

MEMPHIS JEWISH FEDERATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

MEMPHIS JEWISH FEDERATION

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Independent Auditor's Report

To the Board of Directors
Memphis Jewish Federation
Memphis, Tennessee

We have audited the accompanying financial statements of Memphis Jewish Federation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Memphis Jewish Federation 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.

Alexander Thompson Arnold PLLC

Memphis, Tennessee

June 9, 2022

MEMPHIS JEWISH FEDERATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 2,019,667	\$ 1,910,077
Pledges receivable, net of allowance of \$130,994 and \$151,611	3,932,392	1,757,014
Other receivables	64,025	24,236
Related party receivable	508,039	383,956
Prepaid expenses	8,148	20,021
Investments	21,536,224	17,902,032
Beneficial interest	704,730	592,929
Cash surrender life insurance	101,165	96,165
Property and equipment, net of accumulated depreciation	199,509	238,888
Total assets	\$ 29,073,898	\$ 22,925,318
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 59,298	\$ 9,058
Note payable - PPP loan	-	172,000
Allocations payable	1,943,047	2,494,362
Total liabilities	2,002,345	2,675,420
 Net Assets		
Net assets without donor restrictions:		
Undesignated	(530,954)	(1,703,711)
Board-designated endowment	4,005,972	3,231,307
Total net assets without donor restrictions	3,475,018	1,527,596
Net assets with donor restrictions	23,596,535	18,722,302
Total net assets	27,071,553	20,249,898
Total liabilities and net assets	\$ 29,073,898	\$ 22,925,318

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

MEMPHIS JEWISH FEDERATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2021

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support			
Campaign revenues	\$ -	\$ 5,441,901	\$ 5,441,901
Contributions	182,332	363,330	545,662
Fund raising events	21,161	-	21,161
Investment return	1,607,486	2,690,992	4,298,478
Change in value of trust	-	111,801	111,801
PPP loan income	172,000	-	172,000
Other income	43,659	-	43,659
	<u>2,026,638</u>	<u>8,608,024</u>	<u>10,634,662</u>
Net assets released from restriction	3,733,791	(3,733,791)	-
Total revenues and other support	<u>5,760,429</u>	<u>4,874,233</u>	<u>10,634,662</u>
Expenses			
Program services:			
Allocations to agencies	2,232,985	-	2,232,985
Hillel of Memphis	102,465	-	102,465
Other programs	584,798	-	584,798
Total program services	<u>2,920,248</u>	<u>-</u>	<u>2,920,248</u>
Supporting services:			
Fund raising	352,562	-	352,562
General and administrative	540,197	-	540,197
Total supporting services	<u>892,759</u>	<u>-</u>	<u>892,759</u>
Total expenses	<u>3,813,007</u>	<u>-</u>	<u>3,813,007</u>
Change in net assets	1,947,422	4,874,233	6,821,655
Net assets at beginning of year	<u>1,527,596</u>	<u>18,722,302</u>	<u>20,249,898</u>
Net assets at end of year	<u>\$ 3,475,018</u>	<u>\$ 23,596,535</u>	<u>\$ 27,071,553</u>

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

MEMPHIS JEWISH FEDERATION
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
Revenues and Other Support			
Campaign revenues	\$ -	\$ 3,352,170	\$ 3,352,170
Contributions	163,201	2,508,002	2,671,203
Fund raising events	18,606	-	18,606
Investment return	(20,937)	131,244	110,307
Change in value of trust	-	-	-
Other income	16,651	-	16,651
	<u>177,521</u>	<u>5,991,416</u>	<u>6,168,937</u>
Net assets released from restriction	4,160,097	(4,160,097)	-
Total revenues and other support	<u>4,337,618</u>	<u>1,831,319</u>	<u>6,168,937</u>
Expenses			
Program services:			
Allocations to agencies	2,962,332	-	2,962,332
Hillel of Memphis	115,237	-	115,237
Other programs	629,671	-	629,671
Total program services	<u>3,707,240</u>	<u>-</u>	<u>3,707,240</u>
Supporting services:			
Fund raising	446,373	-	446,373
General and administrative	547,093	-	547,093
Total supporting services	<u>993,466</u>	<u>-</u>	<u>993,466</u>
Total expenses	<u>4,700,706</u>	<u>-</u>	<u>4,700,706</u>
Change in net assets	(363,088)	1,831,319	1,468,231
Net assets at beginning of year	<u>1,890,684</u>	<u>16,890,983</u>	<u>18,781,667</u>
Net assets at end of year	<u>\$ 1,527,596</u>	<u>\$ 18,722,302</u>	<u>\$ 20,249,898</u>

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

MEMPHIS JEWISH FEDERATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Services			Supporting Services			Grand Total	
	Allocations	Hillel of Memphis	Other Programs	Total Program Services	General & Administrative	Fund Raising		Total Supporting Services
Allocations to recipient agencies	\$ 2,232,985	\$ -	\$ -	\$ 2,232,985	\$ -	\$ -	\$ -	\$ 2,232,985
Management fees - personnel costs	-	68,358	268,551	336,909	276,450	244,855	521,305	858,214
Senior meals	-	-	224,248	224,248	-	-	-	224,248
Occupancy	-	15,214	29,939	45,153	30,819	27,297	58,116	103,269
Donated facilities	-	-	36,629	36,629	37,706	33,397	71,103	107,732
Supplies	-	442	15,465	15,907	8,731	4,855	13,586	29,493
Computer software and maintenance	-	3,233	-	3,233	15,279	-	15,279	18,512
Meetings and events	-	11,880	9,966	21,846	16,212	-	16,212	38,058
Bank and credit card fees	-	-	-	-	10,055	-	10,055	10,055
Professional fees	-	-	-	-	44,167	-	44,167	44,167
Telephone	-	1,312	-	1,312	3,311	-	3,311	4,623
Printing and postage	-	-	-	-	16,242	2,913	19,155	19,155
Fundraising events	-	-	-	-	-	39,245	39,245	39,245
Dues and subscriptions	-	-	-	-	823	-	823	823
Miscellaneous	-	2,026	-	2,026	41,023	-	41,023	43,049
Depreciation	-	-	-	-	39,379	-	39,379	39,379
	<u>\$ 2,232,985</u>	<u>\$ 102,465</u>	<u>\$ 584,798</u>	<u>\$ 2,920,248</u>	<u>\$ 540,197</u>	<u>\$ 352,562</u>	<u>\$ 892,759</u>	<u>\$ 3,813,007</u>

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

MEMPHIS JEWISH FEDERATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services			Supporting Services			Grand Total	
	Allocations	Hillel of Memphis	Other Programs	Total Program Services	General & Administrative	Fund Raising		Total Supporting Services
Allocations to recipient agencies	\$ 2,962,332	\$ -	\$ -	\$ 2,962,332	\$ -	\$ -	\$ -	\$ 2,962,332
Management fees - personnel costs	-	65,029	289,733	354,762	298,255	264,168	562,423	917,185
Senior meals	-	-	215,176	215,176	-	-	-	215,176
Occupancy	-	23,362	23,336	46,698	24,023	21,277	45,300	91,998
Donated facilities	-	-	36,629	36,629	37,706	33,397	71,103	107,732
Supplies	-	215	19,923	20,138	10,920	15,507	26,427	46,565
Computer software and maintenance	-	5,452	-	5,452	13,938	-	13,938	19,390
Meetings and events	-	10,777	44,874	55,651	29,817	-	29,817	85,468
Bank and credit card fees	-	-	-	-	6,867	-	6,867	6,867
Professional fees	-	-	-	-	39,622	1,000	40,622	40,622
Telephone	-	2,042	-	2,042	3,457	-	3,457	5,499
Printing and postage	-	-	-	-	16,070	-	16,070	16,070
Fundraising events	-	-	-	-	-	111,024	111,024	111,024
Dues and subscriptions	-	-	-	-	1,178	-	1,178	1,178
Miscellaneous	-	8,360	-	8,360	25,314	-	25,314	33,674
Depreciation	-	-	-	-	39,926	-	39,926	39,926
	<u>\$ 2,962,332</u>	<u>\$ 115,237</u>	<u>\$ 629,671</u>	<u>\$ 3,707,240</u>	<u>\$ 547,093</u>	<u>\$ 446,373</u>	<u>\$ 993,466</u>	<u>\$ 4,700,706</u>

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

MEMPHIS JEWISH FEDERATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

Cash flows from operating activities	<u>2021</u>	<u>2020</u>
Change in net assets	\$ 6,821,655	\$ 1,468,231
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	39,379	39,926
Change in allowance for doubtful accounts	(20,617)	(60,493)
PPP loan forgiveness income	(172,000)	-
Unrealized (gain) loss	(3,850,715)	185,618
(Increase) decrease in beneficial interest in trust	(111,801)	-
(Increase) decrease in gross pledges receivable	(2,154,761)	258,344
(Increase) decrease in other receivables	(39,789)	13,779
(Increase) decrease in cash surrender life insurance	(5,000)	-
(Increase) decrease in related party receivables	(124,082)	(165,273)
Increase) decrease in prepaid expenses	11,873	10,721
Increase (decrease) in accounts payable and accruals	50,240	(100,435)
Increase (decrease) in allocations payable	(551,315)	196,642
Net cash provided by (used in) operating activities	<u>(106,933)</u>	<u>1,847,060</u>
Cash flows from investing activities		
Purchase of property and equipment	-	(5,081)
Purchase of investments	(9,552,010)	(5,037,345)
Proceeds from sale of investments	9,768,533	3,268,933
Net cash provided by (used in) investing activities	<u>216,523</u>	<u>(1,773,493)</u>
Cash flows from financing activities		
Proceeds from note payable - PPP loan	-	172,000
Net cash provided by financing activities	<u>-</u>	<u>172,000</u>
Net increase in cash and cash equivalents	109,590	245,567
Cash and cash equivalents at beginning of year	<u>1,910,077</u>	<u>1,664,510</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,019,667</u></u>	<u><u>\$ 1,910,077</u></u>

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

MEMPHIS JEWISH FEDERATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As a 501(c)(3) not for profit organization, the primary focus of the Memphis Jewish Federation (the "Federation") is to connect philanthropy with the needs of Jewish families and individuals. This is at the core of the Federation's mission. Through their annual community-driven fundraising campaign, the Federation raises the resources needed to provide support for current needs and for building a vibrant future for the Jewish community in Memphis, in Israel, and around the world.

Each year through the annual community campaign, the Federation raises funds and provides grants for life-saving and enhancing assistance to partner organizations, schools, and synagogues to meet ongoing needs of children and their families, seniors, and the most vulnerable and at-risk among us. In addition, the Federation administers a variety of programs including: Hillel at Memphis, Hillel at Rhodes, Leadership development, Young Adult Outreach and Engagement, provides possibilities for continual awareness about humanitarian concerns and the Holocaust, ensures there is education and advocacy for the State of Israel, administers the Scheidt-Hohenberg Hot Meals Program, oversees Israeli Scouts, PJ Library, the Community Security Council, oversees the implementation of educational and camp scholarships, and also develop initiatives to broaden understanding of community trends and long-term needs.

B. Basis of Accounting

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

C. Net Asset Classifications

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.

MEMPHIS JEWISH FEDERATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

D. Use of Estimates

The preparation of the 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 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 allowance for uncollectible pledges receivable. The allowance for uncollectible pledges receivable is recorded based upon management's estimate of uncollectible accounts determined by analysis of specific balances and a general reserve based upon the total outstanding balances. Actual results could differ from estimates.

E. Contributions and Grants

Contributions and grants are approved by the Federation'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.

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 Federation's policy to show restricted contributions, whose restrictions are met in the same reporting period as unrestricted support.

The Federation conducts an annual campaign to raise funds primarily for distribution to various Jewish charitable undertakings and organizations and for its own programs. Contributions are recognized as revenues when they are received or unconditionally pledged. Conditional promises to give are not recognized as revenue until the conditions are substantially met.

Pledges received during the annual campaign, pledges receivable, are stated at net realizable value and represent unconditional promises to give which are generally intended to support the operations of the following fiscal year. As such, most pledges receivable are due within one year and are classified as net assets with donor restrictions due to the time restrictions. As of June 30, 2021, the Federation had pledges receivable in the amount of \$917,702 that are due in 2 years and are therefore considered long-term receivables. All other receivables are considered current.

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

F. Investments

The Federation's investments, which consist primarily of funds invested in the Jewish Community Endowment Pool, LLP, are reported at fair market value. Changes in market value, including realized gains and losses and unrealized appreciation or depreciation, are included in the accompanying statement of activities and reported as investment return.

MEMPHIS JEWISH FEDERATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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 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 Federations' financial statements.

The Federation holds State of Israel bonds which are held to maturity and reported at face value. Management believes the face value of the bonds approximates their fair value.

G. Income Taxes

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

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

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

H. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Federation 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.

I. Property and Equipment

Property 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 and fixtures	7
Buildings and improvements	39

J. Beneficial Interest

The Federation received a gift of a beneficial interest in a trust that is held by others. Under the terms of the trust, the Federation has the irrevocable right to receive a percentage of the income earned on the trust assets until April 15, 2042 at which time all assets will be liquidated and transferred to the organizations in the same percentages as they are

MEMPHIS JEWISH FEDERATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

currently receiving income. 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. Annual distributions from the trust are reported as unrestricted income based upon donor designations.

K. Fair Value Measurements

The Federation 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.

L. Reclassifications

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

MEMPHIS JEWISH FEDERATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

M. Adoption of New Accounting Standard

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 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 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 Federation adopted ASC 606 using the modified retrospective method and has concluded that no change to opening net assets is needed.

N. Subsequent Events

Subsequent events have been evaluated through June 9, 2022, which is the date the financial statements were available to be issued.

MEMPHIS JEWISH FEDERATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2 - LIQUIDITY

The Federation 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 following table reflects The Federation'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:

	<u>2021</u>	<u>2020</u>
Financial assets to meet cash needs for general expenditures within one year:		
Cash and cash equivalents	\$ 2,019,667	\$ 1,910,077
Pledges receivable	3,932,392	1,757,014
Investments	21,536,224	17,902,032
	<u>27,488,283</u>	<u>21,569,123</u>
Less assets not available for general expenditures within one year		
Donor restricted investments	(17,449,904)	(14,777,202)
Time restricted revenues	(5,441,901)	(3,352,171)
Time restricted investment (Idalia Roth Trust)	(704,730)	(592,929)
Total financial assets to meet cash needs for general expenditures within one year	<u>\$ 3,891,748</u>	<u>\$ 2,846,821</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Major classes of property and equipment consist of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Computer equipment	200,042	200,042
Building and improvements - Hillel of Memphis	296,844	296,844
Building Rights - MJCC office space	327,114	327,114
Land - Hillel of Memphis	40,748	40,748
Furniture and fixtures	100,501	100,501
	<u>965,249</u>	<u>965,249</u>
Less accumulated depreciation	(765,740)	(726,361)
	<u>\$ 199,509</u>	<u>\$ 238,888</u>

**MEMPHIS JEWISH FEDERATION
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

Depreciation expense totaled \$39,379 and \$39,926 for the years ended June 30, 2021 and 2020, respectively.

Pursuant to an agreement with the Federation dated October 2, 1972, the Leo Levy Wing was added to the Memphis Jewish Community Center ("MJCC") building for the Federation's use. This agreement provided that the Federation pay for the total cost of the two-story wing in return for perpetual rent-free office space. The first floor is being used rent-free by the Federation and utilities and maintenance costs are allocated between the agencies. For the years ended June 30, 2021 and 2020, the Federation reimbursed MJCC \$49,508 and \$49,508, respectively, for these costs. The agreement further provides that title to the wing will remain with the Federation, but in the event of sale or destruction of the wing, the Federation will be allocated certain specified amounts as reimbursement of the cost.

NOTE 4 - INVESTMENTS

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash equivalents	\$ -	\$ 263,543
Domestic Equity	8,532,050	4,338,575
International Equity	4,778,557	4,542,839
Private Equity/Venture Capital	-	511,583
Absolute Return/Hedged Equity	-	3,015,241
Credit Related	-	302,299
Real Estate	-	279,045
Fixed Income	8,225,617	4,648,907
	<u>\$ 21,536,224</u>	<u>\$ 17,902,032</u>

MEMPHIS JEWISH FEDERATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 5 - FAIR VALUE MEASUREMENTS

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

Recurring Fair Value Measurements	Fair Value for Period	Quoted Prices in	Significant Other	Significant
	Ending	Active Markets for	Observable	Unobservable
	June 30, 2021	Identical Assets	Inputs	Inputs
		Level 1	Level 2	Level 3
Cash equivalents	\$ -	\$ -	\$ -	\$ -
Domestic equity	8,532,050	8,532,050	-	-
International equity	4,778,557	-	4,778,557	-
Fixed income	8,225,617	8,225,617	-	-
Beneficial interest	704,730	704,730	-	-
Cash surrender life insurance	101,165	-	-	101,165
Total	\$ 22,342,119	\$ 17,462,397	\$ 4,778,557	\$ 101,165

Recurring Fair Value Measurements	Fair Value for Period	Quoted Prices in	Significant Other	Significant
	Ending	Active Markets for	Observable	Unobservable
	June 30, 2020	Identical Assets	Inputs	Inputs
		Level 1	Level 2	Level 3
Cash equivalents	\$ 263,543	\$ 263,543	\$ -	\$ -
Domestic equity	4,338,575	4,338,575	-	-
International equity	4,542,839	-	4,271,545	271,294
Private equity/venture capital	511,583	-	-	511,583
Absolute return/hedged equity	3,015,241	-	-	3,015,241
Credit related	302,299	-	-	302,299
Real estate	279,045	-	-	279,045
Fixed income	4,648,907	4,648,907	-	-
Beneficial interest	592,929	592,929	-	-
Cash surrender life insurance	96,165	-	-	96,165
Total	\$ 18,591,126	\$ 9,843,954	\$ 4,271,545	\$ 4,475,627

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 were 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,

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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 Federation had no direct investments in derivatives.

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

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 estate	Cash Surrender	Totals
Beginning balances	\$ 271,294	\$ 511,583	\$ 3,015,241	\$ 302,299	\$ 279,045	\$ 96,165	\$ 4,475,627
Transfers in (from level1)	-	-	-	-	-	-	-
Purchases	-	-	-	-	-	-	-
Redemptions	(301,319)	(568,202)	(3,348,950)	(335,756)	(309,928)	-	(4,864,155)
Realized and unrealized gains (losses)	30,025	56,619	333,709	33,457	30,883	5,000	489,693
Ending balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,165	\$ 101,165

2020	International Equity	Private Equity/venture capital	Absolute return/hedged equity	Credit related	Real estate	Cash Surrender	Totals
Beginning balances	\$ 643,065	\$ 520,577	\$ 3,695,181	\$ 683,895	\$ 408,295	\$ 96,165	\$ 6,047,178
Transfers in (from level1)	-	-	-	-	-	-	-
Purchases	-	8,274	-	-	-	-	8,274
Redemptions	(362,614)	-	(578,165)	(371,392)	(119,831)	-	(1,432,002)
Realized and unrealized gains (losses)	(9,157)	(17,268)	(101,775)	(10,204)	(9,419)	-	(147,823)
Ending balances	\$ 271,294	\$ 511,583	\$ 3,015,241	\$ 302,299	\$ 279,045	\$ 96,165	\$ 4,475,627

The total changes in the unrealized gain or (loss) included in the statements of activities attributable to Level 3 investments held at June 30, 2021 and 2020 were \$489,693 and \$(147,823), respectively.

NOTE 6 – ENDOWMENT FUNDS

During 1993, 2002, and 2003, the Federation received funds from the Abe Lemsky trust which were restricted by the donor for Israel and Israel-related programs. The Board of Directors used the gift to establish an endowment to preserve and invest these funds and other Federation assets for future use. Additionally, there are eleven other donor-restricted endowment funds 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 Federation 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 Federation 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 Federation classifies the following as permanently restricted 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 Federation 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 Federation; and
7. The Federation's investment policies.

Spending Policy

The Federation 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 Federation considered the long-term expected rate of return on its endowment investments.

Endowment Investment Policy

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

	Target Allocation	Maximum Allocation
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%

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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	\$ 2,974,830	\$15,370,131	\$ 18,344,961
Contributions	-	-	-
Appropriation for expenditure	(9,226)	383,119	373,893
Investment income, net of expenses	71,588	(621,384)	(549,796)
Net appreciation	899,130	3,022,767	3,921,897
Endowment net assets, June 30, 2021	<u>\$ 3,936,322</u>	<u>\$18,154,633</u>	<u>\$ 22,090,955</u>

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
Endowment net assets, June 30, 2019	\$ 3,145,991	\$13,616,178	\$ 16,762,169
Contributions	-	2,227,164	2,227,164
Appropriation for expenditure	(141,113)	(608,772)	(749,885)
Investment income, net of expenses	112,107	256,156	368,263
Net appreciation	(142,155)	(120,595)	(262,750)
Endowment net assets, June 30, 2020	<u>\$ 2,974,830</u>	<u>\$15,370,131</u>	<u>\$ 18,344,961</u>

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Endowment net asset composition by type of fund as of June 30, 2021 and 2020 is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
Donor restricted	\$ -	\$ 18,154,633	\$ 18,154,633
Federation operations	(69,650)	-	(69,650)
Board-designated	4,005,972	-	4,005,972
Endowment net assets, June 30, 2021	<u>\$ 3,936,322</u>	<u>\$ 18,154,633</u>	<u>\$ 22,090,955</u>

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
Donor restricted	\$ -	\$ 15,370,131	\$ 15,370,131
Federation operations	(256,477)	-	(256,477)
Board-designated	3,231,307	-	3,231,307
Endowment net assets, June 30, 2020	<u>\$ 2,974,830</u>	<u>\$ 15,370,131</u>	<u>\$ 18,344,961</u>

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, endowment deficiencies were as follows:

	June 30, 2021	June 30, 2020
Fair value at end of year	\$ 460,350	\$ 2,937,425
Original gifts	(530,000)	(3,193,902)
Endowment deficiencies	<u>\$ (69,650)</u>	<u>\$ (256,477)</u>

NOTE 7 - RELATED PARTY DISCLOSURES

Jewish Community Partners, Inc. is a Tennessee for-profit corporation that provides management services to the Memphis Jewish Federation and the Jewish Foundation of Memphis. Jewish Community Partners, Inc. operates all programs and manages activities of both organizations. Some board members of the Memphis Jewish Federation serve on the Board of Trustees for Jewish Community Partners, Inc. Some board members of the Memphis Jewish Federation serve on the Board of Directors for the Jewish Foundation of Memphis.

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Management fees for personnel costs paid by the Memphis Jewish Federation to Jewish Community Partners, Inc. for the years ended June 30, 2021 and 2020 totaled \$858,214 and \$917,185, respectively. Jewish Community Partners, Inc. owed \$489,560 and \$367,477 to the Memphis Jewish Federation at June 30, 2021 and 2020, respectively, the amounts are included in Related Party Receivable. Jewish Foundation of Memphis owed \$18,479 and \$16,479 to the Memphis Jewish Federation at June 30, 2021 and 2020, respectively, for reimbursement of expenses, the amounts are included in Related Party Receivable. The accompanying financial statements may not be indicative of the conditions that would have existed or results of operations if the Federation operated independently notes.

NOTE 8 - CONCENTRATIONS

The Federation 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 \$1,902,309 and \$1,781,375 at June 30, 2021 and 2020, respectively.

The Federation receives its funding from the Jewish community in and around Memphis, Tennessee. This geographical concentration could significantly impact the operations of the Federation should the economy or financial viability of the donors experience economic problems.

NOTE 9 - DONATED FACILITIES

The Federation'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 \$107,737 and \$107,737 for the years ended June 30, 2021 and 2020, respectively.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

For the years ended June 30, 2021 and 2020, respectively, net assets with donor restrictions consist of the following balances:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Permanent restrictions	\$ 3,532,585	\$ 3,532,585
Abe Lemsky fund	13,330,361	11,214,024
Time restrictions	6,146,631	3,945,100
Unspent endowment appreciation	586,958	30,593
	<u>\$ 23,596,535</u>	<u>\$ 18,722,302</u>

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NOTE 11 – PPP LOAN FORGIVENESS INCOME

On April 3, 2020, the Federation entered into a Promissory Note with Paragon Bank, which provides for a loan in the amount of \$172,000 (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 provided 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 Federation used the entire PPP Loan amount for qualifying expenses and received forgiveness for the entire balance of the loan on July 23, 2021 and the forgiveness income is reported on the statement of activities and changes in net assets.