

**THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED
AND AFFILIATES**

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED
AND AFFILIATES
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Independent Auditor's Report

To the Board of Directors of
The Jewish Foundation of Memphis Consolidated and Affiliates
Memphis, TN

We have audited the accompanying combined financial statements of The Jewish Foundation of Memphis Consolidated and Affiliates (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2021 and 2020, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Jewish Foundation of Memphis Consolidated and Affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 16 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Alexander Thompson Arnold PLLC

Memphis, Tennessee
May 13, 2022

THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 721,606	\$ 805,265
Cash and cash equivalents - restricted	18,331,917	18,219,143
Investments	90,847,979	63,592,433
Beneficial interest	111,257	111,257
Furniture and equipment, net of accumulated depreciation	50,528	52,516
Cash surrender life insurance	1,450,525	1,450,525
Related party receivable	-	12,000
Accrued interest receivable	-	136,258
Pledges and notes receivable	7,276,500	5,839,576
Total assets	\$ 118,790,312	\$ 90,218,973
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ -	\$ 10,523
Note payable - PPP Loan	-	58,800
Other accrued expenses - grants payable	100,000	-
Assets held for others	19,145,926	16,107,939
Total liabilities	19,245,926	16,177,262
Net Assets		
Net assets without donor restrictions, restated:		
Donor advised	31,467,210	25,308,742
Net assets with donor restrictions, restated	68,077,176	48,732,969
Total net assets	99,544,386	74,041,711
Total liabilities and net assets	\$ 118,790,312	\$ 90,218,973

The accompanying notes are an integral part of these combined financial statements.

THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and Other Support			
Public support	\$ 6,072,545	\$ 11,310,095	\$ 17,382,640
Donated facilities	58,013	-	58,013
Interest and dividends	575,998	1,516,148	2,092,146
Realized capital gains	640,130	722,564	1,362,694
Unrealized capital gains	4,450,573	6,225,011	10,675,584
Management fee income	429,325	-	429,325
Sponsorship income	5,000	-	5,000
PPP loan forgiveness income	58,800	-	58,800
	<u>12,290,384</u>	<u>19,773,818</u>	<u>32,064,202</u>
Net assets released from restriction	429,611	(429,611)	-
Total revenue and other support	<u>12,719,995</u>	<u>19,344,207</u>	<u>32,064,202</u>
Expenses			
Program expenses	5,711,273	-	5,711,273
Management and general	620,743	-	620,743
Fundraising expenses	229,511	-	229,511
Total expenses	<u>6,561,527</u>	<u>-</u>	<u>6,561,527</u>
Change in net assets	6,158,468	19,344,207	25,502,675
Net assets at beginning of year, restated	<u>25,308,742</u>	<u>48,732,969</u>	<u>74,041,711</u>
Net assets at end of year	<u>\$ 31,467,210</u>	<u>\$ 68,077,176</u>	<u>\$ 99,544,386</u>

The accompanying notes are an integral part of these combined financial statements.

THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and Other Support			
Public support	\$ 4,559,235	\$ 5,233,712	\$ 9,792,947
Donated facilities	58,013	-	58,013
Interest and dividends	406,240	1,294,929	1,701,169
Realized capital gains	394,709	214,091	608,800
Unrealized capital losses	(44,171)	(101,740)	(145,911)
Management fee income	32,231	-	32,231
Sponsorship income	5,000	-	5,000
	<u>5,411,257</u>	<u>6,640,992</u>	<u>12,052,249</u>
Net assets released from restriction	357,634	(357,634)	-
Total revenue and other support	<u>5,768,891</u>	<u>6,283,358</u>	<u>12,052,249</u>
Expenses			
Program expenses	7,408,387	-	7,408,387
Management and general	319,591	-	319,591
Fundraising expenses	213,226	-	213,226
Total expenses	<u>7,941,204</u>	<u>-</u>	<u>7,941,204</u>
Change in net assets	(2,172,313)	6,283,358	4,111,045
Net assets at beginning of year, restated	<u>27,481,055</u>	<u>42,449,611</u>	<u>69,930,666</u>
Net assets at end of year, restated	<u>\$ 25,308,742</u>	<u>\$ 48,732,969</u>	<u>\$ 74,041,711</u>

The accompanying notes are an integral part of these combined financial statements.

**THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2021

	Support Services			Total Functional Expenses
	Program	Management and General	Fund Raising	
Management fees - personnel costs	\$ 113,003	\$ 135,603	\$ 203,405	\$ 452,011
Professional and consulting fees	-	1,588	-	1,588
B'nai tzedek	1,500	-	-	1,500
Donated facilities	14,503	17,404	26,106	58,013
Miscellaneous	-	750	-	750
Grants to selected or designated organizations	5,582,267	-	-	5,582,267
Investment management fees	-	463,410	-	463,410
Depreciation	-	1,988	-	1,988
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 5,711,273</u>	<u>\$ 620,743</u>	<u>\$ 229,511</u>	<u>\$ 6,561,527</u>

The accompanying notes are an integral part of these combined financial statements.

**THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2020

	Support Services			
Program	Management and General	Fund Raising	Total Functional Expenses	
Management fees - personnel costs	\$ 103,952	\$ 124,749	\$ 187,120	\$ 415,821
Professional and consulting fees	-	8,063	-	8,063
B'nai tzedek	3,500	-	-	3,500
Donated facilities	14,503	17,404	26,106	58,013
Miscellaneous	-	11,999	-	11,999
Grants to selected or designated organizations	7,286,432	-	-	7,286,432
Investment management fees	-	155,388	-	155,388
Dues and subscriptions	-	-	-	-
Annuity payments	-	-	-	-
Depreciation	-	1,988	-	1,988
	\$ 7,408,387	\$ 319,591	\$ 213,226	\$ 7,941,204

The accompanying notes are an integral part of these combined financial statements.

THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 25,502,675	\$ 4,111,045
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By Operating Activities		
Depreciation expense	1,988	1,988
PPP loan forgiveness income	(58,800)	-
Gain on sale of investments	(1,362,694)	(608,800)
Net unrealized (gain) loss on investments	(10,675,584)	145,911
(Increase) decrease in related party receivable	12,000	(12,000)
(Increase) decrease in accrued interest receivable	136,258	153,865
(Increase) decrease in pledges and notes receivable	(1,436,924)	151,363
(Increase) decrease in accounts payable and accrued expenses	(10,523)	-
(Increase) decrease in other accrued expenses	100,000	-
Increase (decrease) in assets held for others	3,037,987	1,399,891
Net cash provided by operating activities	<u>15,246,383</u>	<u>5,343,263</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	30,019,836	6,527,709
Purchase of investments	(45,237,104)	(11,658,228)
Net cash used in investing activities	<u>(15,217,268)</u>	<u>(5,130,519)</u>
Cash Flows From Financing Activities		
Proceeds from PPP loan	-	58,800
Net cash provided by financing activities	<u>-</u>	<u>58,800</u>
Net increase in cash, cash equivalents, and restricted cash	29,115	271,544
Cash, cash equivalents, and restricted cash - beginning of year	<u>19,024,408</u>	<u>18,752,864</u>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 19,053,523</u>	<u>\$ 19,024,408</u>
Cash, Cash Equivalents, and Restricted Cash - End of Year consists of:		
Cash and cash equivalents	\$ 721,606	\$ 805,265
Cash and cash equivalents - restricted	<u>18,331,917</u>	<u>18,219,143</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 19,053,523</u>	<u>\$ 19,024,408</u>

The accompanying notes are an integral part of these combined financial statements.

THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Jewish Foundation of Memphis (the "Foundation") was established in late 1995 to provide the resources necessary to meet the future challenges and needs of agencies, synagogues and schools in the Memphis Jewish community. JFM Realty, Inc. was established as a wholly owned subsidiary in January 2000 to solicit contributions of real estate for the benefit of the Jewish community. The Belz 2008 Foundation was established as a supporting organization that carries out its exempt purpose by supporting the Jewish Foundation of Memphis. The Wendy and Avron Fogelman Foundation was established as a supporting organization that carries out its exempt purpose by supporting the Jewish Foundation of Memphis.

The accompanying financial statements include the consolidation of Jewish Foundation of Memphis and JFM Realty, Inc. combined with the Belz 2008 Foundation and the Wendy and Avron Fogelman Foundation, which are affiliates. Significant interorganizational transactions and balances have been eliminated.

Donors may contribute to the following types of funds: Unrestricted Funds – Philanthropic (Donor Advised) Funds – unrestricted funds for which the donor or a designee has reserved the right to make non-binding distribution recommendations to the Board; Agency Funds – those restricted for the sole use of the named beneficiary; Designated Funds – those established to provide support to a specific agency, synagogue, school or program specified by the donor; those from which distributions are directed by a specified committee for future community support.

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. As a result, the Organization has adjusted certain aspects of its operations to ensure the safety of its donors and staff. Administrative functions continued with limited hours. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may impact its operations. Management responded by applying for and receiving a Paycheck Protection Program loan of \$58,800 to help mitigate any potential impact on operations caused by the pandemic.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

The combined financial statements of the Foundation have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

The accompanying combined financial statements include the assets, net assets, and financial activities of the Foundation prepared in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, Not-for-Profit Entities Presentation of Financial Statements. This statement requires that the Foundation report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions.

THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2021 and 2020

The financial statements are presented on the basis of net assets without donor restrictions and net assets with donor restrictions generally defined as follows:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Gifts of furniture, fixtures, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Foundation reports expirations of these donor restrictions when the acquired long-lived assets are placed in service.

B. Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the recording of the value of investments and recording the cash surrender value of life insurance. Actual results could differ from estimates.

C. Fair Value of Contributions

Contributions are recorded at estimated fair value at the date of donation. With respect to publicly traded equity securities, fair values are deemed to be the average of high and low quoted trading prices on the date of the gift. It is the Foundation's policy to show restricted contributions, whose restrictions are met in the same reporting period as unrestricted support.

D. Investments

Investments are carried at fair value as stated by the quoted market price at year end. Securities are held in custodial investment accounts administered by certain major financial institutions. The investment administrators are responsible for custody and investment management and disburse funds on instructions from the Board. Interest and dividend income are recorded on the accrual basis. Realized gains and losses on the sales of securities are calculated on the basis of specific identification of the securities sold.

Investments include various types of debt and equity securities among a mixture of companies in diverse markets. Investments are exposed to several risks, such as interest rate, market, and credit

THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2021 and 2020

risks. Due to the risks associated within certain investments, it is at least reasonably possible that changes to the value of the investments will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's combined financial statements.

E. Allowance for Doubtful Accounts

Unconditional promises to give are recorded as revenues at the time an unconditional promise is received from a donor. Allowance for doubtful accounts are based on management's experience. No allowance was needed for 2021 and 2020.

Unconditional promises to give that are expected to be collected in future years, such as charitable remainder trusts, are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

F. Revenue Recognition

Contributions and Support

Contributions received, or receivable are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support, including investment gains and income, that is restricted by the donor is reported as an increase in net assets with restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities as net assets released from restrictions.

Management fee revenues

Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services.

Revenue contains a single delivery element (an annual management fee percentage applied to investment balances), which satisfies the performance obligations, and revenue is recognized when investments have been sold and/or on a monthly or quarterly basis as long as investment funds are held by the Foundation.

The management fee revenues are disaggregated sufficiently on the combined statements of activities and changes in net assets. The management fee percentage varies depending on the type of fund (donor advised, agency, etc.) and the monetary level of investment and the fees are automatically calculated and withdrawn from the investment funds and transferred to the Foundation's bank accounts on a monthly or quarterly basis.

THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2021 and 2020

G. Contributions and Grants

Contributions and grants are approved by the Foundation's Board of Directors (the "Board") and for accounting purposes, such distributions are recognized as expenses in the period an unconditional promise to give is made.

Donated facilities and professional services are recorded as contributions in the accompanying combined financial statements at their estimated values at the date of receipt.

H. Income Taxes

The Internal Revenue Service has classified the Foundation as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The Organization files information returns in the U.S. federal jurisdiction and various states. The Organization's returns are subject to examination by the Internal Revenue Service (IRS) as well as state authorities.

I. Cash and Cash Equivalents

For purposes of the combined statements of cash flows, the Foundation considers cash on hand and in savings and checking accounts, certificates of deposit and treasury bills with maturities of 90 days or less to be cash equivalents. The cash and cash equivalents balance excludes cash held in the long-term investment portfolio and cash otherwise restricted.

J. Furniture and Equipment

Furniture and equipment purchased are stated at cost, and property and equipment donated are recorded at management's estimated fair value at date of gift. Depreciation is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Computer equipment	5
Software	3
Furniture	7
Leasehold improvements	39

K. Beneficial Interest

The Foundation receives gifts of beneficial interest in a trust that is held by others. The trust was converted to a total return unitrust in 2014. Under the terms of the trust, the Foundation has the irrevocable right to receive its designated portion of the annual unitrust percentage of the trust assets until 2 years past the death of the named beneficiaries. At the end of the two years the Foundation will receive a designated percentage of the trust assets. At the time of receipt, a gift is recorded based on the fair value of the assets contributed to the trust (or the portion thereof that benefits the

THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
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Foundation). Annual distributions from the trust are reported as unrestricted income based upon donor designations. The beneficial interest is reported at fair value, with the change in fair value reported as an increase or decrease in net assets with donor restrictions.

L. Fair Value Measurements

The Organization adopted Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of input that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, and other U.S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2—Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates and (d) inputs derived principally from other sources corroborated by observable market data by correlation or other means. This category generally includes certain U.S. Government and agency mortgage-backed securities and highly structured or long-term derivative contracts.

Level 3—Unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation by management. This category generally includes certain private equity investments, retained residual interest in securitizations, asset-backed securities and highly structured or long-term derivative contracts.

M. Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform to current year financial statement presentation.

N. Adoption of New Accounting Standards

FASB issued new guidance that created Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This new guidance was issued to clarify the existing guidance and resolve diversity in practice in characterizing grants and similar contracts with resource providers as either exchange transactions or contributions. In

THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
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addition, once a transaction is determined to be a contribution, it addresses the difficulty in distinguishing between conditions on which a promised contribution depends and donor-imposed restrictions. It also amended previous guidance to allow organizations to elect a policy, independent of the elections for other donor-restricted contributions and investment return, to report restricted contributions that were initially conditional as increases in net assets without donor restrictions. The Organization adopted the new standard as of July 1, 2019 using the modified retrospective approach.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, to provide additional guidance on the classification and presentation of restricted cash in the statement of cash flows. An entity should include restricted cash and cash equivalents in the cash and cash equivalents balances in the statement of cash flows and provide a reconciliation between the balance sheet and statement of cash flows when the balance sheet includes more than one line item for cash, cash equivalents, and restricted cash. The Foundation adopted the ASU during the year ended June 30, 2020, and this change has been reflected in all periods presented.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606"), to provide a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Effective July 1, 2020, the Foundation adopted ASC 606 using the modified retrospective method and has concluded that the implementation of this new standard had no material effect on opening net assets without donor restrictions as of July 1, 2020.

O. Functional Allocation of Expenses

The costs of providing the program and supporting activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, costs have been allocated among the program and supporting services benefited. Expenses directly related to specific programs are allocated directly to the related program. Management - personnel costs are allocated by estimated percent of the staff's time spent on program and supporting activities.

P. Subsequent Events

Subsequent events have been evaluated through May 13, 2022, which is the date the combined financial statements were available to be issued.

NOTE 3 - LIQUIDITY

The Foundation has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

THE JEWISH FOUNDATION OF MEMPHIS CONSOLIDATED AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2021 and 2020

The following table reflects The Foundation's financial assets (cash and cash equivalents and investments) as of June 30, 2021 and 2020, reduced by amounts not available for general expenditures within one year:

	2021	2020
Financial assets to meet cash needs for general expenditures within on year:		
Cash and cash equivalents	\$ 721,606	\$ 805,265
Investments	90,847,979	63,592,433
Pledges and notes receivable	7,276,500	5,839,576
	98,846,085	70,237,274
Less assets not available for general expenditures within one year		
Donor restricted investments	(42,457,502)	(24,426,735)
Pledges receivable due in more than 1 year	(3,000,000)	-
 Total financial assets to meet cash needs for general expenditures within one year	 \$ 53,388,583	 \$ 45,810,540

NOTE 4 - FURNITURE AND EQUIPMENT

Major classes of furniture and equipment consist of the following:

	June 30, 2021	June 30, 2020
Computer equipment	\$ 18,478	\$ 18,478
Software	43,009	43,009
Leasehold improvements	77,532	77,532
Furniture and fixtures	8,904	8,904
	147,923	147,923
Less accumulated depreciation	(97,395)	(95,407)
	\$ 50,528	\$ 52,516

Depreciation expense totaled \$1,988 and \$1,988 for the years ended June 30, 2021 and 2020, respectively.

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NOTE 5 - INVESTMENTS

	June 30, 2021	June 30, 2020
Cash Equivalents	\$ 4,695,566	\$ 6,083,879
Government	-	1,865,361
Domestic Equity	58,374,877	28,823,831
International Equity	6,464,233	5,601,054
Private Equity/Venture Capital	-	1,323,805
Absolute Return/Hedged Equity	-	7,802,424
Credit Related	-	782,249
Real Estate	-	722,074
Fixed Income	21,313,303	10,587,756
	<u>\$ 90,847,979</u>	<u>\$ 63,592,433</u>

The above balances include \$42,457,502 and \$24,426,735 of investments that are temporarily restricted for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 - FAIR VALUE MEASUREMENTS

During the years ended June 30, 2021 and 2020, respectively, the Foundation had fair value of assets measured on a recurring basis as follows:

Recurring Fair Value Measurement	Fair Value for Period Ending June 30, 2021	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Cash equivalents	\$ 4,695,566	\$ 4,695,566	\$ -	\$ -
Government	-	-	-	-
Domestic equity	58,374,877	58,374,877	-	-
International equity	6,464,233	-	6,464,233	-
Private equity/venture capital	-	-	-	-
Absolute return/hedged equity	-	-	-	-
Credit related	-	-	-	-
Real estate	-	-	-	-
Fixed income	21,313,303	21,313,303	-	-
Beneficial interest	111,257	111,257	-	-
Cash surrender life insurance	1,450,525	-	-	1,450,525
Total	<u>\$ 92,409,761</u>	<u>\$ 84,495,003</u>	<u>\$ 6,464,233</u>	<u>\$ 1,450,525</u>

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Recurring Fair Value Measurement	Fair Value for Period Ending June 30, 2020	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Cash equivalents	\$ 6,083,879	\$ 6,083,879	\$ -	\$ -
Government	1,865,361	1,865,361	-	-
Domestic equity	28,823,831	28,823,831	-	-
International equity	5,601,054	-	4,899,036	702,018
Private equity/venture capital	1,323,805	-	-	1,323,805
Absolute return/hedged equity	7,802,424	-	-	7,802,424
Credit related	782,249	-	-	782,249
Real estate	722,074	-	-	722,074
Fixed income	10,587,756	10,587,756	-	-
Beneficial interest	111,257	111,257	-	-
Cash surrender life insurance	1,450,525	-	-	1,450,525
Total	\$ 65,154,215	\$ 47,472,084	\$ 4,899,036	\$ 12,783,095

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Alternative investments (Level 2 and Level 3 inputs), are aggregated by category based on their underlying investments. The fair value of such investments is determined using the net asset value (NAV) per share by the investment fund managers. The investments that are redeemable at or near year end are classified within Level 2 of the fair value hierarchy; otherwise they are classified within Level 3 of the fair value hierarchy. The fair value of Level 3 investments was estimated based primarily on the net asset value (NAV) or its equivalent provided by fund managers. The NAV is estimated by the individual investment manager taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent arm's length transactions involving securities of the investee, the value of similar securities issued by companies in the same or similar businesses, and limited marketability of the portfolio. Management reviews and evaluates the values provided by the investment fund managers and agrees with the valuation methods and assumptions used in determining the fair value of alternative investments. During the years ended June 30, 2021 and 2020, respectively, the Organization had no direct investments in derivatives.

The Foundation recognizes transfers between fair value hierarchy levels at the approximate date of the change in circumstances that causes the transfer.

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The following table presents a roll forward by investment category of the change in the value of Level 3 investments during the years ended June 30, 2021 and 2020, respectively:

2021	International Equity	Private Equity/venture capital	Absolute return/hedged equity	Credit related	Real assets	Cash Surrender	Totals
Beginning Balances	\$ 702,018	\$ 1,323,805	\$ 7,802,424	\$ 782,249	\$ 722,074	\$ 1,450,525	\$ 12,783,095
Transfers in (from level 1)	-	-	-	-	-	-	-
Purchases	-	-	-	-	-	-	-
Redemptions	(808,270)	(1,524,166)	(8,983,340)	(900,644)	(831,362)	-	(13,047,782)
Realized and unrealized gains (losses)	106,252	200,361	1,180,916	118,395	109,288	-	1,715,212
Ending Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,450,525</u>	<u>\$ 1,450,525</u>

2020	International Equity	Private Equity/venture capital	Absolute return/hedged equity	Credit related	Real assets	Cash Surrender	Totals
Beginning Balances	\$ 1,352,210	\$ 1,094,646	\$ 7,769,841	\$ 1,438,065	\$ 858,545	\$ 1,450,525	\$ 13,963,832
Transfers in (from level 1)	-	-	-	-	-	-	-
Purchases	-	270,186	274,394	-	-	-	544,580
Redemptions	(628,435)	-	-	(631,573)	(114,093)	-	(1,374,101)
Realized and unrealized gains (losses)	(21,757)	(41,027)	(241,811)	(24,243)	(22,378)	-	(351,216)
Ending Balances	<u>\$ 702,018</u>	<u>\$ 1,323,805</u>	<u>\$ 7,802,424</u>	<u>\$ 782,249</u>	<u>\$ 722,074</u>	<u>\$ 1,450,525</u>	<u>\$ 12,783,095</u>

The total changes in the realized and unrealized gain or (loss) included in the combined statements of activities attributable to Level 3 investments held at June 30, 2021 and 2020 were \$1,715,212 and \$(351,216), respectively.

NOTE 7 – ENDOWMENT FUNDS

During the year ended June 30, 2020, the Foundation's board of directors established an endowment fund to preserve and invest funds to support Jewish Family Services and began an annual fund campaign to infuse the endowment. Additionally, there are six other endowment funds with donor restrictions that have been established over the years for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which governs the State of Tennessee, the provisions of which apply to its endowment funds. The Foundation has interpreted 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.

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As a result of this interpretation, the Foundation classifies the following as permanently restricted endowment net assets:

1. The original value of gifts donated to the permanent endowment;
2. The subsequent gifts to the permanent endowment; and
3. Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making decisions related to appropriations for expenditures or accumulations of donor-restricted endowment funds:

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

Spending Policy

The Foundation has a policy of appropriating for distribution each year a maximum of 5% of its endowment funds' average fair value over the trailing thirty-six month period preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected rate of return on its endowment investments.

Endowment Investment Policy

The Foundation's Investment Committee (the "Committee") maintains an actively managed and diversified asset allocation strategy commensurate with its long-term investment objective of earning a total return capable of meeting expenditures, maintaining purchasing power and providing reasonable growth expectations with acceptable risk parameters.

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The Committee has established the following target allocation percentages to facilitate meeting its objectives:

	<u>Target Allocation</u>	<u>Maximum Allocation</u>
Public equity - long only	70%	80%
Private equity	0%	10%
Real assets	0%	10%
Hedge funds and absolute return	15%	25%
Fixed income and cash	15%	80%

The following table presents changes in endowment net assets for the years ended June 30, 2021 and 2020:

	Net Assets		
	Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
Endowment net assets, June 30, 2020	\$ 2,237,386	\$ 779,668	\$ 3,017,054
Contributions	3,724,689	3,000,000	6,724,689
Appropriation for expenditure	(43,000)	(40,454)	(83,454)
Investment income, net of expenses	83,628	42,523	126,151
Net appreciation	688,411	532,727	1,221,138
Endowment net assets, June 30, 2021	<u>\$ 6,691,114</u>	<u>\$ 4,314,464</u>	<u>\$ 11,005,578</u>

	Net Assets		
	Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
Endowment net assets, June 30, 2019	\$ -	\$ 804,870	\$ 804,870
Contributions	2,278,738	90	2,278,828
Appropriation for expenditure	-	(43,471)	(43,471)
Investment income, net of expenses	20,236	8,665	28,901
Net appreciation	(61,588)	9,514	(52,074)
Endowment net assets, June 30, 2020	<u>\$ 2,237,386</u>	<u>\$ 779,668</u>	<u>\$ 3,017,054</u>

Endowment net assets are composed of board restricted endowment funds, which are the net assets without donor restrictions above, and endowment funds restricted by purpose by donors, which are the net assets with donor restriction above.

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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 requires the Federation to retain as a fund of perpetual duration. Deficiencies of this nature are reported by a charge to net assets without donor restrictions. At June 30, 2021 and 2020, there were no donor-restricted endowment funds with deficiencies.

NOTE 8 - PLEDGES AND NOTES RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. In 2010, the Foundation, through its support organization, received unconditional promises to give. In 2012, these pledges were converted to two notes that bear interest at the greater of the bank's prime rate or the applicable federal rate with rates adjusted monthly. The interest rate for these two notes as of June 30, 2021 and 2020, respectively was 0% and 3.25%. The notes receivables were paid in full during the year ended June 30, 2021. The Foundation also has pledges receivable consisting of donor pledges to the annual endowment fund campaign and other funds with donor restrictions. The balances outstanding as of June 30, 2021 and 2020, respectively are as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Notes receivable, due in one year	\$ -	\$ 3,265,934
Pledges receivable, due in one year	4,276,500	2,709,900
Due one to five years	3,000,000	-
Due more than five years	-	-
	<u>7,276,500</u>	<u>5,975,834</u>
Less discount, at 0% and 3.25%, respectively	-	(136,258)
	<u>\$ 7,276,500</u>	<u>\$ 5,839,576</u>

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NOTE 9 - ASSETS HELD FOR OTHERS

Included in investments are assets that have been transferred by outside organizations to the Foundation to include in its investment portfolio. These funds can be used by those organizations upon demand and are thereby presented as a liability to those entities.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Margolin Hebrew Academy	\$ 2,072,133	\$ 2,473,359
Temple Israel	831,619	737,612
Baron Hirsch Congregation	3,087,235	2,409,744
JFS of the Memphis Jewish Community Center	213,095	181,886
Memphis Jewish Community Center	5,412,641	4,598,620
Bornblum Jewish Community School	1,575,954	1,077,132
Memphis Jewish Federation	25,141	22,008
Kavod	1,046,177	2,069,621
Plough Towers	967,441	903,884
Beth Sholom	3,914,490	1,634,073
	<u>\$ 19,145,926</u>	<u>\$ 16,107,939</u>

NOTE 10 – RELATED PARTY DISCLOSURES

Jewish Community Partners, Inc. is a Tennessee for-profit corporation that provides management services to the Jewish Foundation of Memphis and the Memphis Jewish Federation. Jewish Community Partners, Inc. operates all programs and manages activities of both organizations. Some board members of the Jewish Foundation of Memphis serve on the Board of Trustees for Jewish Community Partners, Inc. Some board members of the Jewish Foundation of Memphis serve on the Board of Directors for Memphis Jewish Federation. Management fees for personnel costs paid by the Jewish Foundation of Memphis to Jewish Community Partners, Inc. for the years ended June 30, 2021 and 2020 totaled \$452,011 and \$415,821, respectively. The accompanying financial statements may not be indicative of the conditions that would have existed or results of operations if the Organization operated independently.

NOTE 11 - CONCENTRATIONS

The Foundation maintains its cash primarily in financial institutions which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured cash and cash equivalent balances totaled approximately \$19,277,945 and \$19,040,513 at June 30, 2021 and 2020, respectively.

The Foundation receives its funding from the Jewish community in and around Memphis, Tennessee. This geographical concentration could significantly impact the operations of the Foundation should the economy or financial viability of the donors experience economic problems. About 52% of the total contributions for the year ended June 30, 2021 are from one donor and are a one-time gift.

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NOTE 12 – DONATED FACILITIES

The Foundation’s office lease is paid by the management company Jewish Community Partners, Inc. The estimated value of the donated facilities, based on the fair market value of similar property, is approximately \$58,013 and \$58,013 for the years ended June 30, 2021 and 2020, respectively.

NOTE 13 - COMMITMENTS

The Belz 2008 Foundation entered into a grant agreement whereby it is obligated to award grants over a ten-year period, provided certain conditions are met. Grant expense for the years ended June 30, 2021 and 2020, totaled \$100,000 and \$100,000, respectively. If the remaining Grant requirements are fulfilled by the other party, the supporting organization of the Foundation will be obligated to award \$100,000 annually for the year ended June 30, 2022, payable in the fourth quarter of each calendar year.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

For the years ended 2021 and 2020, respectively, net assets with donor restrictions consist of the following balances primarily related to activities of the Belz 2008 Foundation and the Wendy and Avron Fogelman Foundation and the several endowment funds and other funds designated by donors for purposes such as supporting specific organizations within the Jewish community:

	June 30, 2021	June 30, 2020
Cash and cash equivalents - restricted	\$ 18,331,917	\$ 18,219,143
Investments	42,457,502	24,426,735
Beneficial interest	111,257	111,257
Accrued interest receivable	-	136,258
Pledges/notes receivable	7,276,500	5,839,576
	\$ 68,077,176	\$ 48,732,969

NOTE 15 – PPP LOAN PAYABLE

On April 3, 2020, the Foundation entered into a Promissory Note with Paragon Bank, which provides for a loan in the amount of \$58,800 (the “PPP Loan”) pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The Paycheck Protection Program provides that the PPP Loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. The Foundation intends to use the entire PPP Loan amount for qualifying expenses and to apply for forgiveness of the loan in accordance with the terms of the CARES Act. This was forgiven and reclassified to income on the statement of activities during the year ended June 30, 2021.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

The Foundations beginning net assets with donor restrictions for the year ended June 30, 2020 were increased in the amount of \$4,757,018 due to the omission of the donor designated funds from net assets with donor restrictions, and there was a corresponding decrease in the beginning net assets without donor restrictions for the year ended June 30, 2020. The public support with donor restrictions for the year ended June 30, 2020 increased by \$2,167,203 due to the omission of the donor designated contributions and there was a corresponding decrease to public support without donor restrictions. The

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realized capital gains income with donor restrictions for the year ended June 30, 2020 increased by \$173,701 due to the omission of some of the gains associated with funds with donor restrictions and the net assets released from restrictions increased by \$140,017 due to the omission of some expenses released from restriction. The resulting net increase to the change in net assets with donor restrictions for the year ended June 30, 2020 was \$2,200,887 and there was a corresponding decrease to the change in net assets without donor restrictions. Because of the increase in the beginning net assets with donor restrictions and the increase to the change in net assets with donor restrictions, the ending net assets with donor restrictions at June 30, 2020 increased by \$6,957,905 and there was a corresponding decrease to ending net assets without donor restrictions. There was no change to beginning or ending total net assets at June 30, 2020.