

# **Jewish Federation of Cincinnati**

**Financial Statements  
December 31, 2022 with  
Summarized Comparative Totals for December 31, 2021, and  
Independent Auditors' Report**

# JEWISH FEDERATION OF CINCINNATI

December 31, 2022 with Summarized Comparative Totals for December 31, 2021

## Contents

---

	<b><u>Page(s)</u></b>
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 – 23

## **Independent Auditors' Report**

Board of Trustees  
Jewish Federation of Cincinnati

### **Opinion**

We have audited the accompanying financial statements of Jewish Federation of Cincinnati (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Federation of Cincinnati as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jewish Federation of Cincinnati 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 Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

**Independent Auditors' Report  
(Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Jewish Federation of Cincinnati's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Federation of Cincinnati'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.

**Report on Summarized Comparative Information**

We have previously audited Jewish Federation of Cincinnati's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



August 7, 2023  
Cincinnati, Ohio

# JEWISH FEDERATION OF CINCINNATI

## Statements of Financial Position December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 6,939,566	\$ 8,210,331
Annual campaign pledges receivable, net	4,723,558	4,098,475
Other campaign pledges receivable, net	625,141	1,339,919
Grants and allocations receivable	803,476	786,503
Other receivables	3,518,113	1,368,006
Prepaid expenses and other assets	486,389	571,728
Investments	120,624,852	136,480,028
Charitable gift annuities	75,539	379,699
Property and equipment, net	1,210,138	1,004,196
Notes receivable	515,000	565,000
Cash surrender value of life insurance (face value of policies approximates \$12.8m in 2022 and \$14.4m in 2021)	1,136,425	887,038
Beneficial interest in perpetual trust	3,169,583	4,095,917
	<u>3,169,583</u>	<u>4,095,917</u>
Total assets	<u>\$ 143,827,780</u>	<u>\$ 159,786,840</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Allocations and grants payable	\$ 4,883,253	\$ 4,758,688
Accounts payable and accrued expenses	3,293,926	1,833,560
Refundable advances	2,355,450	2,418,776
Notes payable	515,000	565,000
Held for other organizations	11,465,481	12,875,438
	<u>11,465,481</u>	<u>12,875,438</u>
Total liabilities	<u>22,513,110</u>	<u>22,451,462</u>
<b>Net Assets</b>		
Without donor restrictions:		
Board-designated endowment funds	26,959,196	32,059,305
Designated for other purposes	3,810,769	2,552,466
Donor advised funds	38,531,792	41,308,392
Undesignated	2,319,013	3,228,669
	<u>2,319,013</u>	<u>3,228,669</u>
Total without donor restrictions	71,620,770	79,148,832
With donor restrictions	49,693,900	58,186,546
	<u>49,693,900</u>	<u>58,186,546</u>
Total net assets	<u>121,314,670</u>	<u>137,335,378</u>
Total liabilities and net assets	<u>\$ 143,827,780</u>	<u>\$ 159,786,840</u>

See accompanying notes to financial statements

# JEWISH FEDERATION OF CINCINNATI

## Statement of Activities Year Ended December 31, 2022 with Summarized Comparative Totals for 2021

	2022					2021
	Without Donor Restrictions	With Donor Restrictions			Total	
		Contributions	Releases	Total		
<b>Revenue and other support</b>						
Annual campaign gifts, net	\$ 5,783,943	\$ 6,105,747	\$ (5,830,248)	\$ 275,499	\$ 6,059,442	\$ 5,471,195
The Jewish Foundation annual campaign match, net	1,457,906	1,500,000	(1,457,906)	42,094	1,500,000	1,457,916
Donor advised fund contributions	12,988,086	-	-	-	12,988,086	10,489,909
Other contributions and bequests	30,856	839,609	-	839,609	870,465	1,988,301
Partner agency capital campaign contributions	739,219	-	-	-	739,219	12,000
Supplemental gifts raised on behalf of others	1,005,834	-	-	-	1,005,834	546,915
Grants, net	5,835,512	-	(796,860)	(796,860)	5,038,652	4,050,894
Paycheck Protection Program grant	-	-	-	-	-	968,616
Net assets released from endowments	1,327,897	-	(1,327,897)	(1,327,897)	-	-
Total contributed revenue	29,169,253	8,445,356	(9,412,911)	(967,555)	28,201,698	24,985,746
Bad debt (expense) recoveries	(70,837)	-	-	-	(70,837)	(4,084)
Less: annual campaign gifts from donor advised funds	(1,290,967)	-	-	-	(1,290,967)	(1,726,850)
Less: supplemental gifts raised on behalf of others	(1,745,053)	-	-	-	(1,745,053)	(558,915)
Net contributed revenue	26,062,396	8,445,356	(9,412,911)	(967,555)	25,094,841	22,695,897
Other revenue	1,858,360	-	-	-	1,858,360	1,871,243
Total revenue and other support	27,920,756	8,445,356	(9,412,911)	(967,555)	26,953,201	24,567,140
<b>Expenses</b>						
Allocations, grants and operating expenses	28,285,650	-	-	-	28,285,650	23,794,982
Less: supplemental gifts raised on behalf of others	(1,745,053)	-	-	-	(1,745,053)	(558,915)
Total expenses	26,540,597	-	-	-	26,540,597	23,236,067
<b>Change in net assets before other gains</b>	1,380,159	8,445,356	(9,412,911)	(967,555)	412,604	1,331,073
<b>Other gains</b>						
Investment return, net	(8,908,221)	(6,543,984)	-	(6,543,984)	(15,452,205)	10,585,831
Other gains	-	(981,107)	-	(981,107)	(981,107)	389,426
<b>Change in net assets</b>	(7,528,062)	\$ 920,265	\$ (9,412,911)	(8,492,646)	(16,020,708)	12,306,330
<b>Net assets, beginning of year</b>	79,148,832			58,186,546	137,335,378	125,029,048
<b>Net assets, end of year</b>	\$ 71,620,770			\$ 49,693,900	\$ 121,314,670	\$ 137,335,378

See accompanying notes to financial statements

# JEWISH FEDERATION OF CINCINNATI

## Statement of Functional Expenses Year Ended December 31, 2022 with Summarized Comparative Totals for 2021

	Community Services	Management and General	Fundraising	2022 Total	2021 Total
<b>Allocations and grants:</b>					
Annual campaign local allocations	\$ 3,076,166	\$ -	\$ -	\$ 3,076,166	\$ 3,297,251
Annual campaign Israel & overseas allocations	1,772,000	-	-	1,772,000	1,680,041
Other grants	13,202,266	-	-	13,202,266	10,921,012
Total allocations and grants	18,050,432	-	-	18,050,432	15,898,304
<b>Operating expenses:</b>					
Salaries and wages	3,245,067	725,529	1,133,066	5,103,662	4,823,290
Payroll taxes and benefits	857,444	151,042	380,680	1,389,166	1,200,036
Events	848,822	31,514	62,012	942,348	130,534
Outside services	457,469	233,872	2,075	693,416	334,566
Information technology and related services	281,134	93,207	184,332	558,673	364,089
Occupancy	396,956	97,929	48,097	542,982	198,361
Advertising and marketing	175,531	87,977	67,708	331,216	416,485
Employee training, education and relations	57,223	23,830	23,821	104,874	81,387
Meetings	51,069	11,397	14,396	76,862	52,282
All other expense	291,841	142,957	57,221	492,019	295,648
Total operating expenses	6,662,556	1,599,254	1,973,408	10,235,218	7,896,678
Total allocations, grants and operating expenses	24,712,988	1,599,254	1,973,408	28,285,650	23,794,982
Less: supplemental gifts raised on behalf of others	(1,745,053)	-	-	(1,745,053)	(558,915)
2022 Totals	<u>\$ 22,967,935</u>	<u>\$ 1,599,254</u>	<u>\$ 1,973,408</u>	<u>\$ 26,540,597</u>	
	<u>87%</u>	<u>6%</u>	<u>7%</u>	<u>100%</u>	
2021 Totals	<u>\$ 19,992,305</u>	<u>\$ 1,586,251</u>	<u>\$ 1,657,511</u>		<u>\$ 23,236,067</u>
	<u>86%</u>	<u>7%</u>	<u>7%</u>		<u>100%</u>

See accompanying notes to financial statements

# JEWISH FEDERATION OF CINCINNATI

## Statements of Cash Flows Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (16,020,708)	\$ 12,306,330
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	114,458	99,788
Bad debt recoveries	70,837	4,084
Change in cash surrender value of life insurance	(249,387)	(2,126)
Change in value of charitable gift annuities	304,160	(1,786)
Change in value of beneficial interest in perpetual trust	926,334	(385,514)
Net realized and unrealized gains on investments	15,668,114	(10,386,737)
Contributions restricted for endowment purposes	(592,870)	(875,221)
Changes in:		
Annual campaign pledges receivable	(695,920)	751,218
Other campaign pledges receivable	714,778	837,490
Grants and allocations receivable	(16,973)	330,223
Other receivables	(2,150,107)	(405,589)
Prepaid expenses and other assets	85,339	(109,969)
Allocations and grants payable	124,565	153,449
Accounts payable and accrued expenses	1,460,366	737,556
Refundable advances	(63,326)	721,929
Held for other organizations	1,169,482	1,580,254
Net cash provided by operating activities	<u>849,142</u>	<u>5,355,379</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	10,573,895	115,322,221
Purchases of investments	(12,966,272)	(124,947,749)
Purchases of property and equipment	(320,400)	(745,317)
Net cash used in investing activities	<u>(2,712,777)</u>	<u>(10,370,845)</u>
<b>Cash flows from financing activities</b>		
Proceeds from contributions restricted for endowment purposes	592,870	875,221
<b>Net change in cash and cash equivalents</b>	(1,270,765)	(4,140,245)
<b>Cash and cash equivalents, beginning of year</b>	8,210,331	12,350,576
<b>Cash and cash equivalents, end of year</b>	<u>\$ 6,939,566</u>	<u>\$ 8,210,331</u>
<b>Supplemental cash flows information:</b>		
Non-cash decrease in notes receivable and notes payable	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Non-cash increase in investments held for others	<u>\$ (2,579,439)</u>	<u>\$ (926,107)</u>

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, 2021, 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.

##### ***Recently Adopted Accounting Guidance – Leases***

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

## **JEWISH FEDERATION OF CINCINNATI**

### **Notes to Financial Statements (Continued)**

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

##### ***Recently Adopted Accounting Guidance – Leases (continued)***

The Federation elected the available practical expedients to account for their existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The Federation adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The most significant impact of adoption of the new lease accounting guidance was increased disclosures. There was an existing prepaid rent asset of \$337,500 related to the utilization of office space at the Jewish Community Center of Cincinnati (JCC) as of January 1, 2022. This asset was reclassified as a ROU asset as a result of implementing this standard.

##### ***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.

##### ***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, 2022 and 2021, 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.

## **JEWISH FEDERATION OF CINCINNATI**

### **Notes to Financial Statements (Continued)**

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

##### ***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.

##### ***Leases***

The Federation leases office space. The Federation determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the Federations' statements of financial position.

ROU assets represent the Federations' right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Federation uses rates implicit in the lease, if readily available. For leases that do not provide an implicit rate, a risk-free rate based on information available at commencement date is used in determining the present value of lease payments. The Federations' lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Federation accounts for lease and non-lease components as a single lease component. There may be variability in future lease payments as the amount of the non-lease component is typically revised from one period to the next. These variable lease payments are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Federations' lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Federation has elected to apply the short-term lease exception to all classes of underlying assets.

##### ***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.

## **JEWISH FEDERATION OF CINCINNATI**

### **Notes to Financial Statements (Continued)**

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

##### ***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.

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.

## **JEWISH FEDERATION OF CINCINNATI**

### **Notes to Financial Statements (Continued)**

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

##### ***Revenue Recognition (Continued)***

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.

##### ***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.

##### ***Subsequent Event Evaluation***

Subsequent events have been evaluated through August 7, 2023, which is the date the financial statements were available to be issued.

# JEWISH FEDERATION OF CINCINNATI

## Notes to Financial Statements (Continued)

### 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:

	2022	2021
Cash and cash equivalents	\$ 6,939,566	\$ 8,210,331
Annual campaign pledges receivable, net	4,723,558	4,098,475
Other campaign pledges receivable, net	625,141	1,339,919
Grants and allocations receivable	803,476	786,503
Other receivables	3,518,113	1,368,006
Investments	120,624,852	136,480,028
Total significant financial assets	137,234,706	152,283,262
Less funds held for other agencies	(11,465,481)	(12,875,438)
Less donor advised funds	(38,531,792)	(41,308,392)
Less board-designated endowments	(26,959,196)	(32,059,305)
Less board-designated other	(3,810,769)	(2,552,466)
Less donor restricted endowments	(38,895,214)	(46,129,983)
Less annual campaign funds not available within one year	(3,652,695)	(4,871,113)
Add budgeted endowment draws	1,622,769	1,559,733
Total significant financial assets available within one year	<u>\$ 15,542,328</u>	<u>\$ 14,046,298</u>

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 2023 were solicited and recognized as revenue in 2022. The estimated operating budget for 2023 is approximately \$20,300,000.

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.

# JEWISH FEDERATION OF CINCINNATI

## Notes to Financial Statements (Continued)

### NOTE 3 CAMPAIGN PLEDGES RECEIVABLE

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

	2022		
	Campaign Pledges Receivable	Allowance for Uncollectible Pledges	Net Campaign Pledges Receivable
Year campaign pledges due:			
2023 and beyond	\$ 3,892,199	\$ 197,492	\$ 3,694,707
2022	1,175,507	146,656	1,028,851
2021	87,571	87,571	-
2020 and prior	207,606	207,606	-
	<u>\$ 5,362,883</u>	<u>\$ 639,325</u>	<u>\$ 4,723,558</u>
	2021		
	Campaign Pledges Receivable	Allowance for Uncollectible Pledges	Net Campaign Pledges Receivable
Year campaign pledges due:			
2022 and beyond	\$ 3,853,381	\$ 142,328	\$ 3,711,053
2021	528,317	140,895	387,422
2020	96,358	96,358	-
2019 and prior	195,074	195,074	-
	<u>\$ 4,673,130</u>	<u>\$ 574,655</u>	<u>\$ 4,098,475</u>

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:

	2022	2021
Due in one year or less	\$ 572,615	\$ 1,008,809
Due in one to five years	57,143	348,169
	629,758	1,356,978
Less unamortized discount on pledges	(4,617)	(17,059)
	<u>\$ 625,141</u>	<u>\$ 1,339,919</u>

The discount rate for the HHC capital campaign pledges receivable was 4.41% and 1.62% for 2022 and 2021, respectively. No allowance for uncollectible pledges was recognized as of December 31, 2022 and 2021.

# 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:

	2022	2021
The Jewish Foundation of Cincinnati:		
Talent Management	\$ 20,321	\$ 30,980
SAFE Cincinnati	129,202	171,557
SAFE Cincinnati Capital	12,174	12,174
Shared Business Services	321,365	189,826
Strengthening Individual Giving	271,782	283,988
Property and Maintenance	9,801	51,487
Cincy Journeys	26,911	34,571
Teacher Salary Enhancement Grant	11,920	11,920
	<u>\$ 803,476</u>	<u>\$ 786,503</u>

### 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, 2022 and 2021, the Federation had received \$2,355,450 and \$2,418,776, 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, 2022:

	Grants Awarded as of 12/31/2022		Funds Received in 2022	Remaining Funds Available at 12/31/2022
Strengthening Individual Giving	\$ 5,797,000	\$ 2,545,975	\$ 632,475	\$ 2,618,550
Community Property and Maintenance	8,253,009	1,576,185	-	6,676,824
Shared Business Services	6,083,000	2,009,500	1,008,508	3,064,992
SAFE Cincinnati	3,282,404	1,670,783	552,262	1,059,359
Talent Management Initiative	670,300	425,576	91,975	152,749
Leaders in Light	225,000	150,000	-	75,000
Honeymoon Israel	325,000	175,000	-	150,000
	<u>\$24,635,713</u>	<u>\$ 8,553,019</u>	<u>\$2,285,220</u>	<u>\$ 13,797,474</u>



# JEWISH FEDERATION OF CINCINNATI

## Notes to Financial Statements (Continued)

### NOTE 6 INVESTMENTS

Investments consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Hedge funds	\$ 102,487,344	\$ 110,326,895
Money market funds	10,490,659	6,515,569
Equity mutual funds	5,897,187	7,307,915
Fixed income mutual funds	983,584	9,812,076
State of Israel bonds	766,078	765,246
Real estate exchange traded funds	<u>-</u>	<u>1,752,327</u>
	<u>\$ 120,624,852</u>	<u>\$ 136,480,028</u>

Investments include amounts owned by local organizations entrusted to the Federation in an agency capacity. These amounts total \$10,781,588 and \$11,206,389 as of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Buildings and improvements	\$ 1,995,150	\$ 1,383,623
Equipment, furniture and fixtures	2,199,578	1,776,870
Land improvements	102,396	102,396
Land	114,587	114,587
Construction in progress	12,501	726,336
Less accumulated depreciation	<u>(3,214,074)</u>	<u>(3,099,616)</u>
	<u>\$ 1,210,138</u>	<u>\$ 1,004,196</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 2022 and 2021, 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 2022 and 2021 were \$205,000 and \$176,000, 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 \$515,000 and \$565,000 as of December 31, 2022 and 2021, respectively. The note payable bears interest at the daily BSBY rate, plus 2.00% (6.39% at December 31, 2022) and is payable in quarterly principal installments of \$12,500, plus interest, through maturity on April 30, 2026, 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, 2022 and 2021. Future minimum principal payments as of December 31, 2022 are \$50,000 each year in 2023, 2024 and 2025, and \$365,000 in 2026.

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 BSBY rate, plus 2.50% (6.89% at December 31, 2022) to be paid monthly on any outstanding balance through maturity on April 30, 2024. No borrowings were outstanding against the revolving note as of December 31, 2022 and 2021.

#### 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>2022</u>	<u>2021</u>
Holocaust and Humanity Center	\$ 6,906,373	\$ 7,796,205
Jewish Family Service	3,380,739	3,873,124
Other Jewish agencies	<u>1,178,369</u>	<u>1,206,109</u>
	<u>\$ 11,465,481</u>	<u>\$ 12,875,438</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:

	<u>2022</u>	<u>2021</u>
Donor-restricted endowment funds:		
Community needs	\$ 14,993,236	\$ 17,941,332
Scholarships	5,730,545	6,898,777
Seniors	5,848,378	7,067,863
Education	4,114,944	5,111,694
Career networking and recruitment	2,429,287	2,815,816
Annual campaign fund	3,249,312	3,415,014
Other	<u>2,529,512</u>	<u>2,879,487</u>
Total donor-restricted endowment funds	38,895,214	46,129,983
Beneficial interest in perpetual trust	3,169,583	4,095,917
Restricted as to period of use:		
Annual campaign funds	5,188,696	4,871,113
Other	1,213,711	1,278,707
Restricted as to purpose:		
Bicentennial	186,106	729,292
JCRC Fellowship	417,929	456,603
COVID-19 emergency relief	144,348	243,268
Other	<u>478,313</u>	<u>381,663</u>
	<u><u>\$ 49,693,900</u></u>	<u><u>\$ 58,186,546</u></u>

### 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 the 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:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Board-designated endowments	<u>\$ 26,959,196</u>	<u>\$ 32,059,305</u>
With donor restrictions:		
Donor-restricted endowments, at historical value, required to be maintained in perpetuity by donor	21,057,816	20,640,019
Accumulated net appreciation of endowments required to be maintained in perpetuity by donor	6,895,506	12,543,343
Donor-restricted endowments not required to be maintained in perpetuity by donor	<u>10,941,892</u>	<u>12,946,621</u>
Total with donor restrictions	<u>38,895,214</u>	<u>46,129,983</u>
	<u><u>\$ 65,854,410</u></u>	<u><u>\$ 78,189,288</u></u>

# 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 - 12/31/20	\$ 30,668,662	\$ 42,785,047	\$ 73,453,709
Contributions	243,644	875,221	1,118,865
Investment return, net	2,911,674	3,906,947	6,818,621
Appropriated earnings	(1,764,675)	(1,437,232)	(3,201,907)
Endowment net assets - 12/31/21	32,059,305	46,129,983	78,189,288
Contributions	77,000	592,870	669,870
Investment return, net	(4,171,886)	(6,499,742)	(10,671,628)
Appropriated earnings	(1,005,223)	(1,327,897)	(2,333,120)
Endowment net assets - 12/31/22	<u>\$ 26,959,196</u>	<u>\$ 38,895,214</u>	<u>\$ 65,854,410</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 both 2022 and 2021, the spending policy 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 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) Paycheck 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. After the covered period expires, loan payments will be deferred for borrowers who apply for loan forgiveness until the Small Business Administration (SBA) remits the borrower's loan forgiveness amount to the lender. As of December 31, 2021, the Federation determined that all significant conditions under the Program had been substantially met and recognized the entire \$968,616 as grant revenue during 2021. On February 16, 2022, the Federation received notification from the bank that the loan was fully forgiven and used in accordance with the Program requirements.

#### **NOTE 14 LEASES**

The Federation occupies office space from the Jewish Community Center of Cincinnati (JCC). During the year ended December 31, 2022, the Federation paid the JCC \$100,000 for the utilization of this space. Beginning in the year ended December 31, 2023, the Federation will pay the JCC for estimated occupancy costs which will be calculated based on budgeted costs for occupancy-related expenses which is considered a variable lease component. After the end of the third quarter each year the JCC will perform a reconciliation of actual occupancy costs compared to budgeted expenses and will issue a true up invoice or will apply a credit based on the reconciliation calculation. This agreement will be in effect until December 31, 2032 and provides the Federation minimum renewal periods of five years.

The Federation has an existing prepaid rent asset of \$325,000 associated with this agreement which was reclassified as a right of use (ROU) asset as of December 31, 2022 and will be amortized ratably over the remaining lease term. The ROU asset is included in prepaid expenses and other assets on the statement of financial position.

#### **NOTE 15 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 \$188,448 and \$184,174 in 2022 and 2021, respectively.

#### **NOTE 16 SIGNIFICANT CONCENTRATIONS**

GAAP requires disclosure of current vulnerabilities due to certain concentrations. Approximately, 29% and 22% of total revenue, gains and other support was received from The Jewish Foundation of Cincinnati in 2022 and 2021, respectively.

# JEWISH FEDERATION OF CINCINNATI

## Notes to Financial Statements (Continued)

### NOTE 17 FAIR VALUE MEASUREMENTS

The following summarizes assets measured at fair value on a recurring basis at December 31, 2022 and 2021:

	Level 1	Level 2	Level 3	Not subject to fair value measurements	Total
<b>2022</b>					
Investments					
Equity mutual funds	\$ 5,897,187	\$ -	\$ -	\$ -	\$ 5,897,187
Fixed income mutual funds	983,584	-	-	-	983,584
State of Israel bonds	-	766,078	-	-	766,078
Money market funds	-	10,490,659	-	-	10,490,659
Hedge funds	-	-	-	102,487,344	102,487,344
Total investments	6,880,771	11,256,737	-	102,487,344	120,624,852
CSV of life insurance policies	-	1,136,425	-	-	1,136,425
Charitable gift annuities	-	75,539	-	-	75,539
Beneficial interest in trust	-	-	3,169,583	-	3,169,583
Total assets	<u>\$ 6,880,771</u>	<u>\$ 12,468,701</u>	<u>\$ 3,169,583</u>	<u>\$ 102,487,344</u>	<u>\$ 125,006,399</u>
<b>2021</b>					
Investments					
Equity mutual funds	\$ 7,307,915	\$ -	\$ -	\$ -	\$ 7,307,915
Real estate ETFs	1,752,327	-	-	-	1,752,327
Fixed income mutual funds	9,812,076	-	-	-	9,812,076
State of Israel bonds	-	765,246	-	-	765,246
Money market funds	-	6,515,569	-	-	6,515,569
Hedge funds	-	-	-	110,326,895	110,326,895
Total investments	18,872,318	7,280,815	-	110,326,895	136,480,028
CSV of life insurance policies	-	887,038	-	-	887,038
Charitable gift annuities	-	379,699	-	-	379,699
Beneficial interest in trust	-	-	4,095,917	-	4,095,917
Total assets	<u>\$ 18,872,318</u>	<u>\$ 8,547,552</u>	<u>\$ 4,095,917</u>	<u>\$ 110,326,895</u>	<u>\$ 141,842,682</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.

## JEWISH FEDERATION OF CINCINNATI

### Notes to Financial Statements (Continued)

#### NOTE 17 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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, 2020	\$ 3,710,403
Change in value	<u>385,514</u>
Balance at December 31, 2021	4,095,917
Change in value	<u>(926,334)</u>
Balance at December 31, 2022	<u><u>\$ 3,169,583</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, 2022 or December 31, 2021. 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, 2022 and 2021.



# JEWISH FEDERATION OF CINCINNATI

## Notes to Financial Statements (Continued)

### NOTE 17 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, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	<u>\$ 102,487,344</u>	<u>\$ 4,771,961</u>	Daily to annually	1 to 90 days
	Year Ended December 31, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	<u>\$ 110,326,895</u>	<u>\$ 2,147,001</u>	Daily to annually	1 to 90 days

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 18 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, 2022. 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.