

THE JEWISH FEDERATION OF
GREATER NEW HAVEN, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2020

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
The Jewish Federation of Greater New Haven, Inc.
360 Amity Road
Woodbridge, CT 06525

We have audited the accompanying financial statements of The Jewish Federation of Greater New Haven, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses – program services, functional expenses – JCC of Greater New Haven, Inc., functional expenses – supporting services, and cash flows for the thirteen-months 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 qualified audit opinion.

Basis for Qualified Opinion

As described in Note 18, the Organization has not consolidated the financial statements of The Jewish Foundation of Greater New Haven, Inc., which is an entity in which the Organization is the sole member as of and has a controlling financial interest in as of and for the for the thirteen-months ended August 31, 2020. Accounting principles generally accepted in the United States of America require the sole member of another entity for which it has a controlling financial interest to consolidate the entity in its financial statements. The effects of this departure from accounting principles generally accepted in the United States of America on the accompanying financial statements could not be determined.

Qualified Opinion

In our opinion, except for the effects on the financial statements of not consolidating The Jewish Foundation of Greater New Haven, Inc. as described in the Basis for qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Jewish Federation of Greater New Haven, Inc. as of August 31, 2020, and the changes in its net assets and its cash flows for the thirteen-months then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, reading "Teplitzky & Company, P.C.", written in dark ink.

Woodbridge, Connecticut

July 9, 2021

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2020

ASSETS

Assets

Cash and Cash Equivalents	\$	1,321,708
Unconditional Promises to Give, Net		1,096,219
Other Receivables, Net		76,903
Prepaid Expenses and Other Assets		78,232
Beneficial Interest in Assets Held by Others		1,479,394
Property and Equipment, Net		<u>12,143,832</u>
Total Assets	\$	<u><u>16,196,288</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Allocations	\$	692,150
Accrued Liabilities		313,239
Line of credit		-
Notes Payable - Demand		268,065
Notes Payable		1,234,312
Capital Leases Obligations		4,336
Deferred Compensation		186,477
Deferred Revenue		<u>307,159</u>
Total Liabilities		<u>3,005,738</u>

Net Assets:

Without Donor Restrictions		
Undesignated		12,191,206
Board Designated		629,137
With Donor Restrictions		<u>370,207</u>
Total Net Assets		<u>13,190,550</u>
Total Liabilities and Net Assets	\$	<u><u>16,196,288</u></u>

See accompanying notes

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THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

STATEMENT OF ACTIVITIES

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 3,922,089	\$ -	\$ 3,922,089
Program Service Fees	2,308,978	-	2,308,978
Income from Beneficial Interest in Assets Held for Others	1,846	19,700	21,546
Memberships	1,341,320	-	1,341,320
Rental Income	42,863	-	42,863
Miscellaneous Income	207,185	-	207,185
Net Assets Released from Restrictions	106,023	(106,023)	-
Total Revenue and Support	7,930,304	(86,323)	7,843,981
Expenses			
Program Services	6,340,875	-	6,340,875
Management and General	2,029,287	-	2,029,287
Fundraising	411,276	-	411,276
Total Expenses	8,781,438	-	8,781,438
Change in Net Assets From Operations	(851,134)	(86,323)	(937,457)
Insurance Proceeds	609,794	-	609,794
Change in Net Assets	(241,340)	(86,323)	(327,663)
Net Assets - Beginning of Period	13,061,683	456,530	13,518,213
Net Assets - End of Period	\$12,820,343	\$ 370,207	\$13,190,550

See accompanying notes

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THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JULY 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 2,470,856	\$ -	\$ 2,470,856
Program Service Fees	3,051,561	-	3,051,561
Income from Beneficial Interest in			
Assets Held for Others	(10,118)	4,057	(6,061)
Memberships	1,412,647		1,412,647
Rental Income	58,579	-	58,579
Miscellaneous Income	162,693	-	162,693
Net Assets Released from Restrictions	698,269	(698,269)	-
Total Revenue and Support	7,844,487	(694,212)	7,150,275
Expenses			
Program Services	6,225,960	-	6,225,960
Management and General	1,793,119	-	1,793,119
Fundraising	345,189	-	345,189
Total Expenses	8,364,268	-	8,364,268
Change in Net Assets	(519,781)	(694,212)	(1,213,993)
Net Assets - Beginning of Year	13,581,464	1,150,742	14,732,206
Net Assets - End of Year	<u>\$13,061,683</u>	<u>\$ 456,530</u>	<u>\$13,518,213</u>

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

STATEMENT OF FUNCTIONAL EXPENSES - JCC OF GREATER NEW HAVEN, INC.

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

	<u>Pre - School</u>	<u>Day Camp</u>	<u>Physical Education</u>	<u>Youth Services</u>	<u>Group Services</u>	<u>Other Member Services</u>	<u>Adult Education</u>	<u>Total Expenses</u>
Functional Expenses								
Wages Taxes & Fringes	\$ 807,520	\$376,013	\$ 1,067,811	\$ 115,870	\$ 298,791	\$ 682,010	\$ 25,951	\$ 3,373,966
Program Expenses	34,192	76,431	71,160	39,654	84,650	36,089	4,415	346,591
Repairs, Maintenance & Equipment	55,959	41,391	91,084	9,693	18,188	79,903	1,200	297,418
Utilities	85,039	25,504	98,929	15,395	29,109	56,128	1,990	312,094
Commercial Insurance	42,960	15,636	49,874	7,782	14,749	28,376	1,031	160,408
Bank Fees, Payroll & C/Card Processing	3,816	11,805	4,443	692	66,673	2,521	92	90,042
Marketing	242	864	1,374	-	2,504	56,976	462	62,422
Professional Fees	5,354	157	623	97	184	400	13	6,828
Bad Debt Expense	-	303	105	61	-	-	-	469
Meals, Travel & Lodging	-	54	263	-	380	519	533	1,749
Miscellaneous	-	-	1,280	-	-	4	-	1,284
Total Functional Expenses	<u>\$ 1,035,082</u>	<u>\$548,158</u>	<u>\$ 1,386,946</u>	<u>\$ 189,244</u>	<u>\$ 515,228</u>	<u>\$ 942,926</u>	<u>\$ 35,687</u>	<u>\$ 4,653,271</u>

See accompanying notes

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THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

STATEMENT OF FUNCTIONAL EXPENSES - SUPPORTING SERVICES

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

	Management and General	Fundraising
Expenses		
Wages Taxes & Fringes	\$ 684,590	\$ 272,024
Utilities	65,635	25,161
Repairs, Maintenance & Equipment	82,141	16,128
Program Expenses	71,062	29,431
Commercial Insurance	28,334	12,643
Community support	111,644	-
Interest	53,635	1,375
Bank Fees, Payroll & C/Card Processing	32,742	1,266
Professional Fees	138,812	39,752
Marketing	13,607	2,426
Bad Debt Expense	20,053	252
Meals, Travel & Lodging	4,437	547
Depreciation	722,595	10,271
Total Expenses	<u>\$ 2,029,287</u>	<u>\$ 411,276</u>

See accompanying notes

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THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

STATEMENT OF CASH FLOWS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

Cash Flows from Operating Activities:	
Change in Net Assets	\$ (327,663)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	732,866
Bad Debt Expense	15,747
Accrued Interest on Note Payable	16,371
Change in Fair Value of Beneficial Interest in Assets Held by Others	(45,873)
Decrease (Increase) in Assets:	
Unconditional Promises to Give	463,323
Other Receivables	44,542
Prepaid Expenses and Other Assets	(47,714)
(Decrease) Increase in Liabilities:	
Accounts Payable and Allocations	24,513
Accrued Liabilities	93,854
Deferred Compensation	(7,265)
Deferred Revenue	(67,475)
Net Cash Provided by Operating Activities	<u>895,226</u>
Cash Flows from Investing Activities:	
Distributions received from Beneficial Interest in Assets Held by Others	76,997
Purchases of Property and Equipment	(394,393)
Loss on Abandonment of Property and Equipment	14,478
Net Cash Used in Investing Activities	<u>(302,918)</u>
Cash Flows from Financing Activities:	
Net Borrowings (Repayments) on Notes Payable - Demand	(6,650)
Proceeds on Line of Credit	650,013
Repayments on Line of Credit	(1,100,000)
Proceeds from Notes Payable	865,475
Repayments of Notes Payable	(26,231)
Repayments of Capital Lease Obligations	(15,603)
Net Cash Provided by Financing Activities	<u>367,004</u>
Net Increase in Cash and Cash Equivalents	959,312
Cash and Cash Equivalents - Beginning of Period	<u>362,396</u>
Cash and Cash Equivalents - End of Period	<u>\$ 1,321,708</u>

See accompanying notes

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THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Jewish Federation of Greater New Haven, Inc. (the Federation) is a nonprofit charitable organization described in Internal Revenue Code Section 501(c)(3). The JCC of Greater New Haven, Inc. (the JCC) is a wholly owned subsidiary of the Federation. The Federation is the central planning, fund-raising and coordinating body of the Jewish community and strives to be the central organization and resource for communal planning, outreach and Jewish education in South Central Connecticut. Located at 360 Amity Road in Woodbridge, Connecticut (“Premises”), the Federation is supported by programming fees and donor contributions from within the county of New Haven, Connecticut.

Recent Developments

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. The COVID-19 pandemic has negatively impacted the global economy, created significant volatility and disruption in financial markets and has resulted in an economic recession. The Federation is closely monitoring the impact of the COVID-19 pandemic and is taking necessary actions to preserve financial liquidity to navigate the uncertainty caused by the pandemic. However, the precise financial impact and duration cannot be reasonably estimated at this time.

Change of Fiscal Year End

The Board of Directors of the Federation elected to change the Federation’s fiscal year end from July 31st to August 31st. Accordingly, these financial statements reflect the Federation’s activity for the thirteen-months ended August 31, 2020.

Basis of Accounting

The Federation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which recognizes revenues and gains when earned, and expenses and losses are recognized when incurred.

Net Asset Classification

Net assets and revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Without Donor Restriction – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Board designated amounts represent those net assets that the board has set aside for a particular purpose (see Note 11).

With Donor Restrictions – Those resources subject to donor-imposed restrictions that will either be satisfied by action of the Federation or by the passage of time or will require the resources to be maintained in perpetuity. The income from resources maintained in perpetuity is used for operating or other donor-restricted purposes.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions for the acquisition or construction of property and equipment are released from restrictions in the period in which the assets are placed into service. Contributions of assets, other than cash, are recorded at their estimated fair value on the date of the gift. Contributions that impose restrictions that are met in the same fiscal year the contributions are received are reported as increases in net assets without donor restrictions. Expiration of donor restrictions on contributed net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period as elapsed) are reported as net assets released from restriction on the Statement of Activities. In contrast to unconditional promises to give, conditional promises to give are not recorded until the donor conditions are substantially met.

Annual and Capital Campaigns

Annual campaigns are conducted during the fall of each year to raise support for allocations to participating agencies in the subsequent calendar year. During 2018, the Federation began a capital campaign to raise funds to improve its property and equipment and to replenish its reserve funds. Generally, most annual and capital campaign contributions are considered available for the unrestricted use by the Federation, unless the contributions are specifically restricted by the donor. Most donor restrictions on annual campaign contributions are due to promises to give in future years (time restrictions). These restricted contributions are released from restriction in the year that the contribution is promised to the Federation.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Donations

The value of contributions that enhance a non-financial asset and contributed services which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements. In-kind contributions are recognized as revenue and expenses in the accompanying statement of activities at their estimated fair value, as provided by donor, at the date of receipt. In-kind contributions consist of contributed professional services and facilities that benefit both program and supporting services. During the thirteen-months ended August 31, 2020, the Federation received in-kind donations amounting to \$175,624.

Unconditional Promises to Give

Unconditional promises to give are recognized as either revenue without donor restrictions or revenue with donor restrictions in the period in which the donor makes the promise. Contributions to be received after one year are discounted to their present value using discount rates that approximate U.S. Treasury borrowing rates ranging from 1.9% to 3.3% at the end of the fiscal year in which the gift was received for the respective duration of the donor's payment plan. Amortization of the discount is recorded as additional contribution revenue. The Federation records an allowance for uncollectible promises based on its determination of the likelihood of collection based on the age of the promise and other factors impacting collection. The allowance for uncollectible promises was \$40,949 for the thirteen-months ended August 31, 2020.

Other Receivables

Other receivables consist primarily of membership, miscellaneous and other program receivables. The Federation records an allowance for doubtful accounts based on its determination of the likelihood of collection for each receivable balance considering the age of the receivable and other factors impacting collections. The allowance for doubtful accounts was \$30,000 as of August 31, 2020. Uncollectible amounts are written off when all efforts to collect the receivable have been exhausted.

Federal Income Tax

The Federation is a not-for-profit organization exempt from taxation under Internal Revenue Code section 501(c)(3) and is not considered a private foundation. The Federation is required to file Federal Form 990 annually.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Federation believes that it has appropriate support for income tax positions taken. There were no uncertain tax positions at August 31, 2020. Generally, the Federal Form 990s related to the last three years remain open for examination by taxing authorities.

Inventory

Inventory is valued at the lower of cost or net realizable value, with cost determined by the first-in, first-out method.

Contributed Services

A substantial number of volunteers donate their time to the Federation. These services do not meet the criteria for recording as contributions under U.S. generally accepted accounting principles.

During the thirteen-months ended August 31, 2020, the value of contributed services meeting the requirements for recognition in the financial statements is not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Federation. The Federation receives more than 425 volunteer hours per year.

Beneficial Interest in Assets Held by Others

Certain Funds of the Federation are held by the Jewish Foundation of Greater New Haven (the Foundation) in a trust fund for the benefit of the Federation and other charitable organizations, as designated by the Federation. The Foundation continues to accept additional contributions for the benefit of the Federation. The Foundation charges a 1% management fee of the total fair value of the investments as of July 31st of the previous year. Fees charged was \$15,575 for the thirteen-months period ended August 31, 2020. The Federation's pro-rata share of the funds held at the Foundation is recorded at fair value in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion on fair value measurements. As of August 31, 2020, the Foundation held assets of \$1,479,394, for the benefit of the Federation

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

The beneficial interest in assets held by others consists of a diverse professionally managed portfolio of investments held at that the Foundation. Such investments are exposed to potential market volatility. Therefore, the beneficial interest in assets held by others may be subject to significant fluctuations in fair value. Consequently, the beneficial interest in assets held by other reported in the accompanying financial statements may not be reflective of the portfolio's fair value during subsequent periods.

Functional Allocation of Expenses

The cost of providing the Federation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support services are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. This primarily consists of wages, taxes, and fringe expenses, which are allocated based on activity reports prepared by key personnel. The Federation evaluates the basis on which costs are allocated as needed, but at least every other year.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Federation.

Deferred Revenue

Deferred revenue consists mostly of the following: tuition deposits; membership fees; personal training; camp and program revenues and support received in advance. These amounts will be recognized as revenue in future years when earned.

Cash and Cash Equivalents

For financial reporting purposes, the Federation considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Federation maintains demand deposits and money market funds at financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the Federal Deposit Insurance Corporation. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an institution could result in financial loss. However, the Federation has not experienced any losses on these accounts in the past, and management believes the risk of loss, if any, to be minimal.

Property and Equipment

Property and equipment are stated at cost. Depreciation for financial statement purposes is computed on the straight – line method over the estimated useful lives of the assets as follows:

Building	35 Years
Building Improvements	15-40 Years
Furniture, Fixtures and Equipment	5-10 Years

Maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in unrestricted net assets.

Insurance Proceeds

On March 13, 2020, the Federation reached a settlement for a claim related to roof damage at its Premises. Insurance proceeds are recorded as income when the payment is probable. Proceeds used for cleaning, demolition and repairs of the building and its equipment and improvement are expensed. Proceeds used for the reconstruction of the building or replacement of equipment are capitalized as property and equipment. The proceeds associated with the property damage at the Premises were recorded as Insurance Proceeds in the statement of activities. During the thirteen-months ended August 31, 2020, \$609,794 was received from the insurance company and represents the final payment related to the damage at the Premises.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements and related notes. Actual results could differ from those estimates. Significant estimates are used in the determination of the allowance for uncollectible promises to give and doubtful accounts and in the determination of the estimated useful lives of property and equipment.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

As of August 31, 2020, the Federation has approximately \$2,975,000 of financial assets available within one year of the statement of financial position date to meet the cash needs for general expenditures, as summarized below:

Cash and cash equivalents	\$ 1,321,708
Unconditional Promises to Give, net	1,096,219
Other Receivables, Net	76,903
Beneficial Interest in Assets Held by Others	1,479,394
Total Financial Assets	<u>3,974,224</u>
Less those unavailable for general expenditures within one year due to:	
Board Designated Restrictions	(629,137)
Donor imposed restrictions	<u>(370,207)</u>
Financial Assets Available to meet Cash needs for general expenditures within one year	<u>\$ 2,974,880</u>

As part of the Federation's liquidity management, it has a policy to structure the financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Federation has a \$750,000 line of credit that it can draw upon. The Federation's beneficial interest in assets held by others consists of donor-restricted endowments, board designated funds and undesignated funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditures. Currently, the Federation does not intend to spend from its undesignated funds included in the beneficial interest in assets held by others, other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, however amounts could be made available if necessary.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, net of allowance for unredeemed promises, are summarized as follows at August 31, 2020:

Unconditional Promises Expected to be Collected in:

Less Than One Year	\$ 1,068,421
One to Five Years	85,943
Subtotal	<u>1,154,364</u>
Less present value discount	<u>(17,196)</u>
Total contributions receivable	1,137,168
Less Allowance for Uncollectible Promises	<u>(40,949)</u>
Unconditional Promises to Give, Net	<u><u>\$ 1,096,219</u></u>

NOTE 4 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under the Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements*, are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 4 –FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at August 31, 2020. The Federation's policy is to recognize transfers in and transfers out of levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels during 2020.

Beneficial Interest in Assets Held by Others – The benefit interest in assets held by others is valued at the pro-rata share owned by the Federation, based on the fair value of the underlying investments that are held at the Foundation. The underlying investments consist primarily of mutual funds, limited partnerships, hedge funds and fixed income securities.

Assets at fair value as of August 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Assets Held by Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,479,394</u>	<u>\$ 1,479,394</u>

The following table provides a summary of the changes in fair value of the Federation's Level 3 assets for the thirteen-months ended August 31, 2020.

Balance – Beginning of Year	\$ 1,510,518
Contributions	6,000
Change in Fair Value	113,234
Distributions	<u>(150,358)</u>
Balance – End of Year	<u>\$ 1,479,394</u>

Realized gains and losses on investments represent the change in market value from the statement of financial position date to the date of sale. Changes in market value for investments are reflected as a net increase or decrease in the fair value of investments, a component of investment return in the accompanying statements of activities.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2020 consisted of the:

Land and Land Improvements	\$	1,827,015
Building		13,836,724
Furniture, Fixtures and Equipment		2,609,223
Building & Leasehold Improvements		6,803,850
		<hr/> 25,076,812
Less: Accumulated Depreciation		<hr/> (12,932,980)
Total	\$	<hr/> <hr/> 12,143,832

Depreciation expense for the thirteen-months ended August 31, 2020 was \$732,866.

NOTE 6 – NOTES PAYABLE – DEMAND

Notes Payable – demand consists of individuals who loaned money to the JCC at 6.00% interest. These notes are all payable upon demand. The combined balance of these notes as of August 31, 2020 are \$268,065. Interest expense on these notes payable – demand was \$16,650 for the thirteen-months ended August 31, 2020.

NOTE 7 – LINE OF CREDIT

The Federation has a line of credit agreement with Webster Bank that provides for maximum borrowings of \$750,000. The line of credit is secured by a mortgage lien on land and building and is due on the earlier of the demand of the Bank or its maturity date of May 15, 2021. During the year, as a result of the COVID-19 pandemic, the Bank suspended the monthly interest payments from April through June 2020. Additionally, the maturity date was extended to August 15, 2021. Any outstanding borrowings are charged with interest equal the bank's Prime Rate minus 0.6% (2.65% at August 31, 2020).

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 7 – LINE OF CREDIT (CONTINUED)

The line of credit contains various financial and non-financial covenants. On November 7, 2019, Webster Bank waived compliance with the financial covenants for the year ended July 31, 2019 through the agreement's maturity date in August 2021. There were no outstanding borrowings under this line of credit at August 31, 2020.

Interest expense on this line of credit was \$16,160 for the thirteen-months period ended August 31, 2020.

NOTE 8 – NOTES PAYABLE

Notes payable consisted of the following as of August 31, 2020:

A. Connecticut Green Bank

Term loan obtained to finance the certain building and land improvements related to a solar power purchase agreement (see Note 13). Loan proceeds were advanced as the project was completed. Prior to the final advance in 2019, interest accrued on outstanding advances at 6.25%. The loan is now fully funded and requires semiannual principal and interest payments of \$14,205, with interest at 6.25%, that began in January 2020 and will continue over a 20-year term. Any prepayments on this loan will be subject to a 3% pre-payment penalty that will reduce by one percentage point on each 5-year anniversary of the final advance. The loan is secured by a benefit assessment lien on the Federation's property.

\$ 311,187

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 8 – NOTES PAYABLE (CONTINUED)

B. Titan Solutions

Term loan obtained to finance energy efficient lighting improvements. The note is non-interest bearing and is payable in monthly principal installment of \$1,185 through the loan's maturity date of February 2024. 50,942

Term loan obtained to finance energy efficient lighting improvements. The note is non-interest bearing and is payable in monthly principal installment of \$292 through the loan's maturity date of March 2022. 6,708

Payroll Protection Program Loan (Note 9) 865,475

Total Notes Payable \$ 1,234,312

The aggregate annual maturities of the notes payable as of August 31 are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 26,553
2022	892,289
2023	24,218
2024	18,876
2025	11,323
Thereafter	<u>261,053</u>
Total	<u>\$ 1,234,312</u>

Interest expense, for the above notes payable, for the thirteen-months ended August 31, 2020 was \$21,579.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 9 – PAYCHECK PROTECTION PROGRAM

On April 19, 2020, the Federation entered into a loan agreement (PPP Loan) with Webster Bank, National Association, (the Lender), as approved by the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP), which was established under the Coronavirus Aid Relief and Economic Security Act (“CARES Act”). The total proceeds received was \$865,475. The proceeds of the PPP Loan may only be used for payroll costs, costs related to certain group health care benefits, rent payments, utility payments, mortgage interest payments, and interest payments on other debt obligations that were incurred before February 15, 2020 (Qualifying Expenses).

Under the terms of the PPP Loan, some or all of the amounts thereunder, including accrued interest, may be forgiven if they are used for Qualifying Expenses as described in and in compliance with the CARES Act. The PPP Loan may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. No payments of principal or interest are due under the PPP Loan until the date on which the amount of loan forgiveness (if any) under the CARES Act for the PPP Loan is remitted to the Lender and a forgiveness decision is received by the Federation. Forgiveness applications can be submitted up to 10 months after the end of the PPP Loan’s covered period (which is defined as 24 weeks after the date of the loan) (the “Deferral Period”) and the ultimate forgiveness decisions can be made by the SBA up to 60 days after submitting the applications and possibly longer if forgiveness is fully or partially denied and the Federation appeals the decision.

To the extent, if any, that the PPP Loan is not forgiven, beginning one month following expiration of the Deferral Period, and continuing monthly until 24 months from the date of PPP Loan (the “Maturity Date”), the Federation will be obligated to make monthly payments of principal and interest, with interest charged at 1%, to the Lender with respect to any unforgiven portion of the PPP Loan, in such equal amounts required to fully amortize the principal amount outstanding on the PPP Loan as of the last day of the Deferral Period by the applicable Maturity Date.

The balance on the PPP Loan as of August 31, 2020 was \$865,475.

As of July 9, 2021, the Federation has applied for forgiveness of the loan, but has not yet received a determination from the SBA.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 10 – OBLIGATIONS UNDER CAPITAL LEASES

The Federation is party to a capital lease agreement for equipment. The lease currently requires monthly payments of \$274 per month, with interest at 9.65%. The equipment under the capital lease agreement is as follows:

Equipment, at cost	\$ 8,532
Accumulated Amortization	<u>(2,031)</u>
Equipment, net	<u>\$ 6,501</u>

Amortization expense for equipment under the capital lease agreement was \$12,555 for the thirteen-months ended August 31, 2020, and is included in depreciation and amortization expense in the statement of activities.

Future minimum lease payments are as follows:

2021	\$ 3,287
2022	<u>1,644</u>
Total future minimum lease payments	4,931
Less amounts representing interest	<u>(595)</u>
Present value of minimum lease payments	<u>\$ 4,336</u>

Interest expense on these capital lease agreements totaled \$621 for the thirteen-months ended August 31, 2020.

NOTE 11 – RETIREMENT PLAN

The Federation maintains a retirement plan for its full-time, eligible employees. Under the provisions of this plan, in addition to eligible employees electing to defer some of their own compensation, the Federation also has the option to contribute 1% of all eligible employees' salaries. However, the Federation did not contribute any employer contributions to the plan for the thirteen-months ended August 31, 2020.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 11 – RETIREMENT PLAN (CONTINUED)

The Federation also has a deferred compensation agreement with its former chief executive officer. For the thirteen-month period ended August 31, 2020, the Federation paid a total of \$19,500 in deferred compensation. The present values of future payments, based on IRS life expectancy tables and present value interest factors, under this agreement are \$186,477 for the thirteen-months ended August 31, 2020.

NOTE 12 – RESTRICTIONS ON NET ASSETS

Net assets without donor restrictions of \$12,820,343 as of August 31, 2020, include net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as board designations. As of August 31, 2020, net assets without donor restrictions have been designated for specific purposes by the Federation's Board as follows:

Philanthropic Fund	\$ 518,463
Evan Kahn Fund for Elderly Services	60,229
Evan Kahn Endowment	26,045
Fox Memorial Fund for the Benefit of the JCC	18,429
JCC Board Endowment for the Benefit of the JCC	5,970
	<u>\$ 629,136</u>

Changes in time and purpose restricted net assets during the thirteen-months ended August 31, 2020, are as follows:

	2019	Additions	Investment Returns	Distributions & Releases from Restrictions	2020
Stuart Harris Fund for Cultural Arts at the JCC	\$ 16,770	\$ -	\$ 1,353	\$ (675)	\$ 17,448
Leo Links Fund for the Jewish Community Center	98,302	-	7,934	(3,958)	102,278
Frances Shield Fund for the JCC Healthy Women Healthy Lives Program	30,340	-	2,454	(1,176)	31,618
Frances Shield Fund for the JCC Cultural Arts Program	20,391	-	1,646	(821)	21,216
Fredrick A. & Justine Millspaugh Catlin Family Foundation Endowment Fund for the JCC	78,227	-	6,313	(3,149)	81,391
Promises to give in future years	212,500	-	-	(96,244)	116,256
Total	<u>\$ 456,530</u>	<u>\$ -</u>	<u>\$ 19,700</u>	<u>\$ (106,023)</u>	<u>\$ 370,207</u>

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 13 – ENDOWMENT

The Federation's endowment consists three individual funds established for various purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Federation is subject to the State of Connecticut Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Federation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Federation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Federation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 13 – ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of August 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 32,015	\$ -	\$ 32,015
Donor Restricted Endowment Funds:			
Original donor-restricted gift amount amounts required to be maintained in perpetuity by donor	-	77,346	77,346
Accumulated investment gains	-	4,045	4,045
Total	<u>\$ 32,015</u>	<u>\$ 81,391</u>	<u>\$ 113,406</u>

Changes in endowment net assets for the thirteen-months ended August 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of period	\$ 30,450	\$ 78,227	\$ 108,677
Investment return, net	1,565	6,313	7,878
Appropriation of endowment assets for expenditure	-	(3,149)	(3,149)
Endowment net assets, end of period	<u>\$ 32,015</u>	<u>\$ 81,391</u>	<u>\$ 113,406</u>

Return Objectives and Risk Parameters

The Federation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 13 – ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

The Federation's investments are in the custody of the Foundation. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Federation has a policy of appropriating for distribution each year 4 percent of its endowment fund's average fair value over the prior 12 quarters. In establishing this policy, The Federation considered the long-term expected return on its endowment. Accordingly, over the long term, the Federation expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. The Federation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

NOTE 14 – LEASES AND RENTAL INCOME

The Federation rents certain portions of its facilities on a month-to-month basis. Classroom rental income amounted to \$42,863 for the thirteen-months ended August 31, 2020.

NOTE 15 - SOLAR POWER PURCHASE AGREEMENTS

In February 2017, the Federation entered into a Power Purchase Agreement (2017 PPA) with CEFIA Holdings LLC (CEFIA). Under the terms of the agreement, CEFIA will construct a solar energy facility (SEF) on the Federation's property. Once complete, the Federation will be required to purchase all of the energy produced by the SEF at a rate of \$0.079 per kilowatt hour for a 20-year term, which can be extended for two additional five year terms. A payment schedule has been established, based on the anticipated output of the SEF, that currently requires semi-annual payments of approximately \$15,000, that decrease gradually to approximately \$14,000 in 2035. The semi-annual payments are required to be made to the Town of Woodbridge, under a benefits assessment lien.

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 15 - SOLAR POWER PURCHASE AGREEMENTS (CONTINUED)

On September 16, 2014, the Federation entered into a site lease agreement with CEFIA for a one-time payment of \$1. This agreement permits the lessor to build, maintain, and operate a solar panel power system on Federation property for a term coterminous with a Solar Power Purchase Agreement (2014 PPA) entered into by the Federation with CEFIA on the same day. The 2014 PPA requires the Federation to purchase all power generated by the new solar panel power system for a term of 20 years, at rates established in the contract, and illustrated below. A payment schedule has been established, based on the anticipated output of the SEF, that currently requires semi-annual payments of approximately \$45,000, that increase gradually to approximately \$54,000 in 2035. The semi-annual payments are required to be made to the Town of Woodbridge, under a benefits assessment lien.

REMAINING CONTRACT ENERGY PRICES:

<i>Contract Year</i>	<i>Energy Price (\$/kWh)</i>
	<i>2014 Contract</i>
2020	\$0.1099
2021	\$0.1115
2022	\$0.1132
2023	\$0.1149
2024	\$0.1166
2025	\$0.1184
2026	\$0.1202
2027	\$0.1220
2028	\$0.1238
2029	\$0.1256
2030	\$0.1275
2031	\$0.1294
2032	\$0.1314
2033	\$0.1333
2034	\$0.1353

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 15 - SOLAR POWER PURCHASE AGREEMENTS (CONTINUED)

The 2014 PPA also permits the Federation to purchase the solar panel power system in its fifth year of operation at a depreciating cost set forth in the contract and illustrated below.

MINIMUM SYSTEM PURCHASE PRICE

<i>Contract Year</i>	<i>Minimum System Purchase Price</i>
6	\$1,393,231
7	\$1,287,629
8	\$1,218,683
9	\$1,143,329
10	\$1,061,014
11	\$971,131
12	\$873,028
13	\$765,993
14	\$649,256
15	\$521,978
16	\$422,659
17	\$353,268
18	\$276,932
19	\$193,053
20	\$100,978

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 16 – STATEMENTS OF CASH FLOWS

Supplemental disclosure of cash flow information:

Cash paid during the year for:		
Interest	\$	54,237
Non Cash Gifts received	\$	175,624

NOTE 17 – SUBSEQUENT EVENTS

The Federation evaluated subsequent events for either recognition or disclosure from the date of the statement of financial position through July 9, 2021, the date on which the financial statements were available to be issued.

On October 22, 2020, the Federation entered into a term loan agreement with JCRIF, LLC in the amount of \$750,000. The loan is to be repaid in quarterly payments of \$62,500, beginning on October 1, 2021. The loan bears no interest and matures on July 1, 2024. The loan may be prepaid without penalty and contains various covenants.

On March 16, 2021, the Federation entered into a loan agreement with Webster Bank, National Association, as approved by the SBA under the PPP. The total proceeds received was \$865,475, which will be fully or partially forgiven by the SBA if the Federation maintains certain employment and salary levels in the twenty-four (24) weeks following the receipt of the funds. Any portion of the loan that is not forgiven is payable in 5 years of the loan date, with interest charged at 1%

THE JEWISH FEDERATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN-MONTHS ENDED AUGUST 31, 2020

NOTE 18 – DEPARTURE FROM ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES

The Federation is the sole member of and has a controlling financial interest in the Foundation. The controlling financial interest in the Foundation is the result of:

- The Federation controlling the nomination of 51% of the Foundation's Board members,
- The Federation's approval is needed for the reorganization, merger, consolidation, or dissolution of the Foundation, and
- The Federation's approval is needed for any changes to the Foundation's by-laws that would impact the Federation's powers or privileges.

In these circumstances, accounting principles generally accepted in the United States require that the Federation consolidate the accounts of the Foundation into these financial statements. The Federation's Board has elected to not consolidate the Foundation's accounts into these financial statements. The effect of this departure from accounting principles generally accepted in the United States has not been determined