

Jewish Federation of Cincinnati

**Financial Statements with Supplementary Information
December 31, 2020 with
Summarized Comparative Totals for December 31, 2019, and
Independent Auditors' Report**

JEWISH FEDERATION OF CINCINNATI

December 31, 2020 with Summarized Comparative Totals for December 31, 2019

Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 24

Independent Auditors' Report

Board of Trustees
Jewish Federation of Cincinnati

We have audited the accompanying financial statements of Jewish Federation of Cincinnati (a nonprofit organization), which comprise the statement of financial position as December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 Jewish Federation of Cincinnati as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report
(Continued)**

Report on Summarized Comparative Information

We have previously audited the Jewish Federation of Cincinnati's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Barnes, Dennig & Co., Ltd.

August 3, 2021
Cincinnati, Ohio

JEWISH FEDERATION OF CINCINNATI

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 12,350,576	\$ 11,126,942
Annual campaign pledges receivable, net	4,853,777	4,464,114
Other campaign pledges receivable, net	2,177,409	3,410,017
Grants and allocations receivable	1,116,726	1,293,790
Other receivables	962,417	631,494
Prepaid expenses	461,759	508,898
Investments	117,396,479	96,596,464
Charitable gift annuities	377,913	362,535
Property and equipment, net	358,667	460,694
Notes receivable	615,000	665,000
Cash surrender value of life insurance (face value of policies approximates \$11.2m in 2020 and \$10.1m in 2019)	884,912	821,678
Beneficial interest in perpetual trust	3,710,403	3,376,889
Total assets	\$ 145,266,038	\$ 123,718,515
Liabilities and Net Assets		
Liabilities		
Allocations and grants payable	\$ 4,605,239	\$ 4,512,611
Accounts payable and accrued expenses	1,096,004	1,974,986
Refundable advances	1,696,847	1,357,085
Notes payable	615,000	665,000
Held for other organizations	12,223,900	11,220,874
Total liabilities	20,236,990	19,730,556
Net Assets		
Without donor restrictions:		
Board-designated endowment funds	30,668,662	28,684,512
Designated for other purposes	3,310,637	231,795
Donor advised funds	35,005,799	26,357,272
Undesignated	979,516	995,244
Total without donor restrictions	69,964,614	56,268,823
With donor restrictions	55,064,434	47,719,136
Total net assets	125,029,048	103,987,959
Total liabilities and net assets	\$ 145,266,038	\$ 123,718,515

See accompanying notes to financial statements

JEWISH FEDERATION OF CINCINNATI

Statement of Activities Year Ended December 31, 2020 with Summarized Comparative Totals for 2019

	2020					
	Without Donor	With Donor Restrictions			Total	2019
	Restrictions	Contributions	Releases	Total		
Revenue and other support						
Annual campaign gifts, net	\$ 6,523,029	\$ 5,851,655	\$ (6,539,380)	\$ (687,725)	\$ 5,835,304	\$ 6,689,070
The Jewish Foundation annual campaign match, net	1,500,000	1,500,000	(1,500,000)	-	1,500,000	1,500,000
Donor advised fund contributions	10,236,949	-	-	-	10,236,949	8,274,879
Other contributions and bequests	714,808	4,857,888	-	4,857,888	5,572,696	3,683,845
Partner agency capital campaign contributions	1,219,385	-	-	-	1,219,385	2,563,720
Supplemental gifts raised on behalf of others	592,172	-	-	-	592,172	705,611
Grants, net	2,878,062	75,000	(709,741)	(634,741)	2,243,321	2,862,044
Paycheck Protection Program grant	842,600	-	-	-	842,600	-
Net assets released from endowments	1,219,534	-	(1,219,534)	(1,219,534)	-	-
Total contributed revenue	25,726,539	12,284,543	(9,968,655)	2,315,888	28,042,427	26,279,169
Bad debt recoveries	16,121	-	-	-	16,121	26,915
Less: annual campaign gifts from donor advised funds	(1,305,168)	-	-	-	(1,305,168)	(1,716,088)
Less: supplemental gifts raised on behalf of others	(1,811,557)	-	-	-	(1,811,557)	(3,269,331)
Net contributed revenue	22,625,935	12,284,543	(9,968,655)	2,315,888	24,941,823	21,320,665
Other revenue	1,657,706	-	-	-	1,657,706	1,381,500
Total revenue and other support	24,283,641	12,284,543	(9,968,655)	2,315,888	26,599,529	22,702,165
Expenses						
Allocations, grants and operating expenses	19,771,171	-	-	-	19,771,171	25,158,262
Less: supplemental gifts raised on behalf of others	(1,811,557)	-	-	-	(1,811,557)	(3,269,331)
Total expenses	17,959,614	-	-	-	17,959,614	21,888,931
Change in net assets before other gains	6,324,027	12,284,543	(9,968,655)	2,315,888	8,639,915	813,234
Other gains						
Investment return, net	7,371,764	4,698,213	-	4,698,213	12,069,977	13,462,393
Gain on sale of property	-	-	-	-	-	2,454,292
Other gains	-	331,197	-	331,197	331,197	655,671
Change in net assets	13,695,791	<u>\$ 17,313,953</u>	<u>\$ (9,968,655)</u>	7,345,298	21,041,089	17,385,590
Net assets, beginning of year	56,268,823			47,719,136	103,987,959	86,602,369
Net assets, end of year	<u>\$ 69,964,614</u>			<u>\$ 55,064,434</u>	<u>\$ 125,029,048</u>	<u>\$ 103,987,959</u>

See accompanying notes to financial statements

JEWISH FEDERATION OF CINCINNATI

Statement of Functional Expenses Year Ended December 31, 2020 with Summarized Comparative Totals for 2019

	Community Services	Management and General	Fundraising	2020 Total	2019 Total
Allocations and grants:					
Annual campaign local allocations	\$ 2,858,194	\$ -	\$ -	\$ 2,858,194	\$ 3,291,289
Annual campaign Israel & overseas allocations	1,679,635	-	-	1,679,635	1,830,952
Other grants	7,773,418	-	-	7,773,418	12,207,678
Total allocations and grants	12,311,247	-	-	12,311,247	17,329,919
Operating expenses:					
Salaries and wages	2,549,388	925,434	1,148,398	4,623,220	4,454,414
Payroll taxes and benefits	643,629	166,379	293,290	1,103,298	1,008,241
Outside services	299,628	107,299	3,749	410,676	559,980
Information technology and related services	115,855	30,248	93,240	239,343	250,918
Advertising and marketing	163,118	88,099	64,407	315,624	310,627
Events	37,758	-	52,388	90,146	365,660
Occupancy	104,530	109,800	45,712	260,042	236,865
Employee training, education and relations	18,755	10,841	15,121	44,717	103,063
Meetings	15,637	5,778	6,383	27,798	111,591
All other expense	129,594	202,378	13,088	345,060	426,984
Total operating expenses	4,077,892	1,646,256	1,735,776	7,459,924	7,828,343
Total allocations, grants and operating expenses	16,389,139	1,646,256	1,735,776	19,771,171	25,158,262
Less: supplemental gifts raised on behalf of others	(1,811,557)	-	-	(1,811,557)	(3,269,331)
2020 Totals	\$ 14,577,582	\$ 1,646,256	\$ 1,735,776	\$ 17,959,614	
	81%	9%	10%	100%	
2019 Totals	\$ 18,867,320	\$ 1,323,683	\$ 1,697,928		\$ 21,888,931
	86%	6%	8%		100%

See accompanying notes to financial statements

JEWISH FEDERATION OF CINCINNATI

Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 21,041,089	\$ 17,385,590
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	172,377	168,450
Gain on sale of property	-	(2,454,292)
Bad debt recoveries	(16,121)	(26,915)
Change in cash surrender value of life insurance	(63,234)	(35,403)
Change in value of charitable gift annuities	(15,378)	(97,110)
Change in value of beneficial interest in perpetual trust	(333,514)	(523,158)
Net realized and unrealized gains on investments	(11,190,712)	(11,720,650)
Contributions restricted for endowment purposes	(3,788,145)	(3,169,735)
Changes in:		
Annual campaign pledges receivable	(373,542)	(461,296)
Other campaign pledges receivable	1,232,608	1,108,252
Grants and allocations receivable	177,064	841,662
Other receivables	(330,923)	1,705,046
Prepaid expenses	47,139	(69,864)
Allocations and grants payable	92,628	(179,630)
Accounts payable and accrued expenses	(878,982)	661,274
Refundable advances	339,762	840,337
Held for other organizations	(1,896,668)	555,888
Net cash provided by operating activities	4,215,448	4,528,446
Cash flows from investing activities		
Proceeds from sales of investments	5,988,507	5,987,113
Purchases of investments	(12,698,116)	(14,025,387)
Proceeds from sale of property	-	3,010,292
Purchases of property and equipment	(70,350)	(87,368)
Net cash used in investing activities	(6,779,959)	(5,115,350)
Cash flows from financing activities		
Proceeds from contributions restricted for endowment purposes	3,788,145	3,169,735
Net change in cash and cash equivalents	1,223,634	2,582,831
Cash and cash equivalents, beginning of year	11,126,942	8,544,111
Cash and cash equivalents, end of year	\$ 12,350,576	\$ 11,126,942
Supplemental cash flows information:		
Non-cash decrease in notes receivable and notes payable	\$ 50,000	\$ 62,500
Non-cash increase in investments held for others	\$ (2,899,694)	\$ (1,607,246)

See accompanying notes to financial statements

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Jewish Federation of Cincinnati (the "Federation") was incorporated as a not-for-profit organization under the laws of the State of Ohio in 1967. The Federation makes available financial and planning resources to all members of the Jewish community wishing to participate in the enhancement and perpetuation of Jewish faith, values and life in all its diversity at home, in Israel and around the world.

The Federation conducts an annual fundraising campaign in the Greater Cincinnati area. After deducting estimated uncollectible pledges and administrative and fundraising costs, allocations are made to local, national and international beneficiary organizations. Commitments are made from the current year's campaign to these organizations. These commitments are reflected in the accompanying financial statements.

The Federation also solicits and maintains funds from donors within the Greater Cincinnati area to be used for charitable purposes (referred to as "donor-advised funds" or "philanthropic funds"). These donors may recommend how these funds should be disbursed, but the Federation holds the variance power to determine actual use of these funds.

The Federation also raises funds on behalf of other agencies and organizations within the Jewish Community of Greater Cincinnati. These funds are recognized as an agency transaction and recognized as a liability until collected and remitted to the beneficiary organization.

Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Federation's financial statements for the year ended December 31, 2019, from which the comparative information was derived.

The financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. The Federation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Federation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market deposit accounts. The Federation maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Federation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments and Investment Return

Investments in equity and debt securities are carried at fair value. Investment return includes dividends, interest, investment advisory/management fees, and realized and unrealized gains and losses on investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same time period is recorded as revenues without donor restrictions. Other investment return is reflected in the statements of activities as revenues with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. The Federation's investments do not have a significant concentration of credit or market risk within any industry, specific institution or group of investments.

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

The Federation assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions.

Allocations and Grants Payable

Allocations and grants payable are contributions to other non-profit agencies that support the Jewish community and are expected to be paid within one year.

Contributions

Contributions are recorded as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts received with donor stipulations that limit their use are reported as revenue and net assets with donor restrictions. When a donor 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 statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenues without donor restrictions.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

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 restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Federation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Pledges for contributions to the annual campaign are recorded as receivables and revenues when unconditional promises to give are received by the Federation from donors. Allowances are provided for amounts estimated to be uncollectible. The allowance is calculated based on either a percentage of all pledges received for a certain campaign year, or the outstanding balance remaining in receivables for a specific campaign year.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenues when the conditions are substantially met and the gift becomes unconditional.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Federation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Federation.

Revenue Recognition

The Federation identifies a contract with a customer for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Federation evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. To determine the proper revenue recognition method, the Federation evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as single or more than one performance obligation.

Revenue from contracts with customers is primarily recognized from fees associated with the Federation's Shared Business Services program. These contracts consist of a single performance obligation as the promise to transfer the service is not separately identifiable from other promises in the contracts and, therefore, not distinct. Revenue is recognized by the Federation over the time its services are provided to the client. The Federation generally uses the time elapsed method, an input measure, as it considers it to best depict the simultaneous consumption and delivery of its services. The determination of the method by which the Federation measures its progress towards the satisfaction of its performance obligations requires judgment.

The transaction price is stated in the contracts and is known at the time of contract inception. There is no variable consideration associated with the Federation's contracts with customers. Contract service fees are generally due within 20 business days of invoicing.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Federation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio law. However, the Federation is subject to federal income tax on any unrelated business taxable income.

The Federation's IRS Form 990 is subject to review and examination by federal and state authorities. The Federation believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional classification basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations were salaries and related expenses, which were allocated based on time and effort, and occupancy and depreciation, which were allocated based on utilization.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain 2019 figures have been reclassified to confirm to the 2020 presentation.

Effect of Adopting New Accounting Standards

During 2020, the Federation adopted FASB ASU 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), which replaces most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Federation adopted the ASU using the modified retrospective approach to all contracts that were not completed as of the beginning of 2020. Results for reporting periods beginning after December 31, 2019 are presented under Topic 606, while prior period amounts and disclosures are not adjusted and continue to be reported under the accounting standards in effect for the prior period. The most significant impact of the adoption of Topic 606 is expanded disclosures for revenue recognition.

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for calendar year ending December 31, 2022. The Federation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Event Evaluation

Subsequent events have been evaluated through August 3, 2021, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, the following table shows the total financial assets held by the Federation and the amounts of those financial assets that could be readily available within one year of the balance sheet date to meet general cash expenditures:

	2020	2019
Cash and cash equivalents	\$ 12,350,576	\$ 11,126,942
Annual campaign pledges receivable, net	4,853,777	4,464,114
Other campaign pledges receivable, net	2,177,409	3,410,017
Grants and allocations receivable	1,116,726	1,293,790
Other receivables	962,417	631,494
Investments	117,396,479	96,596,464
Total significant financial assets	138,857,384	117,522,821
Less funds held for other agencies	(12,223,900)	(11,220,874)
Less donor advised funds	(35,005,799)	(26,357,272)
Less board-designated endowments	(30,668,662)	(28,684,512)
Less board-designated other	(3,310,637)	(231,795)
Less donor restricted endowments	(42,785,047)	(35,518,223)
Less annual campaign funds not available within one year	(5,373,718)	(6,061,443)
Add budgeted endowment draws	1,696,855	1,223,000
Total significant financial assets available within one year	\$ 11,186,476	\$ 10,671,702

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Federation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. The Federation's annual campaign runs from October to May each year. Funds raised during the campaign year are to be used to support allocations and programs in the fiscal year (January to December) immediately following the close of the campaign year. Accordingly, most of the funds expected to be spent in 2021 were solicited and recognized as revenue in 2019. The estimated operating budget for 2021 is \$17,500,000.

For purposes of analyzing resources available to meet general cash expenditures over a 12-month period, the Federation considers all liabilities and expenditures related to its ongoing activities of fundraising, grant management, and services to the Jewish community.

In addition to financial assets available to meet general cash expenditures over the next 12 months, the Federation strives for a balanced budget and anticipates collecting sufficient revenue to cover general cash expenditures not covered by donor-restricted or board-designated resources.

NOTE 3 CAMPAIGN PLEDGES RECEIVABLE

Annual campaign pledges receivable consisted of the following at December 31:

	2020		
	Campaign Pledges Receivable	Allowance for Uncollectible Pledges	Net Campaign Pledges Receivable
Year campaign pledges due:			
2021 and beyond	\$ 4,398,606	\$ 158,788	\$ 4,239,818
2020	814,454	200,495	613,959
2019	27,494	27,494	-
2018 and prior	189,721	189,721	-
	<u>\$ 5,430,275</u>	<u>\$ 576,498</u>	<u>\$ 4,853,777</u>
	2019		
	Campaign Pledges Receivable	Allowance for Uncollectible Pledges	Net Campaign Pledges Receivable
Year campaign pledges due:			
2020 and beyond	\$ 4,149,967	\$ 155,824	\$ 3,994,143
2019	674,819	204,848	469,971
2018	58,387	58,387	-
2017 and prior	182,577	182,577	-
	<u>\$ 5,065,750</u>	<u>\$ 601,636</u>	<u>\$ 4,464,114</u>

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 3 CAMPAIGN PLEDGES RECEIVABLE (CONTINUED)

Other campaign pledges receivable consisted of the following at December 31:

	2020	2019
Holocaust and Humanity Center capital campaign	\$ 2,177,409	\$ 3,370,035
Jewish Family Service Vital Services campaign	-	39,982
	\$ 2,177,409	\$ 3,410,017

The Holocaust and Humanity Center (HHC) capital campaign pledges receivable consist of pledges being collected on behalf of the HHC for the expansion and relocation of the HHC museum and consisted of the following as of December 31:

	2020	2019
Due in one year or less	\$ 1,492,800	\$ 1,771,476
Due in one to five years	734,606	1,675,314
	2,227,406	3,446,790
Less unamortized discount on pledges	(49,997)	(76,755)
	\$ 2,177,409	\$ 3,370,035

The discount rate for the HHC capital campaign pledges receivable was 1.62% for both 2020 and 2019.

The Jewish Family Service (JFS) Vital Services campaign pledges receivable consist of pledges being collected on behalf of JFS for the construction and operation of the Vital Services Center and consisted of the following as of December 31:

	2020	2019
Due in one year or less	\$ -	\$ 47,414
Less unamortized discount on pledges	-	(7,432)
	-	\$ 39,982

The discount rate for the JFS Vital Services campaign pledges receivable was 2.25% for 2019.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 4 GRANTS AND ALLOCATIONS RECEIVABLE

Grants and allocations receivable as of December 31 consisted of the following:

	2020	2019
The Jewish Foundation of Cincinnati:		
Talent Management	\$ 29,286	\$ 13,610
SAFE Cincinnati	257,981	182,257
SAFE Cincinnati Capital	57,796	57,796
Shared Business Services	172,895	-
Strengthening Individual Giving	143,042	-
Property and Maintenance	136,884	-
Cincy Journeys	109,812	421,639
Teacher Salary Enhancement Grant	11,920	299,800
Create Your Jewish Legacy	122,110	243,688
United Way of Greater Cincinnati	75,000	75,000
	\$ 1,116,726	\$ 1,293,790

NOTE 5 CONDITIONAL GRANT AGREEMENTS

The Federation is the recipient of various conditional grant agreements from The Jewish Foundation of Cincinnati (the "Foundation") to fund programming and other initiatives. Under these agreements, the Foundation has agreed to provide up to a certain amount as reimbursement for certain expenses associated with the programs or initiatives. Funding related to these grants is contingent upon certain performance conditions being met and will be recognized as revenue as earned. As of December 31, 2020 and 2019, the Federation had received \$1,696,847 and \$1,357,085, respectively, in advance of utilization, which has been recognized as a refundable advance on the statements of financial position.

The following table summarizes the total amounts received and remaining to be received under the grant agreements at December 31, 2020:

	Grants Awarded as of 12/31/2020	Funds Received in 2019 and prior	Funds Received in 2020	Remaining Funds Available at 12/31/2020
Strengthening Individual Giving	\$ 5,797,000	\$ 527,200	\$ 747,895	\$ 4,521,905
Community Property and Maintenance	3,952,000	874,500	-	3,077,500
Shared Business Services	2,983,000	1,036,000	480,500	1,466,500
SAFE Cincinnati	1,492,907	524,059	503,960	464,888
Talent Management Initiative	670,300	147,007	211,594	311,699
Leaders in Light	225,000	-	107,500	117,500
Honeymoon Israel	175,000	105,000	70,000	-
	\$ 15,295,207	\$ 3,213,766	\$ 2,121,449	\$ 9,959,992

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 6 INVESTMENTS

Investments consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Equity mutual funds	\$ 48,274,451	\$ 51,110,334
Hedge funds	30,686,112	25,665,249
Fixed income mutual funds	552,610	12,246,138
Money market funds	37,103,723	6,786,726
State of Israel bonds	771,254	767,431
Equity securities	8,329	20,586
	<u>\$ 117,396,479</u>	<u>\$ 96,596,464</u>

Investments include amounts owned by local organizations entrusted to the Federation in an agency capacity. These amounts total \$7,521,366 and \$4,621,672 as of December 31, 2020 and 2019, respectively, and are included in total liabilities in the accompanying statements of financial position as held for other organizations.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 1,383,623	\$ 1,352,805
Equipment, furniture and fixtures	1,757,888	1,718,357
Land improvements	102,396	102,396
Land	114,587	114,587
Less accumulated depreciation	<u>(2,999,827)</u>	<u>(2,827,451)</u>
	<u>\$ 358,667</u>	<u>\$ 460,694</u>

In addition to its own equipment, furniture and fixtures, the Federation holds titles to the properties used by Cincinnati Hillel and Camp Livingston. In 2020 and 2019, the Federation did not charge rent for the use of these facilities.

NOTE 8 BENEFICIAL INTEREST IN PERPETUAL TRUST

The Federation is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, the Federation has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. Distributions received from this trust for 2020 and 2019 were \$161,501 and \$162,669, respectively.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 9 NOTES RECEIVABLE AND PAYABLE

The Federation and another non-profit agency, as co-borrowers, have a note payable with an outstanding balance of \$615,000 and \$665,000 as of December 31, 2020 and 2019, respectively. The note payable bears interest at the daily LIBOR rate, plus 2.50% (4.28% at December 31, 2020) and is payable in quarterly principal installments of \$12,500, plus interest, through maturity on April 30, 2021, at which time the remaining principal balance is due. The note is secured by all business assets of the other non-profit agency and an open-ended mortgage on the building granted by the non-profit agency to the Federation. The Federation has recognized a note receivable and note payable for the outstanding balance as of December 31, 2020 and 2019. Future minimum principal payments as of December 31, 2020 are \$615,000 in 2021.

Additionally, the Federation and the other non-profit agency, as co-borrowers, have a \$150,000 revolving note agreement. The revolving note bears interest at the daily LIBOR rate, plus 2.50% (4.28% at December 31, 2020) to be paid monthly on any outstanding balance through maturity on April 30, 2021. No borrowings were outstanding against the revolving note as of December 31, 2020 and 2019.

NOTE 10 HELD FOR OTHER ORGANIZATIONS

The Federation regularly collaborates with other local Jewish agencies to facilitate their fundraising campaigns, as well as serving as the custodian and manager of a pooled investment account. In conjunction with these activities, the Federation held cash, pledges receivable and investments on behalf of the following agencies as of December 31:

	<u>2020</u>	<u>2019</u>
Holocaust and Humanity Center	\$ 4,651,091	\$ 6,413,125
Jewish Family Service	3,508,370	3,223,103
Other Jewish agencies	<u>4,064,439</u>	<u>1,584,646</u>
	<u>\$ 12,223,900</u>	<u>\$ 11,220,874</u>

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Donor-restricted endowment funds:		
Community needs	\$ 16,644,686	\$ 14,494,771
Scholarships	6,482,195	5,960,637
Seniors	6,683,718	5,422,128
Education	4,972,901	4,431,708
Career networking and recruitment	2,574,180	2,313,796
Annual campaign fund	2,136,466	-
Other	3,290,901	2,895,183
Total donor-restricted endowment funds	42,785,047	35,518,223
Beneficial interest in perpetual trust	3,710,403	3,376,889
Restricted as to period of use:		
Annual campaign funds	5,373,718	6,061,443
Other	1,272,571	1,184,213
Restricted as to purpose:		
COVID-19 emergency relief	799,269	-
JCRC Fellowship	394,244	302,444
Strengthening individual giving	229,256	229,256
Create your Jewish legacy (CYJL)	81,535	387,036
Teacher salary enhancement	-	323,388
Other	418,391	336,244
	\$ 55,064,434	\$ 47,719,136

NOTE 12 ENDOWMENTS

The Federation's endowment consists of several donor-restricted and board-designated endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 12 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The Board of Trustees of the Federation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument are classified as net assets with donor restrictions. The remaining portion of the donor-restricted endowment fund that is not included in donor-restricted endowment, at historical value, is classified as accumulated net appreciation on endowments until those amounts are appropriated for expenditure by the Board of Trustees.

The endowment net asset composition by type of fund is as follows as of December 31:

	2020	2019
Without donor restrictions:		
Board-designated endowments	\$ 30,668,662	\$ 28,684,512
With donor restrictions:		
Donor-restricted endowments, at historical value, required to be maintained in perpetuity by donor	19,949,713	16,319,836
Accumulated net appreciation of endowments required to be maintained in perpetuity by donor	9,755,069	7,202,249
Donor-restricted endowments not required to be maintained in perpetuity by donor	13,080,265	11,996,138
Total with donor restrictions	42,785,047	35,518,223
	\$ 73,453,709	\$ 64,202,735

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 12 ENDOWMENTS (CONTINUED)

The changes in endowment net assets for the years ended December 31 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - 12/31/18	\$ 22,212,092	\$ 28,346,708	\$ 50,558,800
Contributions	3,964,925	3,169,735	7,134,660
Investment return, net	3,467,071	5,346,612	8,813,683
Appropriated earnings	(959,576)	(1,344,832)	(2,304,408)
Endowment net assets - 12/31/19	28,684,512	35,518,223	64,202,735
Contributions	191,465	3,788,145	3,979,610
Investment return, net	3,424,204	4,698,213	8,122,417
Appropriated earnings	(1,631,519)	(1,219,534)	(2,851,053)
Endowment net assets - 12/31/20	<u>\$ 30,668,662</u>	<u>\$ 42,785,047</u>	<u>\$ 73,453,709</u>

Investment Policy

The Federation recognizes the need to develop and execute a comprehensive program of prudently investing the assets under its control with the goal of maximizing the long-term total return of the endowment assets and meeting the cash flow needs of the Federation for the benefit of the Jewish Community. The Federation believes that the most significant decision affecting its ability to meet this goal is the asset allocation decision. As such, the Federation has adopted a diversified asset allocation strategy based on its investment objectives and risk tolerances. Additionally, the Federation recognizes the risks associated with allowing a single investment manager or investment product's market value to dominate the investment strategy. Therefore, no investment manager or investment product can exceed 10% of the market value of the investments. Further, the investment policy details certain investments as prohibited investments. The Federation expects investments to outperform relevant indices and targeted benchmarks over rolling three and five year time periods. This policy does not apply to funds held for other agencies, as they are subject to that organization's investment policies.

Spending Policy

Generally, the Board will approve a targeted spending policy of 4.5% for both endowments without donor restriction and endowments with donor restriction, applied to a rolling 20-quarter weighted average of the market value of the endowment assets. In 2019 the spending policy was 4.75% and in 2020 it was 4.5%. However, if the Board decides to override the recommended spending policy, it must be done with a super-majority, which is defined as two-thirds (2/3) majority of the Board of Trustees.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 13 PAYCHECK PROTECTION PROGRAM GRANT

On April 11, 2020, the Federation entered into a term note pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (CARES Act) Paycheck Protection Program (the Program) for \$842,600. All or a portion of the note may be forgiven in accordance with the Program requirements. Interest on the outstanding principal balance will accrue at a fixed rate of 1.00%, but neither principal or interest are due and payable during the deferral period, which includes the covered period of 4/13/2020 – 9/27/2020 and an additional 10 months after the last day of the covered period. Loan payments will be deferred for borrowers who apply for loan forgiveness until the Small Business Administration (the SBA) remits the borrower's loan forgiveness amount to the lender.

On June 29, 2021, the Federation received notification from the bank that the loan was fully forgiven and used in accordance with the Program requirements. Accordingly, the Federation has elected to apply the conditional contribution guidance pursuant to ASC 958-605 to determine the derecognition of the liability. In accordance with this guidance, the derecognition threshold for the liability is when the conditions of the Paycheck Protection Program are "substantially met" and occur on or before the statement of financial position date. As of December 31, 2020, the Federation determined that all significant conditions under the Program had been substantially met and recognized the entire \$842,600 as grant revenue during 2020.

NOTE 14 EMPLOYEE BENEFIT PLAN

The Federation has a defined contribution plan for all employees meeting certain eligibility requirements. The plan provides for voluntary contributions by the Federation's employees up to a specified percentage of gross pay and a Federation match of 50% of a participant's contribution up to 6% of eligible compensation. In addition, the Federation may make additional discretionary contributions. Federation contributions to the plan approximated \$197,585 and \$147,296 in 2020 and 2019, respectively.

NOTE 15 SIGNIFICANT CONCENTRATIONS

GAAP requires disclosure of current vulnerabilities due to certain concentrations. Approximately, 14% and 19% of total revenue, gains and other support was received from The Jewish Foundation of Cincinnati in 2020 and 2019, respectively.

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 16 FAIR VALUE MEASUREMENTS

The following summarizes assets measured at fair value on a recurring basis at December 31, 2020 and 2019:

	Level 1	Level 2	Level 3	Not subject to fair value measurements	Total
2020					
Investments					
Equity mutual funds	\$ 48,274,451	\$ -	\$ -	\$ -	\$ 48,274,451
Fixed income mutual funds	552,610	-	-	-	552,610
Equity securities	8,329	-	-	-	8,329
State of Israel bonds	-	771,254	-	-	771,254
Money market funds	-	37,103,723	-	-	37,103,723
Hedge funds	-	-	-	30,686,112	30,686,112
Total investments	<u>48,835,390</u>	<u>37,874,977</u>	<u>-</u>	<u>30,686,112</u>	<u>117,396,479</u>
CSV of life insurance policies	-	884,912	-	-	884,912
Charitable gift annuities	-	377,913	-	-	377,913
Beneficial interest in trust	-	-	3,710,403	-	3,710,403
Total assets	<u>\$ 48,835,390</u>	<u>\$ 39,137,802</u>	<u>\$ 3,710,403</u>	<u>\$ 30,686,112</u>	<u>\$ 122,369,707</u>
2019					
Investments					
Equity mutual funds	\$ 51,110,334	\$ -	\$ -	\$ -	\$ 51,110,334
Fixed income mutual funds	12,246,138	-	-	-	12,246,138
Equity securities	20,586	-	-	-	20,586
State of Israel bonds	-	767,431	-	-	767,431
Money market funds	-	6,786,726	-	-	6,786,726
Hedge funds	-	-	-	25,665,249	25,665,249
Total investments	<u>63,377,058</u>	<u>7,554,157</u>	<u>-</u>	<u>25,665,249</u>	<u>96,596,464</u>
CSV of life insurance policies	-	821,678	-	-	821,678
Charitable gift annuities	-	362,535	-	-	362,535
Beneficial interest in trust	-	-	3,376,889	-	3,376,889
Total assets	<u>\$ 63,377,058</u>	<u>\$ 8,738,370</u>	<u>\$ 3,376,889</u>	<u>\$ 25,665,249</u>	<u>\$ 101,157,566</u>

Fair values for equity securities and equity, fixed income and alternative strategy mutual funds have Level 1 inputs of quoted prices in active markets.

Fair values for money market funds have Level 2 inputs as fair value is based off the observable values of the underlying securities.

Fair values for the Federation's State of Israel bonds can be estimated using the face value, maturity date, payoff dates, and interest rate for each of the bonds. These are considered to be Level 2 observable inputs.

Fair values for the cash surrender value of life insurance policies can be estimated using the face value, premium amounts, interest rate and age of insured. These are considered to be Level 2 observable inputs.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 16 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values for charitable gift annuities can be estimated using the contribution amount, annuity amount, interest rate and age of insured. These are considered to be Level 2 observable inputs.

Fair value for the beneficial interest in perpetual trust is derived from the present value of the investments at the time of death of the last remaining beneficiary. Future value of investments is not observable and therefore Level 3.

The following table is a reconciliation of all assets measured at fair value on a recurring basis using significant Level 3 unobservable inputs:

Balance at December 31, 2018	\$ 2,853,731
Change in value	<u>523,158</u>
Balance at December 31, 2019	3,376,889
Change in value	<u>333,514</u>
Balance at December 31, 2020	<u><u>\$ 3,710,403</u></u>

Investments in Certain Entities that Calculate Net Asset Value per Share

Hedge funds are investments in unregistered investment pools. The investment pools in turn invest in various equity and debt securities and other vehicles to generate an investment return. The value of these investment pools is reported by the Federation based on information provided by the investment management.

Values may be based on readily available public market data as well as estimates that require varying degrees of judgment. Generally, the value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The financial statements of the investees are audited annually by independent auditors as of December 31 with the most recent being as of December 31, 2020 or December 31, 2019. Valuations for these investment pools provided by the investment managers are evaluated by the Federation, and management believes such values are reasonable for years ended December 31, 2020 and 2019.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 16 FAIR VALUE MEASUREMENTS (CONTINUED)

The Federation used Net Asset Value (NAV) to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies by major category:

Year Ended December 31, 2020				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	\$ 30,686,112	\$ -	Daily to annually	1 to 90 days
Ending Balance	\$ 30,686,112	\$ -		
Year Ended December 31, 2019				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	\$ 25,665,249	\$ -	Daily to annually	1 to 90 days
Ending Balance	\$ 25,665,249	\$ -		

Hedge funds include investments in funds that invest in securities and private investment companies. The funds invest substantially all of its assets through a master-feeder structure with a "Master Fund", an investment company that has the same investment objectives as the funds. The fair value of the Federation's investment in this category has been estimated using the net asset value per share of the investments.

NOTE 17 RISKS AND UNCERTAINTIES

The Federation's investments consist of equity and fixed income mutual funds, hedge funds and other marketable securities. Investment securities are exposed to various risks, such as credit, market and interest rate. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at December 31, 2020. However, the diversification of the Federation's investments among various asset classes should mitigate the impact of any adverse changes on any one asset class. Investments are managed by the Board of Trustees with advice and assistance from investment professionals.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 18 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Federation's operations and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which the Federation operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

NOTE 19 SUBSEQUENT EVENTS

On March 11, 2021, the Federation entered into a term note pursuant to the second round of the Coronavirus Aid, Relief, and Economic Security Act's (CARES Act) Payroll Protection Program (the Program) for \$968,616. All or a portion of the note may be forgiven in accordance with the Program requirements. Interest on the outstanding principal balance will accrue at a fixed rate of 1.00%, but neither principal or interest are due and payable during the deferral period which includes the covered period and an additional 10-months after the last day of the covered period. After the deferral period expires, all accrued interest not forgiven under the program will be due and payable on the first payment date. In addition, for any balance not forgiven, equal monthly installments of principal along with interest will be paid over the remaining term until the maturity date, which is the 5th anniversary of the note.