

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

**Consolidated Financial Statements  
(With Supplemental Information)  
and Independent Auditor's Report**

**June 30, 2023**

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

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## Independent Auditor's Report

Board of Directors  
The Jewish Federation of Greater Washington, Inc. and Subsidiary  
North Bethesda, Maryland

### *Opinion*

We have audited the consolidated financial statements of The Jewish Federation of Greater Washington, Inc. and Subsidiary (collectively, "Federation"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and change in net assets, 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 The Jewish Federation of Greater Washington, Inc. and Subsidiary as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *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 Consolidated 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 for one year after the date that the consolidated financial statements are issued or are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position by fund and consolidating statement of activities and change in net assets by fund are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Bethesda, Maryland  
May 9, 2024

The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Statement of Financial Position  
June 30, 2023

Assets

Assets	
Cash and cash equivalents	\$ 15,845,474
Receivables, net	4,816,139
Investments	277,550,676
Cash surrender value of life insurance	6,031,007
Other assets	1,096,227
Land, building and equipment, net	15,914,077
Interest rate swap	407,901
Donated assets	913,961
	<hr/>
Total assets	\$ 322,575,462

Liabilities and Net Assets

Liabilities	
Allocations to beneficiary organizations	\$ 12,125,715
Accounts payable and accrued expenses	2,792,176
Due to agencies and supporting organizations	39,440,796
Long-term debt, net	13,345,306
Split-interest agreements	2,840,638
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Total liabilities	70,544,631
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Net assets	
Without donor restrictions	108,226,849
With donor restrictions	143,803,982
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Total net assets	252,030,831
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Total liabilities and net assets	\$ 322,575,462

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Activities and Change in Net Assets  
Year Ended June 30, 2023**

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions - Jewish Community Foundation	\$ 10,623,184	\$ 2,814,937	\$ 13,438,121
Contributions - Federation	14,119,220	4,230,377	18,349,597
Contributed non-financial assets	1,522,097	-	1,522,097
Other	312,233	-	312,233
Change in value of split-interest agreements and annuity payments	(111,649)	-	(111,649)
Investment income, net	8,277,940	9,808,002	18,085,942
Net assets released from restrictions	10,838,916	(10,838,916)	-
<b>Total support and revenue</b>	<b>45,581,941</b>	<b>6,014,400</b>	<b>51,596,341</b>
Commercial building operations			
Revenues	1,562,563	-	1,562,563
Expenses	(2,158,929)	-	(2,158,929)
Net unrealized gain on interest rate swap	267,366	-	267,366
<b>Net loss on commercial building operations</b>	<b>(329,000)</b>	<b>-</b>	<b>(329,000)</b>
<b>Total support, revenue and commercial building operations</b>	<b>45,252,941</b>	<b>6,014,400</b>	<b>51,267,341</b>
Expenses			
Program services			
Allocations to beneficiary organizations	23,390,339	-	23,390,339
Community planning and outreach program	7,934,580	-	7,934,580
<b>Total program services</b>	<b>31,324,919</b>	<b>-</b>	<b>31,324,919</b>
Supporting services			
Management and general	3,086,983	-	3,086,983
Fundraising	2,552,113	-	2,552,113
<b>Total supporting services</b>	<b>5,639,096</b>	<b>-</b>	<b>5,639,096</b>
<b>Total operating expenses</b>	<b>36,964,015</b>	<b>-</b>	<b>36,964,015</b>
<b>Change in net assets</b>	<b>8,288,926</b>	<b>6,014,400</b>	<b>14,303,326</b>
<b>Net assets, beginning of year</b>	<b>99,937,923</b>	<b>137,789,582</b>	<b>237,727,505</b>
<b>Net assets, end of year</b>	<b>\$ 108,226,849</b>	<b>\$ 143,803,982</b>	<b>\$ 252,030,831</b>

See Notes to Consolidated Financial Statements.

The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Statement of Functional Expenses  
Year Ended June 30, 2023

	Program services			Supporting Services				
	Allocations to beneficiary organizations	Other community programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Commercial Building	Total
Salaries	\$ -	\$ 3,410,526	\$ 3,410,526	\$ 1,097,858	\$ 1,616,672	\$ 2,714,530	\$ -	\$ 6,125,056
Taxes and benefits	-	707,112	707,112	233,332	339,334	572,666	-	1,279,778
Total personnel expenses	-	4,117,638	4,117,638	1,331,190	1,956,006	3,287,196	-	7,404,834
Grant expenses	23,390,339	-	23,390,339	-	-	-	-	23,390,339
Accounting and auditing	-	39,592	39,592	80,384	-	80,384	106,312	226,288
Advertising and promotion	-	47,571	47,571	2,388	8,789	11,177	-	58,748
Bad debt expense	-	30,472	30,472	61,869	-	61,869	-	92,341
Bank and credit card fees	-	98,041	98,041	129,364	16,082	145,446	3,010	246,497
Depreciation and amortization	-	44,341	44,341	90,027	-	90,027	579,899	714,267
Dues and subscriptions	-	28,624	28,624	14,411	16,350	30,761	3,473	62,858
Events and meetings	-	216,168	216,168	24,680	19,505	44,185	81	260,434
In-kind contribution: legal fees	-	502,292	502,292	1,019,805	-	1,019,805	-	1,522,097
Insurance premium	-	69,516	69,516	21,113	32,522	53,635	19,964	143,115
Interest expense	-	45,134	45,134	23,253	18,195	41,448	307,316	393,898
Office expense	-	58,370	58,370	15,556	19,382	34,938	232,347	325,655
Postage and printing	-	47,536	47,536	3,883	104,145	108,028	576	156,140
Professional development and other benefits	-	36,143	36,143	82,547	6,604	89,151	105	125,399
Professional fees	-	1,212,715	1,212,715	80,450	189,858	270,308	213,785	1,696,808
Program supplies - books	-	314,332	314,332	34	122	156	-	314,488
Security services	-	536,022	536,022	101	-	101	35,048	571,171
Technology contracts & services	-	309,635	309,635	80,980	128,329	209,309	-	518,944
Travel	-	147,790	147,790	14,492	21,194	35,686	-	183,476
Taxes	-	-	-	-	-	-	141,847	141,847
Utilities	-	32,648	32,648	10,456	15,030	25,486	515,166	573,300
Total expenses	\$ 23,390,339	\$ 7,934,580	\$ 31,324,919	\$ 3,086,983	\$ 2,552,113	\$ 5,639,096	\$ 2,158,929	\$ 39,122,944

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Cash Flows  
Year Ended June 30, 2023**

Cash flows from operating activities	\$ 14,303,326
Change in net assets	
Adjustments to reconcile change in net assets to net cash used in operating activities	
Bad debt expense	92,341
Depreciation and amortization expense	714,267
Change in allowance for uncollectible pledge receivables	69,551
Change in amortization of discount on note receivable	(50,831)
Change in split-interest agreements liability	(280,966)
Donation of asset	(650,000)
Unrealized and realized gains on investments	(14,325,067)
Gain on life insurance policies	(800,975)
Gain on interest rate swaps	(267,366)
Endowment contributions	(726,959)
Amortization of debt issuance costs	5,570
Change in	
Receivables	(1,130,774)
Other assets	(498,577)
Allocations to beneficiary organizations	(469,181)
Accounts payable and accrued expenses	(570,133)
Due to agencies and supporting organizations	(1,788,071)
Net cash used in operating activities	<u>(6,373,845)</u>
Cash flows from investing activities	
Purchases of property and equipment	(134,759)
Purchases of investments	(42,886,044)
Sales and maturities of investments	48,113,292
Proceeds from sale of donated asset	289,998
Net cash provided by investing activities	<u>5,382,487</u>
Cash flows from financing activities	
Endowment contributions	726,959
Principal payments of long-term debt	(734,197)
Net cash used in financing activities	<u>(7,238)</u>
Decrease in cash and cash equivalents	(998,596)
Cash and cash equivalents, beginning of year	<u>16,844,070</u>
Cash and cash equivalents, end of year	<u>\$ 15,845,474</u>
Supplemental disclosures of cash flow information	
Interest paid	<u>\$ 503,919</u>
Income taxes paid	<u>\$ 84,427</u>
Donation of non-cash assets	<u>\$ 650,000</u>

See Notes to Consolidated Financial Statements.



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

### Notes to Consolidated Financial Statements June 30, 2023

#### Note 1 - Organization and Significant Accounting Policies

##### Organization

The Jewish Federation of Greater Washington, Inc. ("The Jewish Federation") began in 1925 as the Jewish Welfare Association. The Jewish Community Foundation of Greater Washington ("Foundation") is a fund within The Jewish Federation, that with The Jewish Federation today support 61 local agencies and programs, 13 national organizations, 16 overseas partners and programs, and more than 90 congregations.

To accomplish its goals, The Jewish 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.

The Jewish 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, The Jewish 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, The Jewish 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 ("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. The Jewish Federation has a 100% membership interest in JFGW Building LLC.

##### Principles of consolidation

The consolidated financial statements include the accounts of The Jewish Federation and JFGW Building LLC (collectively, "Federation"). All significant intercompany accounts and transactions between the organizations have been eliminated in consolidation.

##### Income taxes

The Federation is exempt from payment of income taxes on their exempt-purpose activities under Section 501(c)(3) of the Internal Revenue Code. In addition, the 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. The Federation and JFGW Building LLC paid \$84,427 in federal and state income taxes during the fiscal year ended June 30, 2023, in connection with unrelated debt-financed income on certain partnerships owned by the Federation. No amounts were payable as of June 30, 2023.

The Federation and JFGW Building LLC believe that they have appropriate support for any tax positions taken, and, as such, do not have any uncertain tax positions that are material to the consolidated financial statements. The Federation and JFGW Building LLC recognize penalties and interest related to unrecognized tax benefits in management and general expenses on the consolidated statement of activities and change in net assets. There is no provision in these consolidated financial statements for penalties and interest related to unrecognized tax benefits for

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

### Notes to Consolidated Financial Statements June 30, 2023

the year ended June 30, 2023. Tax years prior to 2020 for the Federation and JFGW Building LLC are no longer subject to examination by the Internal Revenue Service or the tax jurisdiction of Maryland.

#### **Basis of accounting**

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

#### **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 and investments, regardless of maturity that are held by the investment advisor, are considered investments.

The Federation maintained cash balances in its cash and cash equivalents in excess of Federal Deposit Insurance Corporation coverage. The amount of the uninsured deposits at June 30, 2023 was approximately \$15,115,000.

#### **Impairment of long-lived assets**

The 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. At June 30, 2023, the Federation had no impairment of assets.

#### **Receivables, net**

The Federation records all receivables net of an allowance for doubtful accounts. The need for allowances is determined based on a review of the estimated collectability of the specific assets, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowances for doubtful accounts once management determines an account, or a portion thereof, to be worthless.

Unconditional promises to give are recorded at the date the contribution is made discounted to their present values using a risk free rate at the time the promise is made. Conditional promises to give are not recorded until the conditions are satisfied. Amortization of the discount is included in contributions revenue in the consolidated statement of activities and change in net assets. The allowance for uncollectible unconditional promises to give was \$827,263 at June 30, 2023. Bad debt expense for the year ended June 30, 2023 was \$92,341.

Other receivables are carried at their original invoice amounts. All other receivables are deemed collectible by management as of June 30, 2023; therefore, no allowance has been provided in the consolidated financial statements.

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

### Notes to Consolidated Financial Statements June 30, 2023

#### **Investments**

Investments, except for State of Israel bonds, are recorded at fair value on the consolidated statement of financial position based on quoted market prices if actively traded, or net asset values ("NAVs") provided by investment managers. Donated securities are recorded at fair value as of the date of the contribution and are converted to cash nearly immediately upon receipt and reported as cash flows from operating activities. Money market funds held in investment accounts with investment institutions are classified as investments on the consolidated statement of financial position. State of Israel bonds are recorded at face value because these bonds are typically held to maturity and do not have readily determinable fair values. Investment income or loss, including realized and unrealized holding gains and losses, is included in the consolidated statement of activities and change in net assets as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or law.

Investments in alternative strategies include private equity, real estate, and hedge and absolute return funds for which there may be no ready market to determine fair value. The funds may contain lockup provisions and redemption restrictions. For these investments, the 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.

Investments are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could result in a change in fair value of the investment balances and amounts reported in the accompanying consolidated financial statements, which could be material.

The Federation employs an independent investment advisor to oversee its investment portfolio and to achieve investment objectives. Investment guidelines and policies, which are diversified in terms of investment return and risk are provided to the investment advisor by the Federation.

See Note 14 for discussion of fair value measurements.

#### **Cash surrender value**

The Federation is the owner and beneficiary of 80 life insurance policies. Adjustments to the policies are recorded to the consolidated statement of activities and change in net assets. The cash surrender value of these policies was \$6,031,007 at June 30, 2023. The sum of all death benefits, which will be added to Jewish Community Foundation Fund assets after the death of the insured, is approximately \$28,900,000.

#### **Land, building and equipment, net**

Land, building and equipment in excess of \$2,000 with an estimated useful life of more than one year is capitalized and recorded at cost. Land is not depreciated or amortized. Building is depreciated on a straight-line basis over its estimated useful life (39 years). Equipment is depreciated or amortized on the straight-line basis over the estimated useful lives of the assets (3 - 10 years). Leasehold improvements are amortized over the estimated useful lives of the improvements or the terms of the lease, whichever is shorter. Depreciation and amortization expense totaled \$714,267 for the year ended June 30, 2023.

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

### Notes to Consolidated Financial Statements June 30, 2023

#### **Donated assets - land and property**

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

#### **Bond issuance costs**

Bond issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the bond payable to which such costs related. Bond issuance costs are amortized over the terms of the bonds and recorded to interest expense using the effective interest method over the stated redemption period of the bonds.

#### **Interest rate swap**

The Federation uses an interest rate swap to hedge its interest rate risks. The interest rate swap is carried as an asset on the consolidated statement of financial position when the fair value is positive and as a liability on the consolidated statement of financial position when the fair value is negative. The change in fair value of the interest rate swap recorded as net unrealized gain on interest rate swap in the consolidated statement of activities and change in net assets.

#### **Allocations to beneficiary organizations**

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

#### **Due to agencies and supporting organizations**

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

#### **Split-interest agreements**

The 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 discount rates approved by the Board of Directors, which is 5.02%.

The Federation serves as the administrator for all split-interest agreements. A third party holds amounts received and the 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 and change in net assets as change in value of split-interest agreements.

Assets held in the split-interest agreements at June 30, 2023 amounted to \$4,182,717 and are included in investments in the consolidated statement of financial position. The liability for split-interest agreements on the consolidated statement of financial position at June 30, 2023 is \$2,840,638.

In accordance with regulations, the Federation has \$2,840,638 of assets held separately with restrictions reserved for annuity payments as of June 30, 2023, maintained in its investment portfolio.

In the event that future annuity liabilities exceeds the projected current liability for charitable gift annuities, the Federation holds net assets without donor restrictions as of June 30, 2023 of \$108,226,849 which would be available to pay annuity obligations.

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

### Notes to Consolidated Financial Statements June 30, 2023

#### Fair value measurement

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Federation has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

- Level 1: Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.
- Level 3: Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

The estimated fair value of investment in alternative investment funds, which are not readily marketable, is based on the value per share as provided by the funds. The Federation follows the measurement provisions in accordance with accounting principles generally accepted in the United States of America ("GAAP") which permits, as a practical expedient, fair value of these investments to be estimated using net asset value ("NAV") or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the fund, whose financial statements are prepared in a manner consistent with the measurement principles of an investment company or that has the attributes of an investment company.

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.

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

### Notes to Consolidated Financial Statements June 30, 2023

Additional information is included in Note 14.

#### **Net assets**

The Federation classifies its net assets into the following categories:

- Net assets without donor restrictions - represents the portion of expendable funds that are available for any purpose in performing the primary objectives of the Federation at the discretion of the Federation's management and the Board of Directors (the "Board"). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.
- Net assets with donor restrictions - represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Federation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of these assets permit the Federation to use the income earned on related investments for general or specific purposes. When a donor restriction expires as a result of a purpose restriction being accomplished, or as a result of a stipulated time restriction ending, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions on the consolidated statement of activities and change in net assets.

#### **Revenue recognition**

##### **Contribution revenue - Federation and Jewish Community Foundation**

Contributions are classified as either conditional or unconditional. Unconditional contributions of cash, other assets and promises to give are reported as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Unconditional contributions are recognized as revenue when the commitment to contribute is received. Revenue is recognized on a conditional contribution once a barrier or hurdle to be entitled to the resource is overcome and the resource provider is released from obligation to fund or has the right of return of any advanced funding if the Federation fails to overcome the barrier. The Federation has no conditional grants and contributions for which revenue has not been earned as of June 30, 2023.

Contributed non-financial assets are reported at fair value and recognized as revenue in the accounting period when they are received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are reported at their fair value in the period received. During the year ended June 30, 2023, the Federation received contributed professional services totaling \$1,552,097 from attorneys advising the Federation on various legal matters. These contributed services did not have donor-imposed restrictions and the estimated fair value is based on current rates. These services are included both as contributions and as in-kind contribution: legal fees expenses in the accompanying consolidated statement of functional expenses.

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

### Notes to Consolidated Financial Statements June 30, 2023

#### **Trusts and bequests**

Split-interest (trust) contributions are only recorded when the agreement becomes irrevocable. The 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 - Jewish Community Foundation fund in the consolidated statement of activities and change in net assets.

#### **Commercial building operations revenues**

Revenue consists of building rental income and fees. Revenue is recognized in the period the service is provided and the performance obligation is met.

#### **Functional allocation of expenses**

The Federation is organized into departmental cost centers. The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statements of activities and change in net assets and functional expenses.

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 functions 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 telephone and internet, as well as printing and computer expenses.

#### **Estimates**

Management uses estimates and assumptions in preparing these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could vary from the estimates that were used.

#### **Adoption of new accounting pronouncement**

During the year ended June 30, 2023, the Federation adopted FASB issued ASU 2020-05, *Leases* ("Topic 842"). Topic 842 requires recognition of rights and obligations arising from lease contracts as assets and liabilities on the consolidated statement of financial position. The Federation has implemented the provisions of Topic 842. Adopting the new standard did not have a material effect on the presentation of the consolidated financial statements.

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

## Notes to Consolidated Financial Statements June 30, 2023

### Note 2 - Liquidity and availability of resources

The following table reflects the Federation's financial assets as of June 30, 2023, available to meet general expenditures within one year of the reporting date:

Financial assets at year-end	
Cash and cash equivalents	\$ 15,845,474
Receivables, net	4,816,139
Investments	<u>277,550,676</u>
 Total financial assets available for all expenditures	 <u>298,212,289</u>
 Less those unavailable for general expenditure within one year	
Donors' funds subject to expenditure for a specified purpose/passage of time (Note 10)	(101,556,560)
Donors' funds subject to endowment spending policy and appropriation (Note 10)	(6,749,570)
Donors' funds subject to maintain corpus in perpetuity (Note 10)	(28,376,061)
Board-designated endowment funds (Note 9)	(37,006,201)
Board-designated non-endowment funds (Note 9)	(754,042)
Investments of agencies and supporting organizations (Note 4)	(39,440,796)
Liquid alternative investments (Note 14)	(56,236,200)
Investments related to split interest agreements	<u>(2,320,775)</u>
	<u>(272,440,205)</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 25,772,084</u>

The Federation manages liquidity through maintaining an operating budget. The operating budget (which includes the amount that the Federation intends to allocate to beneficiary agencies) is based on the results of the prior year annual campaign. This strategy allows the 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 the 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 the Federation's projected cash flow.

Board-designated endowments totaling \$37,006,201 and board-designated non-endowments totaling \$754,042 could become available if needed, with Board approval.

The Federation also maintains a total of \$6,500,000 in lines of credit, as discussed in Note 7 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 amount outstanding on the line of credit was \$0 at June 30, 2023.



The Jewish Federation of Greater Washington, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2023

**Note 3 - Receivables**

Receivables consist of the following at June 30, 2023:

Pledge receivables	\$	3,208,056
Note receivable		2,250,000
Other receivables		735,374
		<hr/>
Total receivables		6,193,430
Less allowance for uncollectible pledge receivables		(827,263)
Less discount to net present value of note receivable		(550,028)
		<hr/>
Receivables, net	\$	4,816,139
		<hr/>
Without donor restrictions, net	\$	1,967,622
With donor restrictions, net		2,848,517
		<hr/>
	\$	4,816,139
		<hr/>
Less than one year	\$	3,626,764
One year to five years		316,666
More than five years		2,250,000
		<hr/>
Total receivables	\$	6,193,430
		<hr/>

On May 1, 2022, the Federation became a beneficiary through assignment of a 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. The interest income on the note for the year ended June 30, 2023 amounted to \$45,000.

**Note 4 - Investments**

The Board of Directors directed the Jewish Community Foundation to administer and manage all unrestricted bequests made to the Federation. The Jewish Community Foundation invests these gifts, unless otherwise directed by the Executive Committee, within the investment funds of the Jewish Community Foundation. The principal of these funds may be distributed to the annual campaign and, upon a vote of a majority of the Federation's Board of Directors or Executive Committee, principal and/or income may be distributed for other Federation budgetary needs.

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

### Notes to Consolidated Financial Statements June 30, 2023

Investment consists of cash and cash equivalents, short-term, intermediate-term and long-term corporate and foreign bonds and State of Israel Bonds, U.S. Governmental securities, mutual funds and publicly traded stocks. Investments, at fair value and by net asset class, are as of follows at June 30, 2023:

Money market funds	\$	5,041,193
Fixed-income mutual funds		29,154,275
Common equity securities		29,906,458
Corporate and foreign bonds		
Israel bonds		5,072,217
Other corporate and foreign bonds		199,525
Exchange traded funds		31,165,148
Equity mutual funds		36,217,810
US governmental securities		360,316
Alternative Investments		
Hedge funds		89,065,917
Private equity		50,288,383
Cash equivalents		<u>1,079,434</u>
Total investments		277,550,676
Less: amounts due to agencies and supporting organizations (*)		<u>(39,440,796)</u>
Total investments, net of amounts due to agencies and supporting organizations	\$	<u><u>238,109,880</u></u>

(\*) Amounts due to agencies and supporting organizations represent funds transferred to the 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 and change in net assets.

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

At June 30, 2023, investments include donor endowments which had a fair value of \$35,125,631 and internally designated quasi endowments which had a fair value of \$37,006,201.

#### Note 5 - Land, building and equipment

Land, building and equipment at June 30, 2023 consist of the following:

Building	\$	17,999,498
Land		2,534,100
Furniture and equipment		983,991
Computers and software		<u>805,465</u>
		22,323,054
Less accumulated depreciation and amortization		<u>(6,408,977)</u>
Total land, building and equipment, net	\$	<u><u>15,914,077</u></u>

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

**Notes to Consolidated Financial Statements  
June 30, 2023**

**Note 6 - Allocations to beneficiary organizations**

The Federation's Board of Directors authorizes all allocations from Federation funds and its Jewish Community Foundation fund each fiscal year. Allocations for the year ended June 30, 2023 are recorded under program service expense on the consolidated statement of activities and change in net assets, are as follows:

	Jewish Federation of Greater Washington	Jewish Community Foundation	Total
Federation partner agencies	\$ 4,888,677	\$ 3,596,645	\$ 8,485,322
Local Jewish community programs	1,420,217	432,510	1,852,727
Israel and overseas partners	3,292,872	149,686	3,442,558
Israel community programs	722,500	-	722,500
National allocations	1,390,004	151,879	1,541,883
Other Foundation grants	-	7,345,349	7,345,349
	<u>\$ 11,714,270</u>	<u>\$ 11,676,069</u>	<u>\$ 23,390,339</u>

The allocations to other organizations are from recommendations of the donors of individual donor advised funds.

The amount due to allocations to beneficiary organizations at June 30, 2023 is \$12,125,715.

**Note 7 - Lines of credit**

The Federation has two unsecured lines-of-credit from PNC Bank totaling to \$6,500,000, which have a maturity date of May 31, 2024. 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, 2023. The Federation did not draw from the lines-of-credit during the fiscal year ended June 30, 2023 hence, no interest expense was incurred on the lines-of-credit in 2023.

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

**Notes to Consolidated Financial Statements  
June 30, 2023**

**Note 8 - Long-term debt, net**

Long-term debt consist of the following at June 30, 2023:

Colorado Educational and Cultural Facilities Authority variable rate demand revenue bond	\$ 8,600,000
Taxable variable rate demand bond	1,590,000
Terms loans - The Morningstar Foundation	<u>3,265,119</u>
	13,455,119
Less: unamortized bond issue costs, net	<u>(109,813)</u>
Long-term debt, net	13,345,306
Less: current portion	<u>(1,310,550)</u>
Long-term debt, net of current portion	<u>\$ 12,034,756</u>

**Bonds**

To finance the building acquisition and additional improvements, The Jewish 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 the Federation issued an \$8,600,000 tax-exempt bond which matures on 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, 2023. Interest is payable monthly that commenced on April 1, 2013. The bond is subject to periodic principal redemption starting on October 1, 2027. On the same date, the Federation issued a \$4,800,000 taxable bond which matures on 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, 2023. Interest is payable monthly that commenced on April 1, 2013. The first principal payment date was on October 1, 2013. The Federation incurred bond issue costs on this debt amounting to \$167,075. For the year ended June 30, 2023, interest expense incurred on the bonds totaled \$417,337.

In relation to the above debt, on April 1, 2013, the Federation entered into two interest rate swap agreements 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 \$8,000,000 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 \$4,400,000 (current notional value of \$1,590,000) and matures on October 1, 2026 and has fixed the interest rate on the taxable bonds at 2.72%. For the year ended June 30, 2023, interest earned in relation to these swaps totaled \$110,021.

The bonds are collateralized by a Deed of Trust on the Building. The Federation had to comply with certain financial and negative covenants, as defined in the bond purchase agreement, including a minimum of unrestricted liquid assets. The Federation was not in compliance with certain non-ratio covenant requirements at June 30, 2023; however, it is in compliance with its minimum of unrestricted liquid assets ratio. The bonds allow for prepayment, subject to certain terms as defined under the bond financing agreements.

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

### Notes to Consolidated Financial Statements June 30, 2023

On April 3, 2023, Federation entered into amendments 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 agreements covering these bonds to incorporate the change in the basis of the interest rate. The fixed rates on these swaps remain the same.

#### Term Loans - The Morningstar Foundation

On October 11, 2018, the Federation entered into an unsecured eight-year term loan with the Morningstar Foundation for \$3,000,000, maturing on November 1, 2026. The loan is subject to interest of 2.5% which is due monthly. The purpose of this term loan is to pay off remaining liabilities arising from the Federation's defined benefit plan which was terminated effective August 31, 2018.

On June 30, 2021, the Federation entered into another unsecured eight-year term loan with the Morningstar Foundation for \$4,800,000, maturing on June 30, 2029. The loan is subject to interest of 2.5% which is due quarterly. The purpose of this term loan is for working capital requirements.

Both term loans are subject to various financial reporting requirements. The Federation is in compliance with all the reporting requirements at June 30, 2023. For the year ended June 30, 2023, interest expense incurred in relation to these term loans totaled \$86,582.

Estimated future principal payments on debt are as follows for the years ending June 30:

2024	\$	1,310,550
2025		1,329,992
2026		1,354,674
2027		859,903
2028		415,000
Thereafter		<u>8,185,000</u>
	\$	<u>13,455,119</u>

#### Note 9 - Net assets without donor restrictions

The Federation's net assets without donor restrictions are comprised of undesignated amounts and board-designated funds. Internally designated quasi-endowments represents funds earmarked to be spent in accordance to the Federation's spending policy. These funds are included in the endowment fund and are intended to be invested to provide the Federation with long-term, stable and consistent funding.

The composition of net assets without donor restrictions by type as of June 30, 2023 are as follows:

Undesignated - operating	\$	70,466,606
Board-designated		
Internally designated quasi endowments		37,006,201
Emergency reserve fund		<u>754,042</u>
Total net assets without donor restrictions	\$	<u>108,226,849</u>

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

**Notes to Consolidated Financial Statements  
June 30, 2023**

**Note 10 - Net assets with donor restrictions**

As of June 30, 2023, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose	
Donor-designated and donor advised funds	\$ 58,329,556
Field of interest funds	15,502,843
Perpetual annual campaign endowment funds ("PACE Funds")	14,149,649
Lion of Judah endowment funds ("LOJE Funds")	7,628,823
General support	5,945,689
Internal projects and grants	<u>6,575,576</u>
Total subject to expenditure for specified purpose	<u>108,132,136</u>
Subject to passage of time	
Assets held under split-interest agreements	<u>546,215</u>
Subject to donor restriction in perpetuity	
Original donor restricted endowment	<u>28,376,061</u>
Subject to endowment spending policy and appropriation	
Donor-designated and donor advised funds	3,682,000
Field of interest funds	2,813,334
Perpetual annual campaign endowment funds ("PACE Funds")	146,107
Lion of Judah endowment funds ("LOJE Funds")	59,182
General endowments	<u>48,947</u>
Total subject to endowment spending policy and appropriation	<u>6,749,570</u>
Total net assets with donor restrictions	<u><u>\$ 143,803,982</u></u>

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 designation in the gift instrument.

Field of interest funds are established for a purpose specifically designated by a donor at the time the fund is established, or gifts are accepted. The chosen purpose must align with the mission and values of the 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. The 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 June 30, 2023

LOJE funds are endowment funds designed for women donors and require a minimum amount of \$100,000. The 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, 2023:

Purpose restrictions accomplished	\$ 9,852,276
Release of endowment amounts with purpose	<u>986,640</u>
Total net assets released from restrictions	<u>\$ 10,838,916</u>

#### Note 11 - Endowments

Federation endowments consist of donor-restricted funds as well as funds designated by the Board to function as endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

##### **Endowment net assets - Interpretation of relevant law**

Federation has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") enacted into law in Maryland as requiring the preservation of the fair value of the original gift at 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 donor restricted endowment; (b) the original value of any subsequent gifts to the donor restricted endowment; and (c) the original value of accumulations to donor restricted endowment made in accordance with the direction of the applicable donor instrument at the time the accumulation is added to the fund. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by Federation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, Federation considers the following factors in making a determination to appropriate or accumulate the investment income from the donor restricted endowment funds:

- The duration and preservation of the fund
- The preservation of Federation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation or depreciation of the investments
- Other resources of Federation
- The investment policies of Federation

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

### Notes to Consolidated Financial Statements June 30, 2023

#### Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires Federation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. It is the policy of the Federation not to appropriate funds from donor-restricted underwater endowment funds. As of June 30, 2023, there were no such deficiencies.

#### Endowments' return objectives and risk parameters

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

#### Spending policy and how the investment objectives relate to spending policy

The Federation's primary financial objectives 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 and to secure sufficient income and portfolio growth over time to meet the ongoing requirements of the Federation. The 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.

The 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.

The following is a summary of the changes in donor-restricted endowment funds subject to SPMIFA for the year ended June 30, 2023:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, July 1, 2022	\$ 37,231,220	\$ 33,882,958	\$ 71,114,178
Investment income, net	2,867,256	1,499,203	4,366,459
Contributions	77,742	730,110	807,852
Appropriation for expenditure	<u>(3,170,017)</u>	<u>(986,640)</u>	<u>(4,156,657)</u>
Endowment net assets, June 30, 2023	<u>\$ 37,006,201</u>	<u>\$ 35,125,631</u>	<u>\$ 72,131,832</u>

#### Note 12 - Retirement plans

The Federation has a defined contribution pension plan. Employees are eligible to participate after one year of service and 21 years of age. The Federation contributes 5% of eligible salaries for all employees annually. Total pension expense for the year ended June 30, 2023 was \$221,149.



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

**Notes to Consolidated Financial Statements  
June 30, 2023**

The Federation has a frozen deferred compensation plan to provide supplemental retirement benefits to nine former employees. The Federation recorded an actuarially calculated reserve, which is included in accounts payable and accrued expenses in the consolidated statement of financial position. The total reserve for the deferred compensation plan at June 30, 2023 was \$476,201. Total deferred compensation expense for the year ended June 30, 2023 totaled \$55,925.

**Note 13 - Commitments and contingencies**

**Employment contract**

Federation has an agreement with its Executive Vice President/Chief Executive Officer of the Federation that expires August 31, 2028, which provides for severance if employment is terminated by Federation in specified circumstances.

**Tenant income**

Commercial building operations revenue in the consolidated statement of activities and change in net assets consists mainly of tenant income. Tenant leases expire in various years between 2024 and 2034. Tenant income for the year ended June 30, 2023 totaled \$1,562,563.

The minimum future lease rental income for the year ending June 30 is as follows:

2024	\$	1,249,802
2025		696,227
2026		546,331
2027		538,461
2028		538,461
Thereafter		<u>3,320,510</u>
	\$	<u><u>6,889,792</u></u>

The Jewish Federation of Greater Washington, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2023

Note 14 - Fair value measurement

The following table summarizes Federation fair values of assets and liabilities measured on a recurring basis at June 30, 2023:

	Fair value	Fair value measurements at reporting date using			
		Net asset value	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets</b>					
Investments					
Money market funds	\$ 5,041,193	\$ -	\$ 5,041,193	\$ -	\$ -
Fixed-income mutual funds	29,154,275	-	29,154,275	-	-
Common equity securities	29,906,458	-	29,906,458	-	-
Corporate and foreign bonds					
Israel bonds	5,072,217	-	-	5,072,217	-
Other corporate and foreign bonds	199,525	-	-	199,525	-
Exchange traded funds	31,165,148	-	31,165,148	-	-
Equity mutual funds	36,217,810	-	36,217,810	-	-
US governmental securities	360,316	-	-	360,316	-
Total investments in the fair value Hierarchy	137,116,942	-	131,484,884	5,632,058	-
Alternative investments					
Hedge funds	89,065,917	89,065,917	-	-	-
Private equity	50,288,383	50,288,383	-	-	-
	139,354,300	139,354,300	-	-	-
Cash equivalents	1,079,434	-	1,079,434	-	-
Total investments	277,550,676	139,354,300	132,564,318	5,632,058	-
Deferred compensation investments	153,983	-	153,983	-	-
Interest rate swap assets	407,901	-	-	407,901	-
	561,884	-	153,983	407,901	-
Total assets	\$ 278,112,560	\$ 139,354,300	\$ 132,718,301	\$ 6,039,959	\$ -
<b>Liabilities</b>					
Deferred compensation obligation	\$ 156,075	\$ -	\$ -	\$ 156,075	\$ -
Split-interest agreements	2,840,638	-	-	-	2,840,638
Total liabilities	\$ 2,996,713	\$ -	\$ -	\$ -	\$ 2,840,638

Under the provisions of FASB ASC Topic, *Fair Value Measurement*, applicable financial assets are categorized based on the inputs to the valuation techniques as follows:

Investments:

*Mutual Funds, Fixed-income funds and bonds, U.S. and international equity funds and governmental securities* - The majority of Level 1 equity and fixed-income funds include domestic and foreign equity and fixed-income mutual funds and exchange-traded funds. Also included in this category within Level 1 are domestic and foreign equity and securities. Investments classified within Level 2 include government obligations, corporate bonds and municipal bonds held in separately managed accounts. Where quoted prices are available in an active market, funds and securities are classified within Level 1 of the valuation hierarchy. Where significant inputs, including benchmarks, yields, broker-dealer quotes, issuer spreads, bids, offers, the London Interbank Offered Rate curve, and measures of volatility, are used by third-party dealers or independent pricing services to determine fair values, the investments are classified within Level 2, include Israel bonds.

*Alternative Investments* - These investments include directional hedge and private equity funds, 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

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

**Notes to Consolidated Financial Statements  
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of the investment warrant a further adjustment, either a discount or premium, to net assets value, such as recent financial information received.

Interest rate swap asset and liabilities: 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.

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 at June 30, 2023.

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

**Quantitative Information**

Quantitative information as of June 30, 2023, 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:

<u>Description</u>	<u>2023 Fair value</u>	<u>Principal valuation techniques</u>	<u>Unobservable inputs</u>	<u>Weighted average</u>
			Discount rates, life expectancies payouts allocation percentages	
Split-interest agreements	\$ (2,840,638)	Income approach		N/A

The table below details Federation's ability to redeem investments valued at NAV or its equivalent as of June 30, 2023:

<u>Alternative Investments</u>	<u>2023 fair value</u>	<u>Capital committed</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible) commitments</u>	<u>Redemption notice period</u>
Hedge funds (a)	\$ 13,388,604	\$ 12,000,000	\$ 644,446	Illiquid	N/A
Hedge funds (b)	75,677,313	-	-	Monthly, quarterly, semi-annually	30-120 days
Private equity (a)	42,847,596	74,500,000	14,306,217	Illiquid	N/A
Private equity (b)	<u>7,440,787</u>	<u>-</u>	<u>-</u>	Monthly, quarterly, semi-annually	30-120 days
	<u>\$ 139,354,300</u>	<u>\$ 86,500,000</u>	<u>\$ 14,950,663</u>		

- (a) These funds include hedge and private funds with investing strategies including long/short, credit, event driven and multi-strategy with no ability to redeem.
- (b) These funds include hedge and private funds with soft locks or various percentage of early redemption fees.

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

**Notes to Consolidated Financial Statements  
June 30, 2023**

**Note 15 - Subsequent events**

Federation has evaluated events and transactions for potential recognition or disclosure through May 9, 2024, the date the consolidated financial statements were available to be issued.

## **Supplemental Information**



**The Jewish Federation of Greater Washington, Inc. and Subsidiary**  
**Consolidating Statement of Activities and Change in Net Assets by Fund**  
**Year Ended June 30, 2023**

	Federation	Jewish Community Foundation	JFGW Building LLC	Eliminations	Total
Support and revenue					
Contributions - Jewish Community Foundation	\$ -	\$ 13,438,121	\$ -	\$ -	\$ 13,438,121
Contributions - Federation	18,349,597	-	-	-	18,349,597
Grants and contributions from Jewish Community Foundation	7,732,791	-	-	(7,732,791)	-
Contributed non-financial assets	1,522,097	-	-	-	1,522,097
Other	1,746,571	-	-	(1,434,338)	312,233
Change in value of split-interest agreements and annuity payments	-	(111,649)	-	-	(111,649)
Investment income, net	313,069	17,772,873	-	-	18,085,942
<b>Total support and revenue</b>	<b>29,664,125</b>	<b>31,099,345</b>	<b>-</b>	<b>(9,167,129)</b>	<b>51,596,341</b>
Commercial building operations					
Revenues	-	-	1,937,563	(375,000)	1,562,563
Expenses	-	-	(2,158,929)	-	(2,158,929)
Net unrealized gain on interest rate swap	-	-	267,366	-	267,366
<b>Net loss on commercial building operations</b>	<b>-</b>	<b>-</b>	<b>46,000</b>	<b>(375,000)</b>	<b>(329,000)</b>
<b>Total support, revenue and commercial building operations</b>	<b>29,664,125</b>	<b>31,099,345</b>	<b>46,000</b>	<b>(9,542,129)</b>	<b>51,267,341</b>
Expenses					
Program services					
Allocations to beneficiary organizations	11,714,270	20,843,198	-	(9,167,129)	23,390,339
Community planning and outreach program	8,147,261	-	-	(212,681)	7,934,580
<b>Total program services</b>	<b>19,861,531</b>	<b>20,843,198</b>	<b>-</b>	<b>(9,379,810)</b>	<b>31,324,919</b>
Supporting services					
Management and general	3,151,607	-	-	(64,624)	3,086,983
Fundraising	2,649,808	-	-	(97,695)	2,552,113
<b>Total supporting services</b>	<b>5,801,415</b>	<b>-</b>	<b>-</b>	<b>(162,319)</b>	<b>5,639,096</b>
<b>Total operating expenses</b>	<b>25,662,946</b>	<b>20,843,198</b>	<b>-</b>	<b>(9,542,129)</b>	<b>36,964,015</b>
Change in net assets	4,001,179	10,256,147	46,000	-	14,303,326
Transfer to/from Federation/Foundation	342,619	(342,619)	-	-	-
Net assets, beginning of year	13,421,030	218,472,302	5,834,173	-	237,727,505
Net assets, end of year	<u>\$ 17,764,828</u>	<u>\$ 228,385,830</u>	<u>\$ 5,880,173</u>	<u>\$ -</u>	<u>\$ 252,030,831</u>

See Independent Auditor's Report.



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