to level of risk associated with certain investments and the level of uncertainty related to changes in the value of these investments, it is possible that the value of the Organization's investments and total net asset balance could fluctuate materially.

Foundation Funds

The Organization maintains approximately 1,100 funds established for a variety of purposes including donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's donors consist of individuals as well as other charitable organizations.

The Organization's funds are managed in a unitized investment pool. Transactions with each individual fund in the pool are based on the unit market value at the end of the month during which the transactions take place. Funds consist of donor-restricted endowment and functioning as quasi-endowment funds. The Organization maintains the following endowment funds:

- Donor-restricted endowment funds consist of gifts received with a donor stipulation that require the gift to be invested in perpetuity.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The Organization classifies as net assets with donor restrictions, perpetual in nature: (1) the original value of gifts donated to the perpetual endowment; (2) the original value of subsequent gifts to the perpetual endowment; and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual net assets is classified as net assets with donor restrictions, time and /or purpose restricted, until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”).

- Donor-restricted purpose funds (quasi-endowment) consist of gifts received with a donor stipulation that require the gift to be used for a particular purpose and held for an indefinite period of time. These funds are subject to the Organization’s variance power.

The Organization’s policies and procedures for administering its charitable funds are to always follow donor intent. The Organization classifies donor-restricted purpose funds as with donor restrictions until such time as the Board invokes its variance power.

- Donor-advised funds (quasi-endowment) consist of gifts received which allow for the donor to recommend distributions to various Organization programs or other charitable organizations approved by the Organization and which are held for an indefinite period of time.

Although the donor’s recommendations are generally fulfilled, they are subject to the approval of the Board and the Organization’s variance power. The Organization classifies donor-advised funds as with donor restrictions until such time as the Board invokes its variance power.

- Organization funds (quasi-endowment) consist of monies internally designated to fulfill the charitable purposes of the Organization.
- Assets held under split-interest agreements consist of charitable trust and annuity funds (quasi-endowment). The Organization classifies charitable trust and annuity funds as with donor restrictions as the assets are not available until termination of the agreements.

The Organization is subject to UPMIFA as adopted by the Commonwealth of Massachusetts. Under UPMIFA, the Board has discretion to determine the appropriate expenditures of donor-restricted endowment funds in accordance with a set of guidelines about what constitutes prudent spending. UPMIFA does not distinguish between original corpus, income and capital appreciation, and permits all endowed funds to receive payout as deemed prudent by the Board without regard to the source of the payout.

UPMIFA permits the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide the Organization in its annual expenditure decisions: (1) duration and preservation of the endowment fund; (2) the purposes of the Organization and the endowment fund; (3) general economic conditions; (4) effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Organization; and (7) the investment policy of the Organization.

The Organization’s spending policy is designed to provide for positive growth in the market value of its funds, net of distributions, over an extended period of time. In establishing this policy, the Board considered the long-term expected return on the investments and the goal to maintain the purchasing power of the fund assets. Over the long-term, the current spending policy is designed to return a net positive gain in market value (growth) after spendable transfers and provide a predictable flow of funds to support operations. The Organization anticipates its investment portfolio, over time, to provide an average total rate of return of approximately 5.7% (over a five plus year time frame). Actual returns in any given year may vary from this amount.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The Board has authorized a spending policy based on 4.25% of the average market balance of a fund to be determined by averaging the market value of the fund on the last day of each quarter for the sixteen quarters prior to and including the most recent fiscal year end, not to exceed 7.0% of the fund balance as of the most recent fiscal year end. All funds of the Organization, exclusive of donor-advised funds that are not managed similar to endowment funds and funds that are prohibited because of the gift instrument, are subject to the spending policy.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below the historic dollar value. There is an expectation that, over time the amount restricted in perpetuity will remain intact. This perspective is aligned with the accounting standards definition that perpetually restricted funds are those that must be held in perpetuity even though the historic dollar value may be expended on a temporary basis. The Organization has adopted a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the historic dollar value of the of the original gift (historic gift value). In accordance with accounting principles generally accepted in the United States of America, the historic gift value of donor restricted endowment funds is classified as perpetually restricted and cannot be reduced for any excess losses. Any excess losses shall reduce net assets with donor restrictions, time and purpose restricted, to the extent there is net appreciation on the related funds.

Allocations Payable

Allocations payable consist of amounts due to the Jewish Federations of North America (“JFNA”), to local and overseas agencies, and other miscellaneous payables.

Allocations to local and overseas agencies are determined annually by the Board based on the projected results of the Annual Campaign and the recommendations of the Planning, Allocations and Grants Committee (“PAG”). Allocations were approved by the Board as of December 31, 2023 and 2022. All amounts are expected to be paid within one year.

Actual allocations to local and overseas agencies could differ from projections based on Annual Campaign results finalized subsequent to year end. Any Board approved allocation adjustments are recorded in the year approved.

Charitable Trust and Annuity Obligations

The Organization has entered into various charitable trusts and charitable gift annuities. These agreements require periodic payment to designated beneficiaries and terminate either at a specific time or upon the death of the designated individual. Upon termination, the remaining assets of the annuity or remainder trust will be transferred to the named beneficiary to be used in accordance with the donor’s intent.

Assets received are recorded at fair value on the date the agreement or trust is recognized, and a liability is recorded equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables.

When the named beneficiary is the Organization, the remaining assets (the difference between the fair values of assets contributed and estimated future obligations) are recognized as contribution revenue. When the named beneficiary is other than the Organization, the remaining assets are recognized as a liability due to others. The liability due to others is included with the charitable trust and annuity obligations on the consolidated statements of financial position.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The estimated remaining assets to be received by the Organization are recognized as perpetually restricted contributions to the extent any donor-imposed perpetual restrictions are associated with the funds. In the absence of the restrictions, the amount is recorded as a contribution with donor restrictions until the termination of the agreement, at which time the amounts are reclassified to net assets without donor restrictions.

The Organization initially records obligations to beneficiaries at fair value and in subsequent periods adjusts the liability to reflect changes in life expectancy based on Internal Revenue Service annuity and mortality rates using the initial discount rate which varies from 2.0% to 9.4%. Changes in estimated future obligations are recorded as a change in value of charitable trust and annuity obligations on the consolidated statement of activities.

Income Taxes

The Federation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. JEF Properties is a tax-exempt organization as described in Section 501(c)(2) of the Code and, except for taxes pertaining to unrelated business income, is generally exempt from federal and state income taxes.

Fair Value Measurements

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), *Fair Value Measurements and Disclosures*, establishes a consistent framework for measuring fair value and expands the related disclosure requirements. The standard also establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three levels as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quote prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that reflect the Organization’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

There have been no changes in the methodology used to measure fair value at December 31, 2023 and 2022.

Functional Expenses

The consolidated statements of activities presents expenses by natural classification. The Organization also summarizes its expenses by functional classification in the consolidated statements of functional expenses.

Allocations and grants awarded are directly allocated to program expenses. Direct costs are charged to the programs to which they relate. All direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated. All other general and administrative costs are allocated using a base that results in equitable distribution. Salaries, wages, payroll taxes and benefits are charged directly to the program for which work has been done based time. Overhead is based on staff allocation to functional areas. Operation and maintenance of property and plant are allocated based on square footage. Depreciation expense is allocated based on the functional classification of the assets in use. Supplies are allocated by usage. All other expenses are direct costs.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**Subsequent Events**

The Organization has evaluated events that have occurred subsequent to December 31, 2023, through April 2, 2025, the date these consolidated financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within twelve months of December 31, for general expenditure are as follows:

| Financial assets: | 2023 | 2022 |
|----------------------------------------------------------------------------------------------|--------------|--------------|
| Cash | \$ 754,027 | \$ 985,324 |
| Pledges receivable | 229,663 | 210,048 |
| Investments | 49,934,770 | 46,346,803 |
| Total financial assets available within twelve months | 50,918,460 | 47,542,175 |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions - time and purpose | 42,449,669 | 38,175,018 |
| Net assets with donor restrictions - perpetual | 4,942,311 | 4,941,811 |
| Board designated endowment funds | 420,151 | 381,539 |
| Total amounts unavailable for general expenditures within one year | 47,812,131 | 43,498,368 |
| Total financial assets available to management for general expenditures within twelve months | \$ 3,106,329 | \$ 4,043,807 |

The Organization's endowment funds consist of donor-restricted endowments and funds designated by 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 Organization has net assets with board restrictions of \$420,151 and \$381,539 as of December 31, 2023 and 2022, respectively, which are available to meet expenditures in the next twelve months upon approval for appropriation by the Board of Trustees.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable are due as follows at December 31:

| | 2023 | 2022 |
|--------------------------------------------|------------|------------|
| Amounts due from prior year campaigns | \$ 9,283 | \$ 10,203 |
| Amounts due from current year campaign | 125,667 | 72,124 |
| Amounts due from non-campaign | 7,459 | 45,800 |
| Other | 141,483 | 117,610 |
| | 283,892 | 245,737 |
| Less: allowance for uncollectible balances | (54,229) | (35,689) |
| Net pledges receivable | \$ 229,663 | \$ 210,048 |

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

| | 2023 | 2022 |
|--------------------------------------------|-------------------|-------------------|
| Building and building improvements | \$ 153,918 | \$ 153,918 |
| Furniture, equipment and computer software | 335,513 | 306,824 |
| Vehicles | - | 67,118 |
| Construction in progress | 87,463 | 87,463 |
| | 576,894 | 615,323 |
| Less: accumulated depreciation | (404,199) | (378,922) |
| Property and equipment, net | <u>\$ 172,695</u> | <u>\$ 236,401</u> |

NOTE 5 – INVESTMENTS, INCLUDING ENDOWMENT FUNDS

The Board, as the governing authority, is responsible for oversight of the Organization's investments. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, has been delegated by the Board to the Investment Committee of the Organization. Investments authorized by the Investment Committee include marketable equity and fixed income securities and other types of investments as may be made with the prior approval of the Investment Committee.

Net gains and losses on investments include realized and unrealized gains and losses. Unrealized gains and losses result from changes in the fair value of investments. Realized gains and losses from the sale of investments are computed based on the difference between the proceeds received and the historical value at time of gift of the asset. Realized gains and losses resulting from sales or maturities of individual equity or debt securities are calculated on a specific identification basis. Realized gains and losses resulting from sales of equity and bond funds are calculated on a weighted average basis.

Investment interest and dividend income is shown net of investment management fees for the years ended December 31, 2023 and 2022.

The following schedule summarizes the Organization's investments as of December 31, 2023:

| | Cost | Fair Value | Cumulative Unrealized Gains (Losses) |
|-------------------------|----------------------|----------------------|--------------------------------------------|
| Fixed income | | | |
| State of Israel bonds | \$ 4,636,500 | \$ 4,636,500 | \$ - |
| Bond funds | 10,519,739 | 9,895,110 | (624,629) |
| Total fixed income | <u>15,156,239</u> | <u>14,531,610</u> | <u>(624,629)</u> |
| Equity securities | | | |
| Money market funds | 1,231,374 | 1,231,374 | - |
| Mutual funds | 17,057,849 | 34,169,791 | 17,111,942 |
| Exchange traded funds | 874 | 1,995 | 1,121 |
| Total equity securities | <u>18,290,097</u> | <u>35,403,160</u> | <u>17,113,063</u> |
| Total investments | <u>\$ 33,446,336</u> | <u>\$ 49,934,770</u> | <u>\$ 16,488,434</u> |

NOTE 5 – INVESTMENTS, INCLUDING ENDOWMENT FUNDS – (CONTINUED)

The following schedule summarizes the Organization's investments as of December 31, 2022:

| | Cost | Fair Value | Cumulative Unrealized Gains (Losses) |
|-------------------------|---------------|---------------|--------------------------------------------|
| Fixed income | | | |
| State of Israel bonds | \$ 4,450,856 | \$ 4,450,856 | \$ - |
| Bond funds | 9,326,176 | 8,331,754 | (994,422) |
| Total fixed income | 13,777,032 | 12,782,610 | (994,422) |
| Equity securities | | | |
| Money market funds | 2,345,159 | 2,345,159 | - |
| Mutual funds | 16,966,733 | 31,219,034 | 14,252,301 |
| Total equity securities | 19,311,892 | 33,564,193 | 14,252,301 |
| Total investments | \$ 33,088,924 | \$ 46,346,803 | \$ 13,257,879 |

The following schedule summarizes the change in investments and endowment by net asset class as of December 31:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------------------------------------|----------------------------------|----------------------------|---------------|
| Investments, December 31, 2021 | \$ 4,307,927 | \$ 51,175,452 | \$ 55,483,379 |
| Investment return | | | |
| Investment income, net | 78,320 | 979,815 | 1,058,135 |
| Realized and unrealized losses | (683,816) | (8,510,921) | (9,194,737) |
| Other | 3,980 | 1,961 | 5,941 |
| Contributions | - | 1,531,374 | 1,531,374 |
| Appropriation for expenditure | (199,126) | (1,762,453) | (1,961,579) |
| Change in value of of charitable trust and annuity obligations | - | 3,440 | 3,440 |
| Admin revenue and expenses | - | (579,150) | (579,150) |
| Investments, December 31, 2022 | \$ 3,507,285 | \$ 42,839,518 | \$ 46,346,803 |
| Investment return | | | |
| Investment income, net | 92,175 | 1,046,598 | 1,138,773 |
| Realized and unrealized gains | 490,003 | 5,563,722 | 6,053,725 |
| Other | 1,081 | 532 | 1,613 |
| Contributions | - | 402,688 | 402,688 |
| Appropriation for expenditure | (76,313) | (3,340,952) | (3,417,265) |
| Change in value of of charitable trust and annuity obligations | - | (26,088) | (26,088) |
| Admin revenue and expenses | (49,900) | (515,579) | (565,479) |
| Investments, December 31, 2023 | \$ 3,964,331 | \$ 45,970,439 | \$ 49,934,770 |

Investment activity is reported as increases or decreases in net assets with or without donor restrictions depending on donor stipulations on the use of the income or by law.

NOTE 6 – CHARITABLE TRUST AND ANNUITY OBLIGATIONS

Charitable trust and annuity obligations consisted of the following at December 31:

| | 2023 | 2022 |
|-------------------------------------------------------------|-------------------|-------------------|
| Charitable trusts included in investments | \$ 1,414,963 | \$ 1,216,659 |
| Gift annuities included in investments | 791,503 | 739,111 |
| Assets held under charitable trusts and annuity obligations | 2,206,466 | 1,955,770 |
| Amounts due to the Organization | 1,662,734 | 1,392,690 |
| Charitable trust and annuity obligations | <u>\$ 543,732</u> | <u>\$ 563,080</u> |
| Obligations to beneficiaries | \$ 188,030 | \$ 271,270 |
| Obligations due to others (other than the Federation) | 355,702 | 291,810 |
| Charitable trust and annuity obligations | <u>\$ 543,732</u> | <u>\$ 563,080</u> |

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 consisted of the following:

| | 2023 | 2022 |
|--------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Time and purpose restricted | | |
| Annual campaign contributions | \$ 501,952 | \$ 55,777 |
| Annual campaign (PACE) funds | 2,659,150 | 2,236,269 |
| B'nai Tzedek funds | 987,693 | 859,999 |
| Donor-advised funds | 7,078,791 | 7,909,546 |
| Donor-designated funds for charitable, educational, scholarships, religious purposes or other | 29,592,234 | 25,777,474 |
| Trust and annuity funds | 1,629,849 | 1,335,953 |
| Total | <u>42,449,669</u> | <u>38,175,018</u> |
| Perpetual in nature | | |
| Annual campaign | 1,050,000 | 1,050,000 |
| Donor-restricted funds for charitable, educational, religious purposes | 3,478,843 | 3,478,343 |
| Scholarships | 413,468 | 413,468 |
| Total | <u>4,942,311</u> | <u>4,941,811</u> |
| Total net assets with donor restrictions | <u>\$ 47,391,980</u> | <u>\$ 43,116,829</u> |

Other purposes include, but are not limited to, net assets with donor restrictions for Hatikvah, Israel Desk, Israel Mission, NextGen, PJ Library, and Rachel's Table.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS – (CONTINUED)

Net assets with donor restrictions released are as follows for the years ended December 31:

| | 2023 | 2022 |
|--------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Annual campaign | \$ 875,796 | \$ 449,552 |
| Annual campaign (PACE) funds | 223,523 | 219,697 |
| B'nai Tzedek funds | 18,804 | 11,121 |
| Donor-advised funds | 1,992,594 | 729,588 |
| Donor-designated funds for charitable, educational, scholarships, religious purposes or other | 948,590 | 804,285 |
| | <u>\$ 4,059,307</u> | <u>\$ 2,214,244</u> |

NOTE 8 – RETIREMENT PLAN

The Organization maintains a defined contribution 403(b) savings plan for full-time employees through tax sheltered annuities. Employees are eligible after one year of service. Employees may contribute amounts up to a specified limit. The Organization may contribute, at the Board's discretion, an amount equal to or less than 2% of the participating employee's salary. The Organization's contributions to the plan totaled \$8,280 and \$5,491 for the years ended December 31, 2023 and 2022, respectively.

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances with various financial institutions and attempts to limit the amount of credit exposure at any one financial institution in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Organization has not experienced any losses on its accounts and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes the Organization is not exposed to any significant concentration of credit risk on cash.

The Organization also holds various investments. Investments are subject to both credit and market risk. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The Organization has an investment policy and utilizes management oversight, and periodically reviews its investments portfolios to monitor these risks.

NOTE 10 – FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value on a recurring basis are as follows at December 31, 2023:

| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|------------------------------------------|----------------------|----------------------|---------------------|-------------------|
| Assets | | | | |
| Investments | | | | |
| Fixed income | | | | |
| State of Israel bonds | \$ 4,636,500 | \$ - | \$ 4,636,500 | \$ - |
| Mutual funds - bonds | | | | |
| Bond market fund | 7,109,300 | 7,109,300 | - | - |
| Short-term bond fund | 2,785,810 | 2,785,810 | - | - |
| Equity Securities | | | | |
| Developing markets | 7,480,633 | 7,480,633 | - | - |
| Emerging markets | 308,941 | 308,941 | - | - |
| Growth | 6,933,118 | 6,933,118 | - | - |
| Institutional Index | 6,784,791 | 6,784,791 | - | - |
| Mid Cap Index | 3,015,290 | 3,015,290 | - | - |
| Money Market | 1,231,375 | 1,231,375 | - | - |
| Small Cap Index | 2,985,480 | 2,985,480 | - | - |
| Value Index | 6,661,537 | 6,661,537 | - | - |
| Other investments | | | | |
| Excahnge traded funds | 1,995 | 1,995 | - | - |
| | <u>\$ 49,934,770</u> | <u>\$ 45,298,270</u> | <u>\$ 4,636,500</u> | <u>\$ -</u> |
| Liabilities | | | | |
| Charitable trust and annuity obligations | <u>\$ 543,732</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 543,732</u> |

Assets and liabilities measured at fair value on a recurring basis are as follows at December 31, 2022:

| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|------------------------------------------|----------------------|----------------------|---------------------|-------------------|
| Assets | | | | |
| Investments | | | | |
| Fixed income | | | | |
| State of Israel bonds | \$ 4,450,856 | \$ - | \$ 4,450,856 | \$ - |
| Mutual funds - bonds | | | | |
| Bond market fund | 6,242,757 | 6,242,757 | - | - |
| Short-term bond fund | 2,088,997 | 2,088,997 | - | - |
| Equity Securities | | | | |
| Developing markets | 4,928,905 | 4,928,905 | - | - |
| Growth | 5,957,842 | 5,957,842 | - | - |
| Institutional Index | 6,940,869 | 6,940,869 | - | - |
| Mid Cap Index | 3,093,109 | 3,093,109 | - | - |
| Money Market | 2,345,159 | 2,345,159 | - | - |
| Small Cap Index | 3,025,879 | 3,025,879 | - | - |
| Value Index | 7,272,430 | 7,272,430 | - | - |
| | <u>\$ 46,346,803</u> | <u>\$ 41,895,947</u> | <u>\$ 4,450,856</u> | <u>\$ -</u> |
| Liabilities | | | | |
| Charitable trust and annuity obligations | <u>\$ 563,080</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 563,080</u> |

NOTE 10 – FAIR VALUE MEASUREMENTS – (CONTINUED)

Investments

The basis for determining the fair value of investments is the readily determinable sales price of the investments based on prices or quotations readily observable exchanges. In the case of mutual funds, the fair value is determined as the number of units held in the fund multiplied by the price per unit share as quoted. Fixed income investments are based on quoted prices in markets that are not active. Other investments, which consist of in-kind contributions of residential rental real estate limited partnership interests, are valued at fair value. These investments are not readily marketable and their estimated value is subject to uncertainty.

In the case of mutual funds, the fair value is determined as the number of units held in the fund multiplied by the price per unit share as quoted. Other investments, which consist of in-kind contributions of residential rental real estate limited partnership interests, are reported at fair value. These investments are not readily marketable, and their estimated value is subject to uncertainty.

Charitable Trust and Annuity Obligations

The estimated fair value is based on the calculated present value of the income distributions or other payments to the donor or other designated beneficiaries during the terms of the split-interest agreements. The actuarial assumptions used in calculating the present value includes the beneficiary's age, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout rate, the payment schedule, and the discount rate.

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 Organization believes its valuation methods are appropriate and consistent with others, 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 report date. The Board reviews and approves the Organization's fair value measurement policies and procedures annually. At least annually the Board determines if the valuation techniques used in fair value measurements are still appropriate.

The following schedule reconciles fair value measurements of the liabilities using significant unobservable inputs (Level 3) as noted above for the years ended December 31:

| | 2023 | 2022 |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| Balance, beginning of the year | \$ 563,080 | \$ 628,941 |
| Maturities and actuarial changes | 41,045 | (3,440) |
| Payment obligations to beneficiaries and others | (60,393) | (62,421) |
| Balance, end of year | <u>\$ 543,732</u> | <u>\$ 563,080</u> |
| Total activity for the year included on the consolidated statements of activities related to Level 3 assets held at December 31 | <u>\$ (26,088)</u> | <u>\$ 3,440</u> |

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