



# **The Jewish Federation of Greater Washington, Inc. and Subsidiary**

## **Consolidated Financial Statements** Year Ended June 30, 2022

**The Jewish Federation of  
Greater Washington, Inc. and Subsidiary**

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**Consolidated Financial Statements**

Year Ended June 30, 2022

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

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## **Independent Auditor's Report**

To the Board of Directors  
**The Jewish Federation of Greater Washington, Inc. and Subsidiary**  
North Bethesda, MD

We have audited the consolidated financial statements of The Jewish Federation of Greater Washington, Inc. and Subsidiary ("Federation"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Federation as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Federation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted



in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Report on Summarized Comparative Information***

We have previously audited Federation's 2021 consolidated financial statements, and our report dated July 22, 2022, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*BDO USA, LLP*

June 12, 2023

## **Consolidated Financial Statements**

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# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Consolidated Statement of Financial Position

| <i>June 30,</i>                              | <b>2022</b>           | <b>2021</b><br>Total<br>(Summarized) |
|----------------------------------------------|-----------------------|--------------------------------------|
| <b>Assets</b>                                |                       |                                      |
| Cash and cash equivalents                    | \$ 16,844,070         | \$ 22,405,025                        |
| Receivables, net                             | 3,796,426             | 4,053,643                            |
| Investments                                  | 268,452,857           | 276,719,232                          |
| Cash surrender value of life insurance       | 5,230,032             | 7,473,210                            |
| Other assets                                 | 710,742               | 806,137                              |
| Land, building and equipment, net            | 16,380,427            | 17,011,102                           |
| Interest rate swap asset                     | 140,601               | -                                    |
| Donated assets - land and property           | 553,959               | 553,959                              |
| <b>Total assets</b>                          | <b>\$ 312,109,114</b> | <b>\$ 329,022,308</b>                |
| <b>Liabilities and net assets</b>            |                       |                                      |
| <b>Liabilities</b>                           |                       |                                      |
| Allocations to beneficiary organizations     | \$ 12,594,896         | \$ 10,534,906                        |
| Accounts payable and accrued expenses        | 3,362,309             | 3,644,226                            |
| Due to agencies and supporting organizations | 41,228,867            | 46,500,659                           |
| Long-term debt, net                          | 14,073,933            | 17,599,314                           |
| Split-interest agreements                    | 3,121,604             | 3,549,829                            |
| Interest rate swap liability                 | -                     | 629,942                              |
| <b>Total liabilities</b>                     | <b>74,381,609</b>     | <b>82,458,876</b>                    |
| <b>Commitments and contingencies</b>         |                       |                                      |
| <b>Net assets</b>                            |                       |                                      |
| Without donor restrictions                   | 99,937,923            | 98,831,001                           |
| With donor restrictions                      | 137,789,582           | 147,732,431                          |
| <b>Total net assets</b>                      | <b>237,727,505</b>    | <b>246,563,432</b>                   |
| <b>Total liabilities and net assets</b>      | <b>\$ 312,109,114</b> | <b>\$ 329,022,308</b>                |

*See accompanying notes to consolidated financial statements.*

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Consolidated Statement of Activities for the Year Ended June 30, 2022 (With Summarized Comparative Information for the Year Ended June 30, 2021)

|                                                                                                  | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | 2022<br>Total         | 2021<br>Total         |
|--------------------------------------------------------------------------------------------------|----------------------------------|----------------------------|-----------------------|-----------------------|
| <b>Support and revenue</b>                                                                       |                                  |                            |                       |                       |
| Contributions - Endowment Fund                                                                   | \$ 17,511,209                    | \$ 13,301,939              | \$ 30,813,148         | \$ 11,794,537         |
| Contributions - Federation                                                                       | 15,473,654                       | 6,552,184                  | 22,025,838            | 21,042,368            |
| Contributed non-financial assets                                                                 | 1,332,509                        | -                          | 1,332,509             | 1,700,000             |
| Other                                                                                            | 218,107                          | -                          | 218,107               | 48,645                |
| Investment return, net                                                                           | (3,463,619)                      | (20,262,676)               | (23,726,295)          | 56,154,587            |
| Net assets released from restrictions                                                            | 9,720,550                        | (9,720,550)                | -                     | -                     |
| <b>Total support and revenue</b>                                                                 | <b>40,792,410</b>                | <b>(10,129,103)</b>        | <b>30,663,307</b>     | <b>90,740,137</b>     |
| <b>Commercial building operations</b>                                                            |                                  |                            |                       |                       |
| Revenues                                                                                         | 1,453,335                        | -                          | 1,453,335             | 1,225,147             |
| Expenses                                                                                         | (1,870,194)                      | -                          | (1,870,194)           | (1,738,816)           |
| Net unrealized gain on interest rate swap                                                        | 770,542                          | -                          | 770,542               | 340,435               |
| <b>Net gain (loss) on commercial building operations</b>                                         | <b>353,683</b>                   | <b>-</b>                   | <b>353,683</b>        | <b>(173,234)</b>      |
| <b>Total support, revenue and commercial building operations</b>                                 | <b>41,146,093</b>                | <b>(10,129,103)</b>        | <b>31,016,990</b>     | <b>90,566,903</b>     |
| <b>Expenses</b>                                                                                  |                                  |                            |                       |                       |
| <b>Program services</b>                                                                          |                                  |                            |                       |                       |
| Allocations to beneficiary organizations                                                         | 30,010,434                       | -                          | 30,010,434            | 21,268,893            |
| Other community programs                                                                         | 7,307,245                        | -                          | 7,307,245             | 4,580,372             |
| <b>Total program services</b>                                                                    | <b>37,317,679</b>                | <b>-</b>                   | <b>37,317,679</b>     | <b>25,849,265</b>     |
| <b>Supporting services</b>                                                                       |                                  |                            |                       |                       |
| Management and general                                                                           | 2,029,636                        | -                          | 2,029,636             | 4,292,298             |
| Fundraising                                                                                      | 2,998,583                        | -                          | 2,998,583             | 3,790,685             |
| <b>Total supporting services</b>                                                                 | <b>5,028,219</b>                 | <b>-</b>                   | <b>5,028,219</b>      | <b>8,082,983</b>      |
| <b>Total operating expenses</b>                                                                  | <b>42,345,898</b>                | <b>-</b>                   | <b>42,345,898</b>     | <b>33,932,248</b>     |
| <b>Total support, revenue and commercial building operations before other revenue (expenses)</b> | <b>(1,199,805)</b>               | <b>(10,129,103)</b>        | <b>(11,328,908)</b>   | <b>56,634,655</b>     |
| Change in value of split-interest agreements and annuity payments                                | 25,773                           | -                          | 25,773                | (90,622)              |
| Insurance recoveries                                                                             | 2,850,000                        | -                          | 2,850,000             | -                     |
| Loss contingency                                                                                 | -                                | -                          | -                     | (2,918,992)           |
| Provision for uncollectible promises to give                                                     | (310,704)                        | -                          | (310,704)             | (264,427)             |
| Other expenses                                                                                   | (72,088)                         | -                          | (72,088)              | (208,670)             |
| Change in contributions received due to change in donors' intentions and circumstances           | (186,254)                        | 186,254                    | -                     | -                     |
| <b>Change in net assets</b>                                                                      | <b>1,106,922</b>                 | <b>(9,942,849)</b>         | <b>(8,835,927)</b>    | <b>53,151,944</b>     |
| <b>Net assets, beginning of year</b>                                                             | <b>98,831,001</b>                | <b>147,732,431</b>         | <b>246,563,432</b>    | <b>193,411,488</b>    |
| <b>Net assets, end of year</b>                                                                   | <b>\$ 99,937,923</b>             | <b>\$ 137,789,582</b>      | <b>\$ 237,727,505</b> | <b>\$ 246,563,432</b> |

See accompanying notes to consolidated financial statements.



**The Jewish Federation of Greater Washington, Inc. and Subsidiary**  
**Consolidated Statement of Functional Expenses for the Year Ended June 30, 2022**  
**(With Summarized Comparative Information for the Year Ended June 30, 2021)**

|                                              | Program Services                         |                          |                        | Supporting Services    |                     |                           | Commercial Building | 2022 Total           | 2021 Total           |
|----------------------------------------------|------------------------------------------|--------------------------|------------------------|------------------------|---------------------|---------------------------|---------------------|----------------------|----------------------|
|                                              | Allocations to Beneficiary Organizations | Other Community Programs | Total Program Services | Management and General | Fundraising         | Total Supporting Services |                     |                      |                      |
|                                              | Salaries                                 | \$ -                     | \$ 3,157,237           | \$ 3,157,237           | \$ 936,169          | \$ 1,478,338              |                     |                      |                      |
| Employee benefits                            | -                                        | 530,963                  | 530,963                | 157,438                | 248,616             | 406,054                   | -                   | 937,017              | 770,610              |
| Payroll taxes                                | -                                        | 226,274                  | 226,274                | 67,094                 | 105,950             | 173,044                   | -                   | 399,318              | 385,168              |
| <b>Total personnel expenses</b>              | <b>-</b>                                 | <b>3,914,474</b>         | <b>3,914,474</b>       | <b>1,160,701</b>       | <b>1,832,904</b>    | <b>2,993,605</b>          | <b>-</b>            | <b>6,908,079</b>     | <b>6,588,874</b>     |
| Grant expenses                               | 30,010,434                               | -                        | 30,010,434             | -                      | -                   | -                         | -                   | 30,010,434           | 21,268,893           |
| Purchased services                           | -                                        | 1,437,549                | 1,437,549              | 252,869                | 397,204             | 650,073                   | 228,707             | 2,316,329            | 2,129,858            |
| In-kind contribution                         | -                                        | 827,701                  | 827,701                | 214,299                | 290,509             | 504,808                   | -                   | 1,332,509            | 1,700,000            |
| Depreciation and amortization                | -                                        | 103,761                  | 103,761                | 22,687                 | 51,133              | 73,820                    | 604,607             | 782,188              | 602,819              |
| Facility and equipment rentals               | -                                        | 65,686                   | 65,686                 | 17,079                 | 112,610             | 129,689                   | 537,064             | 732,439              | 661,242              |
| Printing and stationery                      | -                                        | 301,116                  | 301,116                | 639                    | 89,680              | 90,319                    | 752                 | 392,187              | 475,635              |
| Travel and conferences                       | -                                        | 145,402                  | 145,402                | 13,289                 | 23,229              | 36,518                    | -                   | 181,920              | 22,711               |
| Professional fees                            | -                                        | 38,269                   | 38,269                 | 77,690                 | -                   | 77,690                    | 35,000              | 150,959              | 538,737              |
| Banquets and functions                       | -                                        | 95,693                   | 95,693                 | 1,887                  | 40,351              | 42,238                    | -                   | 137,931              | 4,893                |
| Insurance premium                            | -                                        | 52,973                   | 52,973                 | 16,385                 | 24,184              | 40,569                    | 17,482              | 111,024              | 75,736               |
| Telephone                                    | -                                        | 65,445                   | 65,445                 | 13,524                 | 24,558              | 38,082                    | 6,200               | 109,727              | 145,925              |
| Postage and mailing                          | -                                        | 5,534                    | 5,534                  | 929                    | 68,880              | 69,809                    | 499                 | 75,842               | 114,513              |
| Office supplies                              | -                                        | 24,237                   | 24,237                 | 7,771                  | 15,269              | 23,040                    | 9,444               | 56,721               | 31,569               |
| Publicity, promotion, and marketing          | -                                        | 25,051                   | 25,051                 | 2,183                  | 5,740               | 7,923                     | -                   | 32,974               | 21,386               |
| Missions                                     | -                                        | 11,733                   | 11,733                 | -                      | -                   | -                         | -                   | 11,733               | 47,722               |
| Other                                        | -                                        | 192,621                  | 192,621                | 227,704                | 22,332              | 250,036                   | 430,439             | 873,096              | 1,240,551            |
| <b>Total operating expenses</b>              | <b>30,010,434</b>                        | <b>3,392,771</b>         | <b>33,403,205</b>      | <b>868,935</b>         | <b>1,165,679</b>    | <b>2,034,614</b>          | <b>1,870,194</b>    | <b>37,308,013</b>    | <b>29,082,190</b>    |
| <b>Total expenses by function</b>            | <b>30,010,434</b>                        | <b>7,307,245</b>         | <b>37,317,679</b>      | <b>2,029,636</b>       | <b>2,998,583</b>    | <b>5,028,219</b>          | <b>1,870,194</b>    | <b>44,216,092</b>    | <b>35,671,064</b>    |
| Provision for uncollectible promises to give | -                                        | -                        | -                      | 310,704                | -                   | 310,704                   | -                   | 310,704              | 264,427              |
| Other expenses                               | -                                        | -                        | -                      | 72,088                 | -                   | 72,088                    | -                   | 72,088               | 208,670              |
| <b>Total expenses</b>                        | <b>\$ 30,010,434</b>                     | <b>\$ 7,307,245</b>      | <b>\$ 37,317,679</b>   | <b>\$ 2,412,428</b>    | <b>\$ 2,998,583</b> | <b>\$ 5,411,011</b>       | <b>\$ 1,870,194</b> | <b>\$ 44,598,884</b> | <b>\$ 36,144,161</b> |

*See accompanying notes to consolidated financial statements.*

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Consolidated Statement of Cash Flows

| <i>Year ended June 30,</i>                                                                         | <b>2022</b>          | 2021<br>Total<br>(Summarized) |
|----------------------------------------------------------------------------------------------------|----------------------|-------------------------------|
| <b>Cash flows from operating activities</b>                                                        |                      |                               |
| Change in net assets                                                                               | \$ (8,835,927)       | \$ 53,151,944                 |
| <b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b> |                      |                               |
| Depreciation and amortization                                                                      | 782,188              | 602,819                       |
| Provision for uncollectible promises to give                                                       | 310,704              | 264,427                       |
| Paycheck Protection Program loan forgiveness                                                       | -                    | (1,034,700)                   |
| Loss on write-off of land, building and equipment                                                  | 32,506               | -                             |
| Split-interest agreements liability                                                                | (428,225)            | (326,497)                     |
| Unrealized and realized losses (gains) on investments                                              | 23,362,050           | (51,918,429)                  |
| Life insurance policy maturity                                                                     | (7,580,177)          | -                             |
| Gain on interest rate swap                                                                         | (770,543)            | (340,434)                     |
| Endowment contributions                                                                            | (200,100)            | (66,767)                      |
| Amortization of debt issuance costs                                                                | 5,570                | 5,570                         |
| <b>Decrease (increase) in assets</b>                                                               |                      |                               |
| Receivables                                                                                        | (53,487)             | 1,504,836                     |
| Other assets                                                                                       | 95,395               | 271,283                       |
| <b>Increase (decrease) in liabilities</b>                                                          |                      |                               |
| Allocations to beneficiary organizations                                                           | 2,059,990            | (155,384)                     |
| Accounts payable and accrued expenses                                                              | (281,917)            | (749,672)                     |
| Due to agencies and supporting organizations                                                       | (5,271,792)          | 14,233,455                    |
| <b>Net cash provided by operating activities</b>                                                   | <b>3,226,235</b>     | <b>15,442,451</b>             |
| <b>Cash flows from investing activities</b>                                                        |                      |                               |
| Purchases of investments                                                                           | (55,126,695)         | (78,148,841)                  |
| Proceeds from sales of investments                                                                 | 40,031,020           | 70,728,515                    |
| Proceeds from life insurance policy                                                                | 10,037,500           | -                             |
| Change in cash surrender value of life insurance                                                   | (214,145)            | (97,304)                      |
| Purchases of equipment                                                                             | (184,019)            | (324,784)                     |
| <b>Net cash used in investing activities</b>                                                       | <b>(5,456,339)</b>   | <b>(7,842,414)</b>            |
| <b>Cash flows from financing activities</b>                                                        |                      |                               |
| Endowment contributions                                                                            | 200,100              | 66,767                        |
| Proceeds from long-term debt                                                                       | -                    | 4,800,000                     |
| Payment of long-term debt                                                                          | (3,530,951)          | (763,176)                     |
| <b>Net cash (used in) provided by financing activities</b>                                         | <b>(3,330,851)</b>   | <b>4,103,591</b>              |
| <b>(Decrease) Increase in cash and cash equivalents</b>                                            | <b>(5,560,955)</b>   | <b>11,703,628</b>             |
| <b>Cash and cash equivalents, beginning of year</b>                                                | <b>22,405,025</b>    | <b>10,701,397</b>             |
| <b>Cash and cash equivalents, end of year</b>                                                      | <b>\$ 16,844,070</b> | <b>\$ 22,405,025</b>          |

*See accompanying notes to consolidated financial statements.*

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 1. Summary of Significant Accounting Policies

#### Nature of the Organization

The Jewish Federation of Greater Washington, Inc. (“Federation”) began in 1925 as the Jewish Welfare Association. Today, Federation and its Jewish Community Foundation of Greater Washington (formerly Federation’s United Jewish Endowment Fund) support 61 local agencies and programs, 13 national organizations, 16 overseas partners and programs, and more than 90 congregations.

To accomplish its goals, Federation works collaboratively with its partners to provide funding, community planning, and leadership development that impacts some 300,000 Jewish individuals, as well as many members of the general community throughout Washington, DC, suburban Maryland and Northern Virginia. Around the world, its efforts support rescue, relief, reconstruction, and renewal for tens of thousands more in Israel and in more than 70 countries around the world.

Federation envisions an open, connected, and vibrant Jewish community that cares for each other, fosters Jewish learning and journeys, embraces Jewish peoplehood and Israel, and acts as a force for good in the world. As a mission-driven organization, Federation works to inspire, build, and sustain vibrant Jewish life in a changing world by mobilizing the community in common purpose, intentional innovation, and effective action. From this work, Federation knows that the Jewish community locally and abroad will continue to be a strong, thriving and welcoming place for generations to come.

JFGW Building LLC is a Maryland limited liability company incorporated on September 20, 2012 to acquire, own, finance, develop, manage, lease, operate and, if when appropriate, sell real or personal property, or interest therein, for its own account or together with others. Federation has a 100% membership interest in JFGW Building LLC.

#### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Federation and JFGW Building LLC (collectively “Federation”). All significant intercompany balances and transactions have been eliminated in consolidation.

#### Basis of Accounting

The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

#### Basis of Presentation

The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, “*Not-for-Profit Entities*”.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Cash and Cash Equivalents

For the purposes of reporting cash flows, money market accounts and all highly liquid investments are considered to be cash equivalents. All cash equivalents and investments, regardless of maturity that are held by the investment advisor, are considered investments.

### Credit and Financial Risk

Substantially all promises to give are derived from individual donors. These receivables are made on an unsecured basis. Historically, Federation has not incurred significant credit related losses.

Federation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Federation has not experienced any losses in such accounts. Federation believes it is not exposed to any significant financial risk on cash.

Federation invests in a professionally managed portfolio that contains mutual funds, equities, bonds and alternative investments. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

### Impairment of Long-Lived Assets

Federation accounts for the valuation of long-lived assets under ASC 360, *Property, Plant, and Equipment*. ASC 360 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of, if any, are reportable at the lower of the carrying amount or fair value, less costs to sell.

### Promises to Give and Other Receivables

Unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are only recognized when the conditions on which they depend are substantially met.

Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. The provision for doubtful promises, based on management's evaluation of the historical collection of promises, is \$810,318 (See Note 3).

Other receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of outstanding amounts on a monthly basis. Federation believes that other receivables are fully collectible as of June 30, 2022.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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Management determines the allowance for doubtful accounts unconditional promises to give or other receivables by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

### Investments

Investments are stated at fair value. Unrealized and realized gains and losses are included in the consolidated statement of activities.

Investments in publicly traded equity and debt securities are stated at quoted market values. For all of these investments, Federation has concluded that the net asset values reported by the individual fund managers approximates the fair value of the investments. Changes in fair values are reported as unrealized gains or losses in the accompanying consolidated statement of activities.

Alternative investments may include private equity, real estate, and hedge and absolute return funds for which there may be no ready market to determine fair value. For all of these investments, Federation has concluded that the net asset values reported by the individual fund managers approximate the fair value of the investments. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed. Commingled trusts are funds of publicly traded equity securities traded on international exchanges.

### Cash Surrender Value

Federation is the owner and beneficiary of various life insurance policies. The cash surrender value of these policies was \$5,230,032 at June 30, 2022. The sum of all death benefits, which will be added to Endowment Fund assets after the death of the insured, is approximately \$23.6 million.

### Land, Building and Equipment

Federation capitalizes all land, building and equipment purchased with a cost of \$2,000 or more. Land, building and equipment is recorded at cost and depreciated on the straight-line basis over estimated useful lives of 3 to 39 years. Land is not depreciated or amortized. Leasehold improvements are also recorded at cost and are being amortized over their estimated useful lives or the terms of the lease, whichever is shorter. The estimated useful life of tenant improvements is the lesser of the term of the lease or life of the asset.

### Donated Land and Property

Donated land and property is recorded as a contribution at its estimated fair market value at the date of donation, based on a formal appraisal.

### Bond Issuance Costs

Costs associated with issuance of bonds have been deferred and are amortized over the terms of the bonds. Federation uses the straight-line method, which approximates the effective interest method. The bond issuance costs are presented as a direct deduction from the face amount of the related liability, consistent with the presentation of debt discounts, in accordance with Accounting Standards Update (ASU) 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Derivative Financial Instruments

#### *Initial recognition and subsequent measurement*

Federation uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives, interest rate swaps, are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The change in the fair value of the interest rate swap is presented as net unrealized gain/loss on interest rate swap in the consolidated statement of activities.

### Net Assets

Federation classifies its net assets into two categories: net assets without donor restrictions and net assets with donor restrictions.

#### *Net assets without donor restrictions*

Net assets available are for use in general operations and not subject to donor restrictions. These net assets generally result from providing services and receiving contributions without donor restrictions, less expenses incurred in providing services, raising contributions, and performing administrative functions.

#### *Net assets with donor restrictions*

Net assets with donor restrictions are subject to stipulations imposed by donors. These net assets generally result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Federation pursuant to those stipulations. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit Federation to use the income earned on related investments for general or specific purposes.

When a donor restriction expires as a result of a stipulated time restriction ending or purpose restriction being accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as released from restrictions.

### Allocations to Beneficiary Organizations

Allocations are recorded when authorized by Federation's Board of Directors and are accrued when Federation makes a legally enforceable unconditional pledge to the other organization.

### Due to Agencies and Supporting Organizations

These amounts represent funds held by Federation for various local and national agencies for investment purposes.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Split-interest Agreements

Federation receives contributions in the form of irrevocable split-interest agreements that include charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts. The split-interest agreements have been valued based on an average of published benchmark rates at 4.54%.

Federation serves as the administrator for all split-interest agreements. A third party holds amounts received and Federation makes specified payments to annuitants. The excess in fair value of assets received over the liability assumed is recorded as revenue with donor restrictions. The assets are adjusted each year based on the fair value of the investments held by the third party. The liability is adjusted each year based on the adjusted life expectancies of the annuitants and discounted using the most recent discount rate approved by the Board of Directors. Changes in the liabilities are recorded in the accompanying consolidated statement of activities as change in value of split-interest agreements.

Assets held for charitable gift annuities as of June 30, 2022 amounted to \$3,637,758. The liability for charitable gift annuities as of June 30, 2022 is \$3,121,604. The liability is reported under split-interest agreements in the statement of financial position, which also includes the liability for charitable remainder unitrusts and charitable remainder annuity trusts.

In accordance with regulations, Federation has \$3,637,758 of assets held separately with restrictions reserved for annuity payments as of June 30, 2022, maintained in its investment portfolio.

In the event that future annuity liabilities exceeds the projected current liability for charitable gift annuities, Federation holds net assets without donor restrictions as of June 30, 2022 of \$99,937,923.

### Support and Revenue

#### *Contribution revenue - Federation and Endowment Fund*

Contributions received are recorded as revenue with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Federation receives support from individuals, foundations, corporations, and other non-governmental organizations in support of its mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, Federation receives promises to give that have certain conditions such as meeting specific performance-related barriers or limit the discretion on Federation's use of the funds. Other contributions may have revocable features to the promise to give. Conditional promises to give are recognized when the conditions are substantially met.

#### *Trusts and Bequests*

Split-interest (trust) contributions are only recorded when the agreement becomes irrevocable. Federation's remainder value is revalued every year. Bequest contributions are recorded only after probate and the legal process has been completed. Trust contributions are recorded under contribution revenue - endowment fund in the consolidated statement of activities.

Revenue from commercial building operations is recorded on the straight-line basis.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Contributed Non-financial Assets

During the year ended June 30, 2022, contributed nonfinancial assets recognized in the consolidated statement of activities, none of which had donor-imposed restrictions were \$1,332,509. Contributed nonfinancial assets recognized were professional services of attorneys who advise Federation on various legal matters. The estimated fair value of these services is based on estimates and forgone billing of the service provider and reported as contributed non-financial assets and program and support services expense in the period in which the services were received.

### Functional Expense and Allocations

Expenses which are related to a specific program or supporting service are charged directly to that service. Expenses are recognized during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period. The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting function of the Federation. These expenses were allocated based on total direct salaries of the cost centers. Such costs include salaries for executives involved in the direct conduct or supervision of program activities, facility costs including maintenance and depreciation, utilities such as internet and telephone, as well as printing and computer expenses.

### Income Taxes

Federation is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, Federation qualifies for charitable contributions deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. Federation and JFGW Building LLC paid \$135,000 in federal and state income taxes during the fiscal year ended June 30, 2022, in connection with unrelated debt-financed income on certain partnerships owned by Federation. No amounts were payable as of June 30, 2022.

Federation must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. Federation's management believes it has no material uncertain tax positions and; accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended June 30, 2022, Federation did not pay interest and penalties.

The tax years ended June 30, 2020, 2021, and 2022 remain open to examination by the taxing jurisdictions to which Federation is subject, and they have not been extended beyond the applicable statute of limitations. No examinations are currently in process.

### Fair Value Measurements

The fair market value of a financial instrument is defined in ASC 825-10, *Disclosures about Fair Value of Financial Instruments*, as "the amount at which the instrument could be exchanged in a current transaction between willing parties." The carrying amounts reported in the accompanying consolidated statement of financial position for cash and cash equivalents and investments, approximate fair value given the nature of the financial instruments or conversely are based on a non-recurring assessment of fair value.



# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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The following methods and assumptions were used by Federation in estimating the fair value of other financial instruments, which consist of investments. As defined in ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Federation utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. Federation primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, Federation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Federation is able to classify fair value balances based on the observability of those inputs.

Federation's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels. Also, the time between inception and performance of the contract may affect the fair value. The determination of fair value may, therefore, affect the timing of recognition of revenues and net income.

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

**Level 1 Inputs:** Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2 Inputs:** Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

**Level 3 Inputs:** Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects Federation's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Investments valued at Net Asset Value (NAV) - Federation reports certain investments using NAV per share as determined by investment managers under the so called "practical expedient". The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. These investment funds are held as units or interest in institutional funds or limited partnerships, which are stated at the NAV or its equivalent. Federation uses the NAV as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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Federation's alternative investments are held in limited partnerships and investments in comingled funds which are valued based on NAV. Given the absence of market quotations, their fair value is estimated using information provided to Federation by the investment manager. The values are based on estimates that require varying degrees of judgments. Individual holdings within the alternative investments may include investment in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly-traded securities, and other investment vehicles. The investments may directly expose Federation to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments contain varying degrees of risk, Federation's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment. The financial statements of the investees are audited annually by nationally recognized firms of independent auditors.

Federation does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the investment funds, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Additional information is included in Note 14.

### **Use of Estimates**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Prior Year Information**

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Federation's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

### **Recently Adopted Authoritative Guidance**

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and requires additional disclosures related to contributed nonfinancial assets. This ASU must be applied on a retrospective basis and was effective for Federation's fiscal year ended June 30, 2022. The adoption of this ASU resulted in the presentation of contributed nonfinancial asset as in-kind contribution with a corresponding in-kind expense in the consolidated statement of activities.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Accounting Pronouncements to be Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. Early adoption may be selected for fiscal years beginning after December 15, 2018. Federation must apply the amendments in ASU 2016-13 through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective except for certain exclusions. Federation is currently evaluating the impact of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2021 (Federation's 2023 fiscal year). Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 that also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. Federation is currently evaluating the impact of this ASU on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. This ASU is available to be adopted by Federation from March 12, 2020 through December 31, 2024. Management continues to evaluate the potential impact of this update on the consolidated financial statements.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 2. Liquidity and Availability of Resources

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the reporting date consist of the following:

| <i>June 30,</i>                                                                                            | <i>2022</i>   |
|------------------------------------------------------------------------------------------------------------|---------------|
| Cash and cash equivalents                                                                                  | \$ 16,844,070 |
| Receivables, net                                                                                           | 3,796,426     |
| Investments                                                                                                | 268,452,857   |
|                                                                                                            | <hr/>         |
|                                                                                                            | 289,093,353   |
| Less:                                                                                                      |               |
| Funds subject to expenditure for a specified purpose (Note 10)                                             | (81,799,369)  |
| Funds subject to spending policy and appropriation (Note 10)                                               | (27,988,393)  |
| Funds subject to requirement to maintain corpus in perpetuity (Note 10)                                    | (27,649,102)  |
| Investments of agencies and supporting organizations (Note 4)                                              | (41,228,867)  |
| Investments related to Charitable Remainder Annuity Trust (CRAT) and Charitable Remainder Unitrust (CRUTs) | (3,637,758)   |
| liquid alternative investments (Note 15)                                                                   | (34,111,594)  |
| Add:                                                                                                       |               |
| Internal projects and grants (Note 10)                                                                     | 6,128,364     |
|                                                                                                            | <hr/>         |
| Financial assets available to meet cash needs for general expenditures within one year                     | \$ 78,806,634 |

Federation manages liquidity through maintaining an operating budget. The operating budget (which includes the amount that Federation intends to allocate to beneficiary agencies) is based on the results of the prior year annual campaign. This strategy allows Federation to manage spending and limit allocations to beneficiary agencies and internal programs to the extent of the monies collected from the annual campaign. The budget is approved by the Board of Directors annually.

As part of Federation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The structure includes conducting monthly financial forecasts that analyze contributions and expense projections, controlling operating and capital expenditures, and closely managing daily receipts and cash disbursements. The goal is to optimize the sources and uses of available funds for programs and operations based on Federation's projected cash flow. Federation also maintains a total of \$6.5 million in lines-of-credit with a financial institution which is intended to cover unbudgeted spending or as a bridge on occasions where there is a timing difference between the budgeted and actual receipt of contributions.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 3. Receivables

Receivables consist of the following at June 30, 2022:

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|                                              |    |                 |
|----------------------------------------------|----|-----------------|
| Promises to give                             | \$ | 2,479,819       |
| Note receivable                              |    | 2,250,000       |
| Others                                       |    | 425,178         |
|                                              |    | <hr/> 5,154,997 |
| Less discount on note receivable             |    | 548,253         |
| Less provision for doubtful promises to give |    | 810,318         |
|                                              |    | <hr/>           |
| Total                                        | \$ | 3,796,426       |

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On May 1, 2022, Federation became a beneficiary through assignment of a certain note receivable in the amount of \$2,250,000. The note bears an annual interest rate of 2% and the maturity date is January 1, 2035. Interest income on the notes as of June 30, 2022 amounted to \$7,520.

All promises to give for the year ended June 30, 2022 are collectible within one year.

### 4. Investments

Pooled investments: To obtain investment flexibility, certain assets are combined in a pooled investment account managed by outside investment firms. This pool consists of cash and cash equivalents, short-term, intermediate-term and long-term bonds, that consist primarily of U.S. Treasury and State of Israel bonds, mutual funds and publicly-traded stocks.

The Board of Directors directed the Endowment Fund to administer and manage all unrestricted bequests made to Federation. The Endowment Fund invests these funds, unless otherwise directed by the Executive Committee, in the investment funds of the Endowment Fund. The principal of these funds may be distributed to the annual campaign and, upon a vote of a majority of Federation Board of Directors or Executive Committee, principal and/or income may be distributed for other Federation budgetary needs. At June 30, 2022, the total Federation reserve funds invested in the Investments - Endowment Fund, were approximately \$10.6 million, which is included in the \$268,452,857 below.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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Investments consist of the following at June 30, 2022:

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|                                                                   |                       |
|-------------------------------------------------------------------|-----------------------|
| Investment - Endowment Fund:                                      |                       |
| Alternative Investments:                                          |                       |
| Absolute Return                                                   | \$ 29,883,992         |
| Directional Hedge                                                 | 44,003,051            |
| Private Equity                                                    | 13,439,884            |
| Real Assets                                                       | 1,261,794             |
| Fund of Funds - Private Equity                                    | 19,409,916            |
| Publicly Traded:                                                  |                       |
| Domestic Equity Funds                                             | 55,506,779            |
| Fixed Income Fund                                                 | 30,193,833            |
| International Equity Fund                                         | 44,782,060            |
| Global Equity                                                     | 2,207,765             |
| Domestic Equity                                                   | 18,954,290            |
| Other:                                                            |                       |
| Cash and cash equivalents and others                              | 3,754,383             |
| Israel Bonds                                                      | 5,013,364             |
| <b>Total Endowment Fund investments</b>                           | <b>268,411,111</b>    |
| Investments - Federation:                                         |                       |
| Others (including Israel bonds)                                   | 41,746                |
| <b>Total Federation investments</b>                               | <b>41,746</b>         |
| <b>Total investments</b>                                          | <b>268,452,857</b>    |
| <b>Less: amounts due to agencies and supporting organizations</b> | <b>(41,228,867)</b>   |
| <b>Total investments, net of agencies</b>                         | <b>\$ 227,223,990</b> |

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Amounts due to agencies and supporting organizations represent funds transferred to Federation to be managed on behalf of certain local and national agencies. The receipt, allocation of investment gains and losses and subsequent distribution of these funds are accounted for as pass-through transactions, and thus are not reflected in the accompanying consolidated statement of activities.

Investment return is presented net of investment advisory fees in the consolidated statement of activities.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 5. Land, Building and Equipment

Land, building and equipment, and accumulated depreciation and amortization at June 30, 2022, and depreciation and amortization expense for the year ended June 30, 2022 are as follows:

| Asset Category                     | Estimated Useful Lives | Cost          | Accumulated Depreciation and Amortization | Net           | Depreciation and Amortization Expense |
|------------------------------------|------------------------|---------------|-------------------------------------------|---------------|---------------------------------------|
| Building                           | 39 years               | \$ 17,991,086 | \$ 4,698,185                              | \$ 13,292,901 | \$ 477,767                            |
| Land                               | n/a                    | 2,534,100     | -                                         | 2,534,100     | -                                     |
| Computers and software             | 3-7 years              | 716,450       | 624,835                                   | 91,615        | 208,770                               |
| Furniture and equipment            | 3-10 years             | 952,162       | 490,351                                   | 461,811       | 95,651                                |
| Total land, building and equipment |                        | \$ 22,193,798 | \$ 5,813,371                              | \$ 16,380,427 | \$ 782,188                            |

### 6. Allocations to Beneficiary Organizations

Federation's Board of Directors authorizes all allocations from Federation funds and its endowment fund each fiscal year. Allocations for the year ended June 30, 2022 are as follows:

|                                     | Without Donor Restrictions | Ukraine Emergency Fund | Community Security | Human Services & Community Vibrancy | Israel Task Force | Endowment    | Total        |
|-------------------------------------|----------------------------|------------------------|--------------------|-------------------------------------|-------------------|--------------|--------------|
| International Allocations           |                            |                        |                    |                                     |                   |              |              |
| Jewish Federations of North America | \$ 3,518,775               | \$ 1,840,704           | \$ -               | \$ -                                | \$ 657,500        | \$ 137,696   | \$ 6,154,675 |
| Other International Beneficiaries   | 60,000                     | -                      | -                  | -                                   | 140,000           | 1,261,229    | 1,461,229    |
| Birthright Israel                   | 214,000                    | -                      | -                  | -                                   | -                 | -            | 214,000      |
| Total international allocations     | \$ 3,792,775               | \$ 1,840,704           | \$ -               | \$ -                                | \$ 797,500        | \$ 1,398,925 | \$ 7,829,904 |

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

|                                                      | Without<br>Donor<br>Restrictions | Ukraine<br>Emergency<br>Fund | Community<br>Security | Human<br>Services &<br>Community<br>Vibrancy | Israel Task<br>Force | Endowment           | Total               |
|------------------------------------------------------|----------------------------------|------------------------------|-----------------------|----------------------------------------------|----------------------|---------------------|---------------------|
| <b>National Allocations</b>                          |                                  |                              |                       |                                              |                      |                     |                     |
| Other Jewish National Agencies                       | \$ 236,583                       | \$ -                         | \$ -                  | \$ 33,585                                    | \$ -                 | \$ 1,133,491        | \$ 1,403,659        |
| Other National Agencies                              | 10,000                           | -                            | -                     | -                                            | -                    | 998,902             | 1,008,902           |
| The Jewish Federations of North America              | 744,794                          | -                            | -                     | -                                            | -                    | -                   | 744,794             |
| Other Jewish Federation                              | -                                | -                            | -                     | -                                            | -                    | 524,944             | 524,944             |
| <b>Total national allocations</b>                    | <b>\$ 991,377</b>                | <b>\$ -</b>                  | <b>\$ -</b>           | <b>\$ 33,585</b>                             | <b>\$ -</b>          | <b>\$ 2,657,337</b> | <b>\$ 3,682,299</b> |
| <b>Local Allocations</b>                             |                                  |                              |                       |                                              |                      |                     |                     |
| Milton Gottesman Jewish Primary Day School           | \$ 208,086                       | \$ -                         | \$ 21,500             | \$ 105,812                                   | \$ -                 | \$ 3,150,523        | \$ 3,485,921        |
| Jewish Social Service Agency                         | 930,084                          | -                            | -                     | 110,780                                      | -                    | 233,077             | 1,273,941           |
| Bender Jewish Community Center of Greater Washington | 834,063                          | -                            | -                     | 13,800                                       | -                    | 73,940              | 921,803             |
| Jewish Community Relations Council                   | 637,718                          | -                            | -                     | -                                            | -                    | 161,368             | 799,086             |
| Charles E. Smith Day School                          | 406,821                          | -                            | 22,500                | 149,654                                      | -                    | 79,209              | 658,184             |
| Edlavitch DCJCC                                      | 517,708                          | -                            | -                     | 11,569                                       | -                    | 101,024             | 630,301             |
| Jewish Community Center/NOVA                         | 456,580                          | -                            | -                     | 6,225                                        | -                    | 143,182             | 605,987             |
| Capital Camps and Retreat Centers                    | 182,451                          | -                            | -                     | 51,630                                       | -                    | 347,279             | 581,360             |
| Melvin J. Berman Hebrew Academy                      | 274,056                          | -                            | 21,500                | 104,907                                      | -                    | 148,968             | 549,431             |
| Jewish Foundation for Group Homes                    | 195,000                          | -                            | -                     | -                                            | -                    | 163,778             | 358,778             |
| Jewish Council for the Aging                         | 282,000                          | -                            | -                     | -                                            | -                    | 63,520              | 345,520             |
| Campus Hillels                                       | 263,000                          | -                            | -                     | -                                            | -                    | 77,567              | 340,567             |
| Gesher Jewish Day School                             | 114,688                          | -                            | 21,500                | 66,024                                       | -                    | 120,860             | 323,072             |
| Torah School of Greater Washington                   | 164,131                          | -                            | 21,500                | 114,117                                      | -                    | 20,500              | 320,248             |
| One Happy Camper                                     | 294,878                          | -                            | -                     | -                                            | -                    | -                   | 294,878             |
| Yeshiva of Greater Washington                        | 141,218                          | -                            | 8,000                 | 82,135                                       | -                    | 29,500              | 260,853             |
| Gather DC                                            | 185,000                          | -                            | -                     | -                                            | -                    | 24,800              | 209,800             |



# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

|                                              | Without<br>Donor<br>Restrictions | Ukraine<br>Emergency<br>Fund | Community<br>Security | Human<br>Services &<br>Community<br>Vibrancy | Israel Task<br>Force | Endowment            | Total                |
|----------------------------------------------|----------------------------------|------------------------------|-----------------------|----------------------------------------------|----------------------|----------------------|----------------------|
| Honeymoon Israel                             | \$ 148,866                       | \$ -                         | \$ -                  | \$ -                                         | \$ -                 | \$ -                 | 148,866              |
| Moishe House                                 | 65,500                           | -                            | -                     | 6,225                                        | -                    | 64,660               | 136,385              |
| Charles E. Smith Life<br>Communities         | -                                | -                            | -                     | -                                            | -                    | 122,812              | 122,812              |
| Capital Jewish Museum                        | 27,500                           | -                            | -                     | -                                            | -                    | 84,377               | 111,877              |
| Jewish Coalition Against<br>Domestic Abuse   | 55,000                           | -                            | -                     | -                                            | -                    | 53,180               | 108,180              |
| Temple Micah                                 | 60,000                           | -                            | -                     | -                                            | -                    | -                    | 60,000               |
| Sunflower Bakery                             | 32,173                           | -                            | -                     | -                                            | -                    | 25,990               | 58,163               |
| Anti-Defamation League                       | -                                | -                            | -                     | -                                            | -                    | 55,669               | 55,669               |
| Youth Groups                                 | 42,878                           | -                            | -                     | -                                            | -                    | -                    | 42,878               |
| Sulam                                        | 27,500                           | -                            | -                     | -                                            | -                    | 13,180               | 40,680               |
| Hill Havurah                                 | 35,500                           | -                            | -                     | 2,441                                        | -                    | -                    | 37,941               |
| Avodah                                       | 27,500                           | -                            | -                     | -                                            | -                    | 496                  | 27,996               |
| One Table                                    | 20,000                           | -                            | -                     | -                                            | -                    | -                    | 20,000               |
| Hadar                                        | 16,000                           | -                            | -                     | -                                            | -                    | -                    | 16,000               |
| Mesorah DC                                   | 10,000                           | -                            | -                     | -                                            | -                    | -                    | 10,000               |
| Olam Tikvah<br>Congregation                  | 3,000                            | -                            | -                     | 200                                          | -                    | 4,990                | 8,190                |
| Congregation Share<br>Torah                  | 6,000                            | -                            | -                     | -                                            | -                    | -                    | 6,000                |
| Other allocations to<br>Jewish Organizations | 320,757                          | -                            | -                     | 150,583                                      | -                    | 1,872,169            | 2,343,509            |
| Other allocations to<br>Local Agencies       | 785,003                          | -                            | -                     | 656,225                                      | -                    | 1,742,127            | 3,183,355            |
| <b>Total local allocations</b>               | <b>\$ 7,770,659</b>              | <b>\$ -</b>                  | <b>\$ 116,500</b>     | <b>\$ 1,632,327</b>                          | <b>\$ -</b>          | <b>\$ 8,978,745</b>  | <b>\$ 18,498,231</b> |
| <b>Total allocations 2022</b>                | <b>\$ 12,554,811</b>             | <b>\$ 1,840,704</b>          | <b>\$ 116,500</b>     | <b>\$ 1,665,912</b>                          | <b>\$ 797,500</b>    | <b>\$ 13,035,007</b> | <b>\$ 30,010,434</b> |

The amount allocated to Jewish Federations of North America from net assets without donor restrictions includes allocations to Jewish Agency for Israel and American Jewish Joint Distribution Committee. The allocations to other organizations are from recommendations of the donors of individual donor advised funds.

### 7. Lines-of-Credit

Federation obtained two unsecured lines-of-credit from PNC Bank totaling \$6,500,000, which have a maturity date of May 31, 2023. The lines-of-credit bear interest at the Bloomberg short-term yield index rate plus 80 basis points. There was no outstanding balance under the lines-of-credit at June 30, 2022. Federation did not draw from the lines-of-credit during the fiscal year ended June 30, 2022 hence, no interest expense was incurred on the lines-of-credit in 2022.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 8. Long-term Debt

Long-term debt consist of the following at June 30, 2022:

|                                                        |                      |
|--------------------------------------------------------|----------------------|
| Colorado Educational and Cultural Facilities Authority |                      |
| Variable Rate Demand Revenue Bonds                     | \$ 8,600,000         |
| Taxable Variable Rate Demand Bond                      | 1,960,000            |
| Term Loan - The Morningstar Foundation                 | 3,629,313            |
|                                                        | <u>14,189,313</u>    |
| Less: unamortized bond issue costs, net                | 115,380              |
|                                                        | <u>14,073,933</u>    |
| Less: current portion                                  | 1,336,281            |
|                                                        | <u>\$ 12,737,652</u> |

#### Bonds

To finance the building acquisition and additional improvements, Federation and JFGW Building LLC issued as co-borrowers, a mix of tax-exempt bonds and taxable debt through the National Jewish Federation Bond Program and PNC Bank.

On March 19, 2013, the Colorado Educational and Cultural Facilities Authority on behalf of Federation issued an \$8,600,000 tax-exempt bond which matures March 1, 2043. The bond is subject to monthly interest at a rate of 70% of LIBOR plus 107 basis points which amounted to 2.09% as of June 30, 2022. Interest is payable monthly that commenced April 1, 2013. The bond is subject to periodic principal redemption starting on October 1, 2027. On the same date, Federation issued a \$4,800,000 taxable bond which matures April 1, 2027. The bond is subject to monthly interest at a rate of LIBOR plus 105 basis points which amounted to 2.50% as of June 30, 2022. Interest is payable monthly that commenced on April 1, 2013. The first principal payment date was on October 1, 2013. Federation incurred bond issue costs on this debt amounting to \$167,075. Interest expense incurred on the bonds in 2022 amounted to \$136,561.

Federation is required to comply with certain covenants, among others, every December 31 and June 30 a ratio of Unrestricted Liquid Assets to Funded Debt of not less than 1.00 to 1.00.

In relation to the above debt, on April 1, 2013, Federation entered into two interest rate swaps to minimize cash flow fluctuations of interest payments caused by the volatility of LIBOR, which is the index rate upon which interest are calculated. The first swap has a notional value of \$8.0 million and matures on March 1, 2028 and has fixed the interest rate of the tax-exempt bond at 2.82%. The second swap has an initial notional value of \$4.4 million (current notional value of \$1.6 million) and matures on October 1, 2026 and has fixed the interest rate on the taxable bonds at 2.72%. Interest expense incurred in relation to these swaps in 2022 amounted to \$149,266.

#### Term Loan - The Morningstar Foundation

On October 11, 2018, Federation entered into an eight-year term loan with the Morningstar Foundation for \$3 million. The loan is subject to interest of 2.5% annually. The purpose of this term loan is to pay off remaining liabilities arising from Federation's defined benefit plan which was terminated effective August 31, 2018. The term loan is subject to various financial reporting

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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requirements. Federation is in compliance with all the reporting requirements at June 30, 2022. On June 30, 2021, Federation entered into another eight-year term loan with the Morningstar Foundation for \$4.8 million. The loan is subject to interest of 2.5% annually. The purpose of this term loan is for working capital requirements. Total interest expense incurred in 2022 amounted to \$146,902.

Maturities of debt are as follows:

---

|            |    |            |
|------------|----|------------|
| 2023       | \$ | 1,341,281  |
| 2024       |    | 1,351,281  |
| 2025       |    | 1,361,281  |
| 2026       |    | 1,097,710  |
| 2027       |    | 437,760    |
| Thereafter |    | 8,600,000  |
|            | \$ | 14,189,313 |

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### 9. Net Assets Without Donor Restrictions

Internally designated quasi-endowment represents funds earmarked to be spent in accordance to Federation's spending policy. These funds are included in the endowment fund and are intended to be invested to provide Federation with long-term, stable and consistent funding.

The composition of net assets without donor restrictions by type as of June 30, 2022 are as follows:

|                                                    |           |                   |
|----------------------------------------------------|-----------|-------------------|
| Undesignated                                       | \$        | 64,796,924        |
| Internally Designated Quasi-Endowment              |           | 35,140,999        |
| <b>Total net assets without donor restrictions</b> | <b>\$</b> | <b>99,937,923</b> |

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# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2022:

|                                                                                    |                       |
|------------------------------------------------------------------------------------|-----------------------|
| Subject to expenditure for a specified purpose:                                    |                       |
| Donor Designated and Donor Advised Funds                                           | \$ 57,944,557         |
| Field of Interest Funds                                                            | 17,726,448            |
| Internal Projects and Grants                                                       | 6,128,364             |
| <hr/>                                                                              |                       |
| Total subject to expenditure for a specified purpose                               | 81,799,369            |
| <hr/>                                                                              |                       |
| Subject to the passage of time:                                                    |                       |
| Assets held under split-interest agreements                                        | 352,718               |
| <hr/>                                                                              |                       |
| Total subject to the passage of time                                               | 352,718               |
| <hr/>                                                                              |                       |
| Subject to Federation's endowment spending policy and appropriation:               |                       |
| Perpetual Annual Campaign Endowment Funds ("PACE Funds")                           | 13,347,394            |
| Lion of Judah Endowment Funds ("LOJE Funds")                                       | 7,496,895             |
| General Support                                                                    | 7,144,104             |
| <hr/>                                                                              |                       |
| Total subject to Federation's endowment spending policy and appropriation          | 27,988,393            |
| <hr/>                                                                              |                       |
| Subject to requirement to maintain corpus in perpetuity:                           |                       |
| Original donor-restricted gift amount and amounts required to be retained by donor | 27,649,102            |
| <hr/>                                                                              |                       |
| Total subject to requirement to maintain corpus in perpetuity                      | 27,649,102            |
| <hr/>                                                                              |                       |
| <b>Total net assets with donor restrictions</b>                                    | <b>\$ 137,789,582</b> |

Donor Designated funds are established by a donor to make distributions to one or a limited number of specified projects or grantee-organizations. Distributions are made in accordance with the donor's restriction in the gift instrument.

Field of interest funds are established for a purpose specifically restricted by a donor at the time the fund is established, or gifts are accepted. The chosen purpose must serve the general purposes of Federation.

Internal projects and grants are funds already committed to various grantee-organizations and internal programs which are undistributed as of reporting date.

PACE funds are named endowment funds. The minimum gift for establishing a named PACE fund is \$10,000. Federation's spending policy is applied to the balance of a PACE fund at the end of the fiscal year to determine the amount to be distributed to the annual campaign contributions.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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LOJE funds are endowment funds designed for women donors and require a minimum amount of \$100,000. Federation's spending policy is applied to the balance of a LOJE fund at the end of the fiscal year to determine the amount to be distributed to the annual campaign contributions.

Net assets are released from donor restrictions when expenditures are made in accordance with the purposes specified by the donor. The following net assets were released from restrictions during the year ended June 30, 2022:

|                                                                     |                     |
|---------------------------------------------------------------------|---------------------|
| Purpose restrictions accomplished                                   | \$ 3,815,254        |
| Release of appropriated endowment amounts with purpose restrictions | 5,905,296           |
| <hr/>                                                               |                     |
| <b>Total net assets released from restrictions</b>                  | <b>\$ 9,720,550</b> |

### 11. Endowment

Endowment Net Asset Classifications - In August 2008, FASB issued ASC 958-205, *Reporting Endowment Funds*. ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization. Federation is subject to the State of Maryland's Uniform Prudent Management of Institutional Funds Act (UPMIFA), and has adopted ASC 958-205 as of July 1, 2008, as required.

Federation has interpreted the State of Maryland's UPMIFA as requiring the preservation of the fair value of the original 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, Federation classifies as net assets with donor restrictions (a) the original value of gifts donated to the fund, and (b) the original value of subsequent gifts to the fund. The associated gains and income on donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Federation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gift donated to the fund ("underwater endowment"). These deficiencies result from unfavorable market fluctuations that erode the accumulated gains of the donor-restricted endowment funds. It is the policy of Federation not to appropriate funds from donor-restricted underwater endowment funds. As of June 30, 2022, there were no donor-restricted endowment funds with a fair value less than their historical corpus value.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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Endowment Investment and Spending Policies - Endowment assets include those assets of donor-restricted funds that Federation must hold in perpetuity or for a donor-specified period. 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.

The primary financial objective of the investment policy is to maintain intergenerational equity by preserving and enhancing real purchasing power, while at all times keeping in mind the utmost importance of protecting capital. The primary investment objective of the investment policy is to secure sufficient income and portfolio growth over time to meet the ongoing requirements of Federation. Federation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Federation's spending policy governs the use of resources in the various endowment funds for program expenses and administrative costs. Endowment funds are used for the specified purpose, or over the specified time period, as indicated by the donor. Endowment funds for which there is some discretion in how the funds are expended are not used to cover operating deficits in specific units.

The annual amount made available for spending, also known as the annual "spending rate", from endowment funds is determined as 4% of the 20-quarter trailing average market value of the endowment.

Federation's endowment consists of funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The following table represents the changes in endowment net assets for the year ended June 30, 2022:

|                                                                                        | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
|----------------------------------------------------------------------------------------|-------------------------------|----------------------------|-----------------------|
| Endowment net assets, beginning of year                                                | \$ 85,675,885                 | \$ 142,250,955             | \$ 227,926,840        |
| Investment return, net                                                                 | (564,343)                     | (20,262,676)               | (20,827,019)          |
| Contributions                                                                          | 17,511,209                    | 13,301,939                 | 30,813,148            |
| Amounts appropriated for expenditures                                                  | (16,606,395)                  | (3,815,255)                | (20,421,650)          |
| Change in contributions received due to changes in donors' intention and circumstances | (186,254)                     | 186,254                    | -                     |
| Transfer to/from Federation/Endowment                                                  | 980,983                       | -                          | 980,983               |
| <b>Endowment net assets, end of year</b>                                               | <b>\$ 86,811,085</b>          | <b>\$ 131,661,217</b>      | <b>\$ 218,472,302</b> |

The amounts shown in this footnote only reflect the endowment net assets and the classification of the components. Thus, the amounts shown in the footnote as without donor restrictions and with donor restrictions do not appear in the consolidated statement of financial position as separate

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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amounts. These amounts are included in the totals shown in the consolidated statement of financial position for these net asset classes.

### 12. Retirement Plans

Defined Contribution Plan: Federation has a defined contribution pension plan. Employees are eligible to participate after one year of service and 21 years of age. Federation contributes 5% of eligible salaries for all employees annually. Total pension expense for the year ended June 30, 2022 was \$166,625.

Deferred Compensation Plan: Federation has a frozen deferred compensation plan to provide supplemental retirement benefits to nine former employees. Federation recorded an actuarially calculated reserve, which is included in accounts payable and accrued expenses. The total reserve for the deferred compensation plan at June 30, 2022 was \$488,742. Total deferred compensation expense recognized in 2022 amounted to \$51,265.

### 13. Commitments and Contingencies

#### Commitments

Alternative investments, which include private equity investments, have rolling lockups ranging from one to five years. Federation is obligated under certain limited partnership agreements to fund certain partnership investments periodically up to a specified level. At June 30, 2022, Federation had unfunded commitments of \$22,816,996. Such commitments are generally called over periods of up to seven years and contain fixed expiration dates or other termination clauses.

#### Tenant Income

The minimum future lease rental income is as follows:

*Years ending June 30,*

|            |    |           |
|------------|----|-----------|
| 2023       | \$ | 1,163,162 |
| 2024       |    | 1,142,366 |
| 2025       |    | 643,668   |
| 2026       |    | 538,461   |
| 2027       |    | 538,461   |
| Thereafter |    | 3,858,970 |
| Total      | \$ | 7,885,088 |

#### Gain (Loss) Contingency

Beginning in at least June 2020 and continuing until August 2020, Federation was a victim of a cyber incident. A total of \$7,510,700 in endowment funds co-invested with Federation on behalf of a community agency were compromised. The incidents were discovered on August 5, 2020 and Federation immediately engaged a law firm to investigate the attacks. Mitigation efforts undertaken by the law firm resulted in the return of \$3,244,137 seized from overseas accounts between February and April 2021. Federation signed an agreement with the community agency in May 2021 agreeing to repay all diverted funds as well as lost investment performance and legal fees. During the year ended June 30, 2022, Federation recorded insurance recoveries of \$2,850,000 for

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

insurance proceeds received in settlement of various claims related to the matter. The total net recognized loss as of June 30, 2022 is \$2,987,992. Federation is continuing to pursue additional insurance recoveries.

|                                               |    |             |
|-----------------------------------------------|----|-------------|
| Diverted funds                                | \$ | 7,510,700   |
| Lost investment performance                   |    | 1,499,429   |
| Reimbursed legal fees of the community agency |    | 72,000      |
| <hr/>                                         |    |             |
| Total initial loss                            |    | 9,082,129   |
| Less: insurance recoveries                    |    | (2,850,000) |
| Less: amounts clawed back from overseas       |    | (3,244,137) |
| <hr/>                                         |    |             |
| Total recognized loss                         | \$ | 2,987,992   |

### 14. Fair Value Disclosure of Financial Instruments

The estimated fair values of the financial instruments of Federation are as follows at June 30, 2022:

| Description                                                           | Carrying Amount | Fair Value     |
|-----------------------------------------------------------------------|-----------------|----------------|
| <hr/>                                                                 |                 |                |
| Assets:                                                               |                 |                |
| Cash and cash equivalents                                             | \$ 16,844,070   | \$ 16,844,070  |
| Promises to give and other receivables, net of allowance and discount | \$ 3,796,426    | \$ 3,796,426   |
| Investments                                                           | \$ 268,452,857  | \$ 268,452,857 |
| Interest rate swap asset                                              | \$ 140,601      | \$ 140,601     |
| Liabilities:                                                          |                 |                |
| Long-term debts, net of costs                                         | \$ 14,073,933   | \$ 14,073,933  |
| Split-interest agreements                                             | \$ 3,121,604    | \$ 3,121,604   |

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents: The carrying value is considered to be a reasonable estimate of the fair value.

Promises to give and other receivables: Promises to give are recorded at fair value when the notice of intent is received. The fair value of promises to give is estimated by discounting the estimated future cash flows to their present values, using the risk-free rates of interest at the date of the consolidated statement of financial position.

Investments:

Mutual Funds - Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include government securities, bonds and global equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These instruments, which would generally be classified within Level 2 of the valuation hierarchy, include Israel bonds.



# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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*Alternative Investments* - These investments include absolute return, directional hedge, private equity, real assets and fund of funds - private equity, which are subject to certain restrictions and generally, have no established trading market. Fair value is determined based on the fund's NAV as provided by the investee fund management or general partner of the respective entity, unless other factors lead to a determination of a fair value at a different amount. These adjustments are made in cases where certain features and conditions of the investment warrant a further adjustment, either a discount or premium, to NAV, such as recent financial information received. These alternative investments are reported investments valued at NAV per share as determined by investment managers under the so called "practical expedient".

Included in the alternative investments is \$29,883,992 in absolute return. The strategies of the absolute return investments is to make positive returns by employing investment management techniques that differ from traditional mutual funds using short selling, futures, options, derivatives, leverage and unconventional assets.

\$44,003,051 of alternative investments are in directional hedge funds. The objective of the directional hedge funds is to maintain exposure to the stock market seeking higher returns over the long run. Also included in the alternative investments are investments in real assets of \$1,261,794 which are invested in areas that offer strong relative performance in rising inflation environments.

Private equity makes up \$13,439,884 of alternative investments which seek to acquire a diversified portfolio of private investments, leveraged buyouts, mezzanine and venture capital funds.

Included in the alternative investments is \$19,409,916 in commingled funds. The strategies of the commingled funds are to seek capital appreciation by allocating assets among private investments to produce an absolute return. These investments are often called "Fund of Funds."

Interest rate swap asset: The estimate of fair value of the interest rate swap received at year end approximates its carrying amount, which represents the amount Federation would receive to exit the swap agreement taking into account current interest rates. Given that the swaps do not have quoted market prices and are not actively traded, their valuation is based on Level 3 inputs within the hierarchy used in measuring fair value.

Long-term debt: The fair value of the long-term debt approximates the amount payable at the reporting date as the interest rate varies with current rates.

Split-interest agreements: Split-interest agreements are calculated at the present value of future cash flows which approximates fair market value.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

The following table sets forth the fair values of financial assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2022:

| Description                          | Level 1               | Level 2             | Level 3     | Total                 |
|--------------------------------------|-----------------------|---------------------|-------------|-----------------------|
| Investment - Endowment Fund:         |                       |                     |             |                       |
| Publicly Traded:                     |                       |                     |             |                       |
| Domestic Equity Funds                | \$ 55,506,779         | \$ -                | \$ -        | \$ 55,506,779         |
| Fixed Income Fund                    | 30,193,833            | -                   | -           | 30,193,833            |
| International Equity Fund            | 44,782,060            | -                   | -           | 44,782,060            |
| Global Equity                        | 18,954,290            | -                   | -           | 18,954,290            |
| Domestic Equity                      | 2,207,765             | -                   | -           | 2,207,765             |
| Other:                               |                       |                     |             |                       |
| Cash and cash equivalents and others | 3,754,383             | -                   | -           | 3,754,383             |
| Israel Bonds                         | -                     | 5,013,363           | -           | 5,013,363             |
| Investment - Federation:             |                       |                     |             |                       |
| Others (including Israel Bonds)      | -                     | 41,747              | -           | 41,747                |
|                                      | <u>\$ 155,399,110</u> | <u>\$ 5,055,110</u> | <u>\$ -</u> | <u>\$ 160,454,220</u> |

Investment measured at Net Asset Value (NAV)\* 107,998,637

Interest rate swap asset 140,601

Total assets, at fair value \$ 268,593,458

Split-interest agreements \$ - \$ - \$ (3,121,604) \$ (3,121,604)

Total liabilities, at fair value \$ - \$ - \$ (3,121,604) \$ (3,121,604)

\*Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy table to the investment balance in the consolidated statement of financial position.

Federation recorded a gain on interest rate swap liability of \$770,543 and had a net repayment to participants on split interest agreements for \$243,639.

**Quantitative Information** - Quantitative information as of June 30, 2022, with respect to assets and liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) follows:

| Description               | Fair Value as of Principal Valuation |                                                                     |                                                                          | Weighted Average |
|---------------------------|--------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------|
|                           | June 30, 2022                        | Techniques                                                          | Unobservable Inputs                                                      |                  |
| Split-interest agreements | \$ (3,121,604)                       | Income Approach                                                     | Discount Rates<br>Life Expectancies<br>Payouts<br>Allocation Percentages | N/A              |
| Interest rate swap asset  | \$ 140,601                           | Counterparty<br>Valuation without<br>Credit Valuation<br>Adjustment | Floating Swap Rate<br>(Libor) Projection                                 | N/A              |

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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Quantitative unobservable inputs are not developed by Federation in the valuation of its investments or swap liabilities. Federation uses the values reported by each fund manager as the basis for valuation noting that the valuation techniques and unobservable inputs vary widely among its fund managers. The swap liabilities are non-complex instruments and are valued using standard yield curves adjusted to mid-market values as deemed appropriate by the counterparties.

*Level 3 and NAV Valuation Process* - Absent a solid, reliable quantitative model to assess the reasonableness of investment manager reported valuations, management applies qualitative measures which consist of various informational analyses including:

- Comparisons of reported performance to benchmark performances.
- Reviews of external audit reports of each fund.
- Reviews of SSAE16 reports of each fund where available.
- Monitoring and evaluations of relevant news in the financial press.
- Participation in conference calls, presentations, or investor meetings conducted by investment managers.
- Consideration and review of non-public information available through subscription financial information services and/or communications from individual fund managers.
- Consideration of fund managers' delivery of quality and timely fund performance information, risk analysis, market outlook analysis and overall responsiveness to investor queries and requests for information.

Federation's investment advisor also performs on-going due diligence of the funds which includes evaluation of each fund manager's investment process, organizational changes, compliance with applicable rules and regulations, review of fees and charges, and analysis of performance, leverage, return patterns, volatility over time, drawdowns and recovery periods, gross and net exposures, and other factors as determined to be appropriate. The investment advisor also has regular calls with management of the funds and meets periodically with Federation's investment committee and reports the performance of the funds. There were no changes in valuation techniques noted for these funds for 2022.

For interest rate swap receivable, Federation tracks quoted values for each instrument monthly to assess the reasonableness of reported values. Management also ensures that there have not been any changes in the underlying terms of each swap during the year.

### 15. Net Asset Value (NAV) Per Share

In accordance with ASU 2009-12, "*Fair Value Measurements and Disclosures (Topic 820) - Investment in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*", Federation expanded disclosures to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which fair value is not readily determinable, as of June 30, 2022. For Federation, such assets include the alternative investments.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

The following table sets forth a summary of Federation's investments with a reported NAV as of June 30, 2022:

| Investment Type                | Fair Value     | Unfunded Commitments | Redemption Frequency         | Notice Period (Days) |
|--------------------------------|----------------|----------------------|------------------------------|----------------------|
| Alternative Investments        |                |                      |                              |                      |
| Absolute Return                | \$ 29,883,992  | \$ 8,966,000         | monthly, quarterly, annually | 45-120               |
| Directional Hedge              | 44,003,051     | 1,700,770            | monthly, quarterly, annually | 45-120               |
| Private Equity                 | 13,439,884     | 8,007,206            | No immediate liquidity*      | n/a                  |
| Real Assets                    | 1,261,794      | 828,078              | No immediate liquidity*      | n/a                  |
| Fund of Funds - Private Equity | 19,409,916     | 3,314,942            | No immediate liquidity*      | n/a                  |
|                                | \$ 107,998,637 | \$ 22,816,996        |                              |                      |

\*Non-marketable alternative assets (NMAA), or alternative investments, included above have varying withdrawal restrictions. The typical NMAA fund cycle provides for an initial investment period of 1-5 years, a growth management phase of 2-7 years, and realization/distribution of investment returns over years 7-10.

### 16. Supplemental Disclosures of Cash Flow Information

Federation and its Subsidiary paid \$432,729 for interest for the year ended June 30, 2022.

Federation and its Subsidiary paid \$135,000 for income taxes for the year ended June 30, 2022.

### 17. Risk and Uncertainties

Federation's financial condition, operations and liquidity have not been significantly impacted by the global pandemic. The global pandemic of COVID-19 continues to rapidly evolve, and Federation will continue to monitor the COVID-19 situation closely. Although Federation cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse impact on Federations' result of future operations, financial position and liquidity in fiscal year 2023.

### 18. Subsequent Events

On April 3, 2023, Federation entered into first amendment to the taxable and tax-exempt bond agreements to replace the basis of interest of these bonds from LIBOR to Secured Overnight Financing Rate (SOFR) published by the federal Bank of New York. No other terms and conditions of the bonds were amended. On the same date, Federation entered into an amendment to the interest rate swap agreement covering these bonds to incorporate the change in the basis of the interest rate. The fixed rates on these swaps remain the same.

On June 1, 2023, Federation executed a contract to extend the maturity date of its lines-of-credit to May 31, 2024.

# The Jewish Federation of Greater Washington, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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Federation evaluated subsequent events through June 12, 2023 which is the date the consolidated financial statements were issued. No other subsequent events were noted that required disclosure in the consolidated financial statements apart from that described above.