

**DURHAM-CHAPEL HILL JEWISH FEDERATION**

**D/B/A JEWISH FOR GOOD**

Financial Statements

September 30, 2021

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Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Durham-Chapel Hill Jewish Federation  
D/B/A Jewish for Good  
Durham, North Carolina

We have audited the accompanying financial statements of Durham-Chapel Hill Jewish Federation, D/B/A Jewish for Good (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Durham-Chapel Hill Jewish Federation D/B/A Jewish for Good as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Thomas, Judy & Dicks, P.A.*

Durham, North Carolina  
January 18, 2022

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
STATEMENT OF FINANCIAL POSITION  
September 30, 2021

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,003,231
Accounts Receivable	48,738
Pledges Receivable, Net of Allowance of \$16,000	536,195
Prepaid Expenses	29,119
Investments	4,513,855
Other Assets	6,400

Total Current Assets	6,137,538
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Pledges Receivable, Net of Allowance of \$20,000	880,260
Property and Equipment, Net	6,617,684
Due From Related Party	397,770

Total Assets	\$ 14,033,252
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LIABILITIES AND NET ASSETS

Current Liabilities:

Current Portion of Long-Term Debt	\$ 150,000
Current Portion of Capital Lease	15,841
Accounts Payable	1,640
Due to Related Party	250
Accrued Payroll, Taxes, and Benefits	105,234
Deferred Revenue	70,122
Other Accrued Liabilities	24,623

Total Current Liabilities	367,710
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Long-Term Liabilities:

Long-Term Debt, Less Current Portion	2,488,800
Accrued Holding Loss on Swap	47,462

Total Liabilities	2,903,972
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Net Assets:

Without Donor Restrictions:	
Undesignated	4,756,324
Designated by the Board for Operating Reserve	435,000
Designated by the Board for Endowment	474,151
With Donor Restrictions	5,463,805

Total Net Assets	11,129,280
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Total Liabilities and Net Assets	\$ 14,033,252
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See Accompanying Notes

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 198,089	\$ 510,829	\$ 708,918
Pledges Income		2,353,217	2,353,217
Grant Income	629,288		629,288
Membership Income	671,011		671,011
Program Services	988,070		988,070
Rental Income	16,599		16,599
Net Investment Return	66,261	570,618	636,879
Café Sales, Net of Expenses of \$50,597	120,415		120,415
Other Income	85,309		85,309
Special Events Income	18,520		18,520
	2,793,562	3,434,664	6,228,226
Net Assets Released from Restrictions	2,012,536	(2,012,536)	
Total Support, Revenue and Net Assets Released from Restrictions	4,806,098	1,422,128	6,228,226
Expenses:			
Program:			
Engaging	1,289,777		1,289,777
Healthy Living	1,289,777		1,289,777
Helping	727,557		727,557
Management and General	733,843		733,843
Fundraising	178,992		178,992
	4,219,946		4,219,946
Change in Net Assets	586,152	1,422,128	2,008,280
Net Assets, Beginning of Year	5,079,323	4,041,677	9,121,000
Net Assets, End of Year	\$ 5,665,475	\$ 5,463,805	\$ 11,129,280

See Accompanying Notes

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2021

	Program Expenses				Management and General	Fundraising	Total
	Engaging	Healthy Living	Helping	Total			
Advertising Expense	\$ 17,780	\$ 17,780	\$ 10,029	\$ 45,589	\$ 4,771	\$ 2,650	\$ 53,010
Awards and Grants	284,833	284,833	160,676	730,342			730,342
Bad Debt Expense					83,255		83,255
Bank Charges					71,960		71,960
Contract Services	50,389	50,389	28,424	129,202	13,521	7,512	150,235
Depreciation	90,665	90,665	51,144	232,474	24,329	13,516	270,319
Design Planning					15,349		15,349
Fundraising						29,802	29,802
Fundraising Support						550	550
Insurance	17,607	17,607	9,932	45,146	4,724	2,625	52,495
Interest	28,400	28,400	16,021	72,821	7,620	4,234	84,675
Memberships and Dues	2,916	2,916	1,645	7,477	781	435	8,693
Membership Services	53,468	53,468	30,162	137,098	14,348	7,971	159,417
Miscellaneous	2,365	2,365	1,324	6,054	184,479		190,533
Occupancy Expense	65,608	65,608	37,010	168,226	15,237	8,465	191,928
Office Expense	20,616	20,616	11,630	52,862	5,533	3,073	61,468
Postage and Printing	2,496	2,496	1,408	6,400	670	372	7,442
Rebranding					98		98
Refunds	10,062	10,062	5,676	25,800	2,700	1,500	30,000
Salaries and Fringe Benefits	616,992	616,992	348,047	1,582,031	277,606	92,474	1,952,111
Staff Development	10,803	10,803	6,094	27,700	2,898	1,610	32,208
Technology Expenses	31,747	31,747	17,908	81,402	8,518	4,733	94,653
<b>Total Expenses</b>	<b>1,306,747</b>	<b>1,306,747</b>	<b>737,130</b>	<b>3,350,624</b>	<b>738,397</b>	<b>181,522</b>	<b>4,270,543</b>
Less Expenses Included with Revenue on the Statement of Activities:							
Café Supplies	16,970	16,970	9,573	43,513	4,554	2,530	50,597
	<u>\$ 1,289,777</u>	<u>\$ 1,289,777</u>	<u>\$ 727,557</u>	<u>\$ 3,307,111</u>	<u>\$ 733,843</u>	<u>\$ 178,992</u>	<u>\$ 4,219,946</u>

See Accompanying Notes

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended September 30, 2021

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 2,008,280
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Contributions Restricted for Endowments	(510,829)
Depreciation	270,319
Change in Accrued Holding Loss	(41,309)
Realized and Unrealized Gain on Investments	(620,778)
Changes in Assets and Liabilities that Provided (Used) Cash:	
Accounts Receivable	144,564
Pledges Receivable, Net of Allowance	(959,931)
Prepaid Expenses	4,907
Other Assets	(5,100)
Accounts Payable	(16,626)
Due to Related Party	250
Accrued Payroll Taxes and Benefits	40,917
Deferred Revenue	(76,195)
Other Accrued Liabilities	24,193
	<hr/>
Net Cash Provided by Operating Activities	262,662
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Cash Flows from Investing Activities:	
Purchase of Property and Equipment	(62,258)
Proceeds from Sale of Investments	67,401
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Net Cash Provided by Investing Activities	5,143
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Cash Flows from Financing Activities:	
Contributions Restricted for Endowments	510,829
Payments on Long-Term Debt	(150,000)
Payments on Capital Lease	(30,678)
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Net Cash Provided by Financing Activities	330,151
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Net Increase in Cash and Cash Equivalents	597,956
Cash and Cash Equivalents, Beginning of Year	405,275
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Cash and Cash Equivalents, End of Year	<u>\$ 1,003,231</u>
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Supplemental Disclosure of Cash Flow Information:	
Cash Paid During the Year for Interest	<u>\$ 84,675</u>

See Accompanying Notes



**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021

1. Summary of Significant Accounting Policies

Operations

The Durham-Chapel Hill Jewish Federation, D/B/A Jewish for Good (the “Federation”) is a not-for-profit corporation organized under the laws of the State of North Carolina in 1998. The Federation was formed to strengthen and enrich the Jewish community locally, in Israel, and throughout the world. The fundraising efforts of the Federation support a broad range of services including direct aid, education, cultural activities, social services, and recreational and social activities for all ages within the community. The Federation fulfills its mission by focusing its efforts in these three primary service areas:

**Engaging:** Our programs are crafted to captivate people of all ages and interests, people from all backgrounds and belief systems. In so doing, we allow our Jewish culture to show and shine. These programs include Summer Camp, Afterschool and Enrichment Programs, Adult Programs, Israel Center programs, Café goodies like challah and babka, Midrasha and Teen programs, PH Library, and much more.

**Healthy Living:** It’s not just that each of us is welcome here. We belong here. Everything from the building to the services and friendly faces communicates that to our members. Taking care of the whole person also involves prioritizing physical activity and healthy eating. These programs include Fitness Classes, Personal Training, Pilates, Massage, Membership, Aquatics, and Childcare.

**Helping:** Jewish values transcend typical good-doing. We go above and beyond in our love, acceptance, and support. We fight for what’s right, offer help, speak up, and stand out. This includes emergency financial assistance, mental health counseling and memory care support, food pantry assistance, Chaverim, BRIDGES inclusion programming, outside allocations to a host of community organizations, Jewish Community Foundation programming, and much more.

Basis of Presentation

The financial statements of the Durham-Chapel Hill Jewish Federation have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Federation to report information regarding its financial position and activities according to the following net asset classifications:

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Federation. These net assets may be used at the discretion of the Federation's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Federation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions, Grants and Bequests

Contributions are recognized when the donor makes a promise to give to the Federation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Bequests are recorded when the amount and rate of payment is probable.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts would be included in contribution revenue. The Federation has determined that at September 30, 2021, the adjustment to net present value is immaterial and has not recorded an adjustment.

The Federation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made and the uncollectible amounts are charged as a loss in the statement of activities. At September 30, 2021, allowance for uncollectible promises to give was \$36,000.

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Federation accounts for revenue from contracts with customers in accordance with FASB Accounting Standards Update (“ASU”) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. The unit of account in ASC 606 is a performance obligation. At the inception of each contract with a customer, the Federation determines the performance obligations under the contract and the contract’s transaction price. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is defined as the unit of account. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied.

*Membership Dues*

Revenues from membership dues are recognized as performance obligations and satisfied over time. Management considers recognizing revenue evenly on a monthly basis to be the best available measure of progress on these contracts.

*Program Services*

The Federation enters into contracts with customers to provide various program services. Revenue from these programs are recognized over time as the program services commence and the Federation satisfies the performance obligation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Federation considers cash on hand, cash in demand deposit accounts, and all short-term debt securities with a maturity of three months or less to be cash equivalents. The Federation had \$435,000 of cash equivalents at September 30, 2021.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Donated securities are recorded at their fair values on the dates of the gifts and, except where otherwise required by the donor or Board of Directors, are immediately sold by the Federation.

Income Taxes

The Federation is exempt from income taxes as a not-for-profit religious organization under IRS code section 501(c)(3). In addition, the Federation has been approved under Internal Revenue Code for recognition as a public charity and not as a private foundation.

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021

1. Summary of Significant Accounting Policies (Continued)

Accounting for Uncertainty in Income Taxes

As of September 30, 2021, the Federation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Federation is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services based on percentages provided by management. All other expenses are directly identified with either programs or in administration or fundraising.

The expenses that are allocated include the following:

Expense	Method of Allocation
Advertising Expense	Time and effort
Awards and Grants	Time and effort
Bank Charges	Time and effort
Contract Services	Time and effort
Depreciation	Square Footage
Design Planning	Time and effort
Fundraising	Time and effort
Fundraising Support	Time and effort
Insurance	Time and effort
Interest	Square Footage
Memberships and Dues	Time and effort
Membership Services	Time and effort
Miscellaneous	Time and effort
Occupancy Expense	Square Footage
Office Expense	Time and effort
Postage and Printing	Time and effort
Rebranding	Time and effort
Refunds	Time and effort
Salaries and Fringe Benefits	Time and effort
Staff Development	Time and effort
Technology Expenses	Time and effort

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021

1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

It is the Federation's policy to capitalize property and equipment with an original cost or donated value of \$2,500 or more and an estimated useful life of more than one year. Purchased property and equipment are carried at cost. Donations of equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. In the absence of such stipulations, contributions of equipment are recorded as unrestricted assets. Depreciation and amortization are computed using the straight-line method over the estimated useful lives as follows:

Buildings and Improvements	39	years
Furnishings and Equipment	5 - 7	years
Website Costs	5	years
Software	5	years

Depreciation expense totaled \$270,319 for the year ended September 30, 2021.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates.

Advertising

The Federation expenses advertising costs when incurred. Advertising expense totaled \$53,010 for the year ended September 30, 2021.

Derivative Instruments

The Federation uses an interest swap agreement to reduce exposure to adverse and unanticipated changes in interest rates. The Federation does not use derivative instruments for trading or speculative purposes. The Federation documents its risk management strategy at the inception and during the term of the transaction. The interest rate swap agreement is recorded on the statement of financial position.

Risks and Uncertainties

The Federation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021

1. Summary of Significant Accounting Policies (Continued)

Grant Revenue

As a result of the COVID-19 outbreak, the Federation applied for funding through the Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act to fund payroll and related expenses. As a result, the Federation signed a forgivable promissory note with a financial institution in July 2021 for \$346,640. As of September 30, 2021, all of the conditions were substantially met by the Federation to recognize the funding as revenue in accordance with ASC 958-605, *Nor for Profit Entities – Revenue Recognition*. The amount is included as grant revenue on the accompanying statement of activities. On September 20, 2021, the financial institution and the Small Business Administration approved the forgiveness application in its entirety.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced the most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Federation adopted the new standard effective October 1, 2020, the first day of the Federation's fiscal year, using the full retrospective adoption approach. The adoption of the ASU had no impact on net assets as of October 1, 2020 as the revenue recognition guidance under the ASU did not change the timing of the Federation's revenue recognition.

2. Concentrations of Credit Risk

The Federation occasionally maintains deposits in excess of federally insured limits. These are identified as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. The Federal Deposit Insurance Corporation insures up to \$250,000 for all accounts held at a single institution. As of September 30, 2021, the Federation's uninsured cash balance was \$343,060.

The Federation also manages concentration of credit risk by investing some of its reserved funds in the Certificate of Deposit Account Registry Service ("CDARS") program, which is not subject to the \$250,000 limitation. As of September 30, 2021, the Federation had \$435,000 invested in the CDARS program.

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021

3. Availability and Liquidity

The following represents the Federation's financial assets at September 30, 2021:

Cash and Cash Equivalents	\$	1,003,231
Accounts Receivable		48,738
Current Pledges Receivable, Net of Allowance		536,195
Investments		<u>4,513,855</u>
 Total Financial Assets		 6,102,019
 Less Amounts not Available to Meet General Expenditures over the Next Twelve Months:		
Net Assets with Donor Restrictions		4,583,545
 Quasi Endowment Established by the Board		 <u>474,151</u>
 Financial Assets Available to Meet General Expenditures over the Next Twelve Months	 \$	 <u>1,044,323</u>

The Federation's endowment funds consist of donor-restricted endowments and funds designated by the Board of Directors (the "Board") as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Federation's board-designated endowment of \$474,151 is subject to the Board's spending policy as described in Note 5. Although the Federation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Federation's liquidity policy is to maintain cash reserves that cover three months of average recurring operating costs. As part of that liquidity plan, the Federation has board designated funds set aside in a reserve account totaling \$435,000 as of September 30, 2021 and a \$250,000 line of credit available to meet cash flow needs.

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021

4. Pledges Receivable

Pledges receivable consist of the following at September 30, 2021:

Amounts Due:	
Less Than One Year	\$ 552,195
One to Five Years	398,840
More than Five Years	<u>501,420</u>
Value Prior to Allowance	1,452,455
Less Allowance for Uncollectible Accounts	<u>(36,000)</u>
	<u>\$ 1,416,455</u>

5. Cash and Investments Held in Endowments

Cash and investments in endowments includes endowment funds with donor restrictions. These funds are managed by an investment manager and at September 30, 2021 were invested in money market funds, fixed income securities and mutual funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law* – North Carolina G.S. 116, Chapter 36E, *Uniform Prudent Management of Institutional Funds Act (“UPMIFA”)* was signed into law March 2009 and is applied to the Federation’s endowment funds existing at September 30, 2021. The Board of Directors interprets UPMIFA as requiring the preservation of the fair value of the original endowment gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation and subject to the donor restrictions, the Federation classifies as permanently restricted net assets (a) the original value of endowment gifts donated to the permanent endowment, (b) the original value of subsequent endowment gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by UPMIFA.



**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021

5. Cash and Investments Held in Endowments (Continued)

In accordance with UPMIFA, 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 Federation and the 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 Federation
7. The investment policies of the Federation

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>September 30, 2021</u>			
Board-Designated Funds	\$ 474,151	\$	\$ 474,151
Donor-Restricted Funds	<u>                    </u>	<u>4,039,704</u>	<u>4,039,704</u>
Total Funds	<u>\$ 474,151</u>	<u>\$ 4,039,704</u>	<u>\$ 4,513,855</u>

Changes in endowments for the year ended September 30, 2021 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
September 30, 2020	\$ 417,713	\$ 3,542,765	\$ 3,960,478
Total Investment Return	66,201	570,618	636,819
Contributions	6,050	510,829	516,879
Appropriations	<u>(15,813)</u>	<u>(584,508)</u>	<u>(600,321)</u>
September 30, 2021	<u>\$ 474,151</u>	<u>\$ 4,039,704</u>	<u>\$ 4,513,855</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Federation to retain as a fund of perpetual duration. Deficiencies of this nature are reported as negative net assets without donor restrictions in the schedules above. There were no deficiencies at September 30, 2021.

**DURHAM-CHAPEL HILL JEWISH FEDERATION**  
**D/B/A JEWISH FOR GOOD**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021

5. Cash and Investments Held in Endowments (Continued)

Endowment assets consist of the following at September 30, 2021:

Investments	\$ <u>4,513,855</u>
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The ultimate responsibility for managing the cash and investments of the Federation rests with the Board of Directors, which may delegate responsibility to the Federation Investment Committee of the Board of Directors.

*Investment Objectives* – The investment objective is to achieve a competitive rate of total return on assets over multi-year periods in order to preserve the real value of the Federation’s assets and support the Federation’s long-term needs. Total return is defined as income plus realized and unrealized gains, less realized and unrealized losses and expenses.

*Spending Policy* – For net assets without donor restrictions and net assets with donor restrictions, appropriations will be made as needed to satisfy the restrictions.

6. Investments

The following schedule summarizes the investments on the statement of financial position at September 30, 2021:

Fixed Income Securities	\$ 20,826
Mutual Funds	<u>4,493,029</u>
 Total Investments at Fair Value	 \$ <u>4,513,855</u>

The following schedule summarized the investment return in the statement activities for the year ended September 30, 2021:

Interest and Dividends	\$ 66,524
Realized and Unrealized Gains	620,778
Investment Fees	<u>(50,423)</u>
	 \$ <u>636,879</u>

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7. Fair Value Measurements

The FASB established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value of investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy 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 Federation has the ability to access.
- Level 2     Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3     Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The accrued holding loss on the interest rate swap agreement has a fair value of \$47,462 at September 30, 2021 and is considered a level 2 measurement for fair value purposes.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Federation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. As of September 30, 2021, all investments are assessed at Level 1.

*Changes in Fair Value Levels* – The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Change in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. There have been no changes in Level 1 and no changes in valuation techniques for these assets and liabilities for the year ended September 30, 2021.

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8. Long-Term Debt

The Federation's long-term debt as of September 30, 2021 consists of the following:

Note payable to a bank, due in annual principal payments in accordance with agreement of \$290,000 in 2014. Annual principal payments from 2015 through 2035 were \$150,000 (assuming the note would be extended through 2035). During December 2017, the note payable was refinanced. Interest accruing at a rate of LIBOR (1.505% at September 30, 2021) is due monthly and principal payments are due quarterly, with final payment of all unpaid amounts in April 2035. The note payable has an optional tender date of December 15, 2022. The note is collateralized by the deed of trust on property.

	\$ 2,638,800
Less current maturities	<u>150,000</u>
	<u>\$ 2,488,800</u>

The aggregate maturities of the long-term debt are as follows:

Year Ending September 30	Amount
2022	\$ 150,000
2023	200,000
2024	200,000
2025	250,000
2026	200,000
Thereafter	<u>1,638,800</u>
	<u>\$ 2,638,800</u>

The carrying value of pledged assets under the Federation's long-term debt was \$6,617,684 as of September 30, 2021.

The note payable has certain restrictive covenants. At September 30, 2021, all restrictive covenants were met.

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8. Long-Term Debt (Continued)

The Federation has an interest rate swap agreement with a bank to reduce exposure to adverse and unanticipated changes in interest rates. The agreement is an amortizing swap, which includes an initial notional amount of \$2,488,800 and a current notional of \$2,001,300, for five years to pay a fixed rate of 2.75% and receive a variable rate of 68% of one-month LIBOR plus 1.12%. For the year ended September 30, 2021, the amount paid on the swap agreement was \$35,250.

9. Line of Credit

The Federation has a line of credit in the amount of \$250,000 with a bank. Interest only is due monthly at the Lender's Prime Rate with an interest rate floor of 2.50% (2.50% at September 30, 2021). The line matures June 15, 2022. The balance due on the line at September 30, 2021 was \$0.

10. Capital Lease Obligation

The Federation leases equipment under a capital lease. The economic substance of the lease is that the Federation is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Federation's assets and liabilities.

The following is an analysis of the leased assets included in the property and equipment:

Machinery and equipment	\$ 113,426
Less accumulated amortization	<u>97,585</u>
	<u>\$ 15,841</u>

The following is a schedule by years of future minimum lease payments required under the lease together with their present value as of September 30, 2021:

2022	<u>\$ 16,216</u>
Total minimum lease payments	16,216
Less amount representing interest	<u>375</u>
Present value of minimum lease payments	<u>\$ 15,841</u>

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11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at September 30, 2021:

Subject to the passage of time:

Promises to give that are not restricted by donors	\$ <u>1,416,455</u>
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Endowments:

Subject to appropriation and expenditure when  
a specified event occurs:

Restricted by donors for:

Available for General Use	1,291,255
Teen Charity Matching Grant	129,768
Israel Center	54,347
Federation Starting Funds for New Initiatives	11,426
Jewish Burial Expenses for Those in Need	45,337
Annual Leadership Development Scholarship	19,529
Community Midrasha	17,729
JCRC and Ministeries Conference	17,331
Beth El Families Annual Camp Scholarships	14,192
Israel Experience Scholarship Fund	12,825
JCDS Scholarship Fund	79,105
Annual Holocaust Essay Contest	<u>9,206</u>
	<u>1,702,050</u>

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11. Net Assets With Donor Restrictions (Continued)

Subject to endowment spending policy and appropriation:	
Kehillah Rabbi Position	88,844
Federation Annual Campaign	87,814
Facilities Improvements	5,401
North Carolina Hillel	202,019
Federation Inclusion	10,614
Jewish Family Services Programs	51,023
Annual Israel Travel Scholarship	38,406
Beth El 3rd Grade Religious School Teacher	26,777
Jewish Family Services General	76,547
Kehillah General	170,061
Federation Marketing	53,827
Judea Programming	5,069
Camp Shelanu Scholarships	1,094,983
Annual Social Justice Experience Scholarship	23,371
Beth El Programming	129,988
Hadera Partnership	16,859
Lerner Scholarships	25,347
Local Hadassah	137,277
Kehillah Programming	30,504
Federation Teen Programming	70,569
	2,345,300
	\$ 5,463,805

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended September 30, 2021:

Expiration of time restrictions	\$ 1,629,886
Donor release	382,650
	2,012,536
Net assets released from restrictions	\$ 2,012,536

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12. Property and Equipment

Property and equipment consists of the following at September 30, 2021:

Land	\$ 421,898
Buildings and Improvements	8,316,616
Furnishings and Equipment	589,016
Website Costs	<u>28,710</u>
 Total Property and Equipment	 9,356,240
 Less: Accumulated Depreciation	 <u>2,738,556</u>
 Property and Equipment, Net	 <u>\$ 6,617,684</u>

13. Operating Lease

The Federation leased copiers and other equipment under noncancelable operating lease agreements expiring at various dates through March 2021. Monthly installments ranged from \$239 to \$292. Upon expiration of the copier lease, the Federation began making payments on a month-to-month basis. Rent expense related to these leases totaled \$4,721 for the year ended September 30, 2021.

14. Related Party Transactions

The Federation received pledges and contributions in 2021 from Board members totaling \$436,428.

During the construction phase of its Early Childhood Pavilion, the Lerner School agreed to pay the Federation for a portion of the construction costs. The key elements of this arrangement include:

1. The implied interest rate is variable and determined by the Federation's interest rate on the bank loan from BB&T (currently 68% of One-Month LIBOR + 1.12%).
2. Interest began accruing in May 2012.
3. Principal payments will be determined by collections of Federation pledges receivable, and based on current expectations for collections (both amounts and timing).
4. Annual principal payments will vary depending on Federation pledges collected.



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14. Related Party Transactions (Continued)

All pledges received are allocated 85% to the Federation and 15% against the Lerner School debt owed. The balance due from the School was \$397,770 as of September 30, 2021. The following is a summary of principal to be received by the Federation by year:

2022	\$	22,500
2023		30,000
2024		30,000
2025		37,500
2026		30,000
Thereafter		<u>247,770</u>
		<u>\$ 397,770</u>

There is a memorandum of understanding in which the Federation will forgive this balance in exchange for land provided by the Lerner School.

15. Retirement Plan

The Federation has adopted a retirement plan in accordance with Section 403(b)(7) of the Internal Revenue Code. The plan allows for the deferment of income to the employees by means of investing in a tax shelter account. The plan allows employer and employee contributions. Contributions by the Federation to the plan on behalf of the employees for the years ended September 30, 2021 totaled \$18,862.

16. Donated Services

The Federation receives donated services from a variety of unpaid volunteers. No amounts have been recorded in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied.

17. Reduce or Retire the Debt Campaign

In the second quarter of 2015, the Federation embarked upon a campaign to reduce and/or retire the outstanding debt owed to its bank. During the year ended September 30, 2021, \$0 in pledges were received. Additionally, during the year ended September 30, 2021, \$3,578 was collected. Although the Federation is primarily liable for the loan, an agreement exists wherein the Lerner Day School ("Lerner") contributes 15% towards the repayment of the loan. Lerner will also receive 15% credit against the note receivable in Note 14 for all money collected to retire the debt.

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18. Uncertainties

As a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen which may have a negative impact of the Federations financial results in the future. The extent of the impact of COVID-19 on the operational and financial performance will depend on certain developments, including duration and spread of the outbreak, impact of members, employees and vendors, all of which are uncertain at the time. The extent to which COVID-19 may impact the Federations financial condition or results in the future is uncertain.

19. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 18, 2022, which is the date the financial statements were available to be issued.