

Audited Financial Statements
Raleigh-Cary Jewish Federation, Inc.
Years Ended December 31, 2019 and 2018

Audited Financial Statements

Raleigh-Cary Jewish Federation, Inc.

Years Ended December 31, 2019 and 2018

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*Independent Auditors' Report*

Board of Trustees
Raleigh-Cary Jewish Federation, Inc.
Raleigh, North Carolina

We have audited the accompanying financial statements of Raleigh-Cary Jewish Federation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, statements of 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.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Raleigh-Cary Jewish Federation, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of ASU 2018-08

As described in Note A to the financial statements, Raleigh-Cary Jewish Federation, Inc. adopted FASB Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in 2019. Our opinion is not modified with respect to this matter.

Prior Period Adjustment

As described in Note O to the financial statements, net assets as of December 31, 2017, have been restated to correct a prior period error. Our opinion is not modified with respect to that matter.

Romeo, Wiggins & Company, L.L.P.

Raleigh, North Carolina
January 28, 2021

Statements of Financial Position

Raleigh-Cary Jewish Federation, Inc.

	December 31,	
	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents:		
General operations	\$ 241,007	\$ 313,776
Donor-advised funds	1,017	1,016
Kahn Community Campus	290,669	121,895
With donor restrictions, other non-endowed	14,027	36,330
Held under donor-restricted endowments	<u>(187)</u>	<u>1,668</u>
	546,533	474,685
Pledges receivable, current portion:		
Kahn Community Campus	142,323	245,151
Annual Campaigns:		
2019	19,480	0
2018	0	27,955
2017	<u>0</u>	<u>4,412</u>
	161,803	277,518
Allowance for uncollectible pledges	<u>(50,000)</u>	<u>(64,036)</u>
	111,803	213,482
Grant receivables	4,298	25,000
Other receivables	61,066	5,776
Prepaid expenses	<u>18,350</u>	<u>13,237</u>
TOTAL CURRENT ASSETS	<u>742,050</u>	<u>732,180</u>
PLEDGES RECEIVABLE (Kahn Community Campus), less current portion and net of discount	565,056	219,399
FIXED ASSETS, net of accumulated depreciation	5,804,992	4,134,038
INVESTMENTS:		
Without donor restrictions	85,817	77,064
Donor-advised	406,942	378,912
With donor restrictions, non-endowed	158,690	173,090
Held under donor-restricted endowments	512,016	456,264
Agency funds	<u>1,270,842</u>	<u>810,560</u>
	2,434,307	1,895,890
OTHER ASSETS:		
Other assets	<u>88,873</u>	<u>70,534</u>
TOTAL ASSETS	<u>\$ 9,635,278</u>	<u>\$ 7,052,041</u>

See accompanying independent auditors' report and notes to financial statements.

Statements of Financial Position -- Continued

Raleigh-Cary Jewish Federation, Inc.

	December 31,	
	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 72,163	\$ 419,571
Current portion of long-term debt	74,778	41,702
Current portion of capital lease payable	3,451	3,197
Deferred income	65,023	92,629
TOTAL CURRENT LIABILITIES	<u>215,415</u>	<u>557,099</u>
Investments held under agency	1,270,842	810,560
Long-term debt, less current portion	3,074,561	1,045,044
Capital lease payable, less current portion	8,487	11,928
TOTAL LIABILITIES	<u>4,569,305</u>	<u>2,424,631</u>
NET ASSETS:		
Without donor restrictions:		
Available for operations	331,540	37,037
Donor-advised funds	407,959	379,928
Fixed assets, net of related obligations	3,476,375	3,385,775
Total without donor restrictions	<u>4,215,874</u>	<u>3,802,740</u>
With donor restrictions:		
Other than endowments	338,270	366,738
Held under endowments	511,829	457,932
	<u>850,099</u>	<u>824,670</u>
TOTAL NET ASSETS	<u>5,065,973</u>	<u>4,627,410</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,635,278</u>	<u>\$ 7,052,041</u>

See accompanying independent auditors' report and notes to financial statements.

Statement of Activities

Raleigh-Cary Jewish Federation, Inc.

Year Ended December 31, 2019

	Without Donor Restrictions		With Donor Restrictions	Total
	Operations	Fixed Assets		
SUPPORT, REVENUES, AND OTHER INCOME:				
Support:				
Federation:				
Annual Campaign/fundraising, net	\$ 466,029	\$	\$	\$ 466,029
Grants	35,569			35,569
Kahn Community Campus (KCC):				
Pledges, net			798,980	798,980
Other contributions	15,404		100,000	115,404
Donated services	2,501			2,501
Jewish Community Center (JCC):				
Contributions	2,556			2,556
Sponsorships	7,780			7,780
Grants	5,500			5,500
Jewish Family Services (JFS):				
Contributions	870			870
Sponsorships	4,700			4,700
Grants	54,007		72,500	126,507
Donated food/gift cards	17,534			17,534
Jewish Community Relations Council (JCRC):				
Contributions	27,295			27,295
Community Engagement:				
Contributions	22,428			22,428
Sponsorships	53,850			53,850
Donated services	28,473			28,473
Jewish Community Foundation (JCF):				
Contributions			9,854	9,854
Total support	<u>744,496</u>	<u>0</u>	<u>981,334</u>	<u>1,725,830</u>
Revenue:				
JCC membership dues	88,546			88,546
Program fees/income:				
Federation				
KCC	1,946			1,946
JCC	51,022			51,022
JCC	353,489			353,489
JFS	27,160			27,160
Community Engagement	33,241			33,241
Facilities	10,918			10,918
Net investment income	70,223		113,972	184,195
Other income	7,594			7,594
Net assets released from restrictions:				
Appropriated from endowments	21,018		(21,018)	0
Satisfaction of purpose restrictions	138,364	910,495	(1,048,859)	0
TOTAL SUPPORT, REVENUES, AND OTHER INCOME	1,548,017	910,495	25,429	2,483,941
EXPENSES:				
Program services:				
Jewish Community Center	698,107			698,107
Jewish Family Services	333,475			333,475
Jewish Community Relations Council	26,957			26,957
Jewish Community Foundation	67,455			67,455
Kahn Community Campus	144,694	92,004		236,698
Community Engagement	215,773			215,773
Facilities	66,464	7,927		74,391
	<u>1,552,925</u>	<u>99,931</u>	<u>0</u>	<u>1,652,856</u>
Supporting services:				
Management and general	237,847	8,817		246,664
Fundraising/development	137,041	8,817		145,858
	<u>374,888</u>	<u>17,634</u>	<u>0</u>	<u>392,522</u>
TOTAL EXPENSES	1,927,813	117,565	0	2,045,378
CHANGE IN NET ASSETS	<u>\$ (379,796)</u>	<u>\$ 792,930</u>	<u>\$ 25,429</u>	<u>\$ 438,563</u>
Net assets, beginning of year, as restated	\$ 416,965	\$ 3,385,775	\$ 824,670	\$ 4,627,410
Change in net assets	(379,796)	792,930	25,429	438,563
Net decrease in capital lease payable	(3,187)	3,187		0
Additional net borrowings on construction loan	1,956,000	(1,956,000)		0
Decreases in accounts payable/retainage payable related to fixed assets	(373,060)	373,060		0
Other fixed asset purchases	(877,423)	877,423		0
NET ASSETS, END OF YEAR	<u>\$ 739,499</u>	<u>\$ 3,476,375</u>	<u>\$ 850,099</u>	<u>\$ 5,065,973</u>

See accompanying independent auditors' report and notes to financial statements.

Statement of Activities

Raleigh-Cary Jewish Federation, Inc.

Year Ended December 31, 2018

	Without Donor Restrictions		With Donor	
	Operations	Fixed Assets	Restrictions	Total
SUPPORT, REVENUES, AND OTHER INCOME:				
Support:				
Federation:				
Annual Campaign/fundraising, net	\$ 682,574	\$	\$	\$ 682,574
Grants	62,966			62,966
Donated services/supplies	41,090			41,090
Kahn Community Campus (KCC):				
Pledges, net			106,071	106,071
Donated services		72,300		72,300
Other			60	60
Jewish Community Center (JCC):				
Contributions	29,653			29,653
Grants	35,405		7,500	42,905
Jewish Family Services (JFS):				
Annual Campaign/fundraising	61,514			61,514
Grants	70,840		41,500	112,340
Donated services/supplies	8,534			8,534
Jewish Community Relations Council (JCRC):				
Contributions	12,535			12,535
Grants			50,000	50,000
Jewish Community Foundation (JCF):				
Contributions	3,612		28,623	32,235
Other support	7,032			7,032
	<u>1,015,755</u>	<u>72,300</u>	<u>233,754</u>	<u>1,321,809</u>
Revenue:				
JCC membership dues	76,638			76,638
Program fees/income:				
Federation	77,252			77,252
JCC	315,028			315,028
JFS	29,324			29,324
JCF	3,702			3,702
Net investment income	(23,236)		(33,850)	(57,086)
Gain (loss) on disposal of fixed assets	(335)			(335)
Net assets released from restrictions:				
Appropriated from endowments	21,532		(21,532)	
Satisfaction of purpose restrictions	109,377	1,790,128	(1,899,505)	0
	<u>1,625,037</u>	<u>1,862,428</u>	<u>(1,721,133)</u>	<u>1,766,332</u>
TOTAL SUPPORT, REVENUES, AND OTHER INCOME				
EXPENSES:				
Program services:				
Jewish Community Center	679,704			679,704
Jewish Family Services	317,267			317,267
Jewish Community Relations Council	41,082			41,082
Jewish Community Foundation	36,216			36,216
Kahn Community Campus	49,050	92,004		141,054
Community Engagement	378,594			378,594
	<u>1,501,913</u>	<u>92,004</u>	<u>0</u>	<u>1,593,917</u>
Supporting services:				
Management and general	216,937	3,951		220,888
Fundraising/development	117,671			117,671
	<u>334,608</u>	<u>3,951</u>	<u>0</u>	<u>338,559</u>
	<u>1,836,521</u>	<u>95,955</u>	<u>0</u>	<u>1,932,476</u>
TOTAL EXPENSES				
CHANGE IN NET ASSETS	\$ (211,484)	\$ 1,766,473	\$ (1,721,133)	\$ (166,144)
Net assets, beginning of year, as previously reported				
	\$ 133,786	\$ 2,113,965	\$ 2,656,183	\$ 4,903,934
Prior period adjustment -- Note O				
			(110,380)	(110,380)
Net assets, beginning of year, as restated				
	133,786	2,113,965	2,545,803	4,793,554
Change in net assets	(211,484)	1,766,473	(1,721,133)	(166,144)
Net increase in capital lease payable	13,937	(13,937)		0
Additional borrowings on construction loan	167,000	(167,000)		0
Increases in accounts payable/retainage payable related to fixed assets	372,460	(372,460)		0
Other fixed asset purchases	(58,734)	58,734		0
	<u>416,965</u>	<u>3,385,775</u>	<u>824,670</u>	<u>4,627,410</u>
NET ASSETS, END OF YEAR, as restated				

See accompanying independent auditors' report and notes to financial statements.

Statement of Functional Expenses

Raleigh-Cary Jewish Federation, Inc.

Year Ended December 31, 2019

	Program Services							Support Services				2019 Total
	Jewish Community Center	Jewish Family Services	Jewish Community Relations Council	Jewish Community Foundation	Kahn Community Campus	Community Engagement	Facilities	Total Program Services	Management and General	Fundraising/ Development	Total Support Services	
Salaries	\$ 303,555	\$ 193,863			\$ 41,149	\$ 79,550	\$ 40,542	\$ 658,659	\$ 75,147	\$ 122,098	\$ 197,245	\$ 855,904
Payroll taxes	22,639	14,831			3,148	11,533	3,101	55,252	7,143	2,405	9,548	64,800
Other employee benefits	12,901	6,736				12,253	10,675	42,565	2,965	4,444	7,409	49,974
Operation expense	150,174	28,457			33,605	35,214	8,925	256,375	38,175	1,462	39,637	296,012
Travel	8,160	4,277			14	5,963	98	18,512	1,196	1,418	2,614	21,126
Interest	205					43,227		43,432	29,894		29,894	73,326
Depreciation/amortization						92,004	7,927	99,931	8,817	8,817	17,634	117,565
Professional fees	1,300				5,527	500		7,327	42,643		42,643	49,970
Program expenses	96,317	80,965		67,455	3,163	39,679	106	287,685	32	343	375	288,060
Sub-contractors	74,042	135			683	4,079	3,000	81,939			0	81,939
Professional development	345	2,214				(1,160)		1,399	330	1,439	1,769	3,168
Insurance	5,181				5,727			10,908	23,969		23,969	34,877
Association expense	9,270	1,489				350		11,109	2,955	365	3,320	14,429
Conference/meetings/events	7,006	502			8,451	27,791		43,750	640	3,041	3,681	47,431
Merchant fees	7,012	6				21	17	7,056	12,758	26	12,784	19,840
State Allocations								259			0	259
National/International Allocations				259				259			0	259
				26,698				26,698			0	26,698
Total	\$ 698,107	\$ 333,475	\$ 26,957	\$ 67,455	\$ 236,698	\$ 215,773	\$ 74,391	\$ 1,652,856	\$ 246,664	\$ 145,858	\$ 392,522	\$ 2,045,378

See accompanying independent auditors' report and notes to financial statements.

Statement of Functional Expenses

Raleigh-Cary Jewish Federation, Inc.

Year Ended December 31, 2018

	Program Services						Support Services				2018 Total
	Jewish Community Center	Jewish Family Services	Jewish Community Relations Council	Jewish Community Foundation	Kahn Community Campus	Community Engagement	Total Program Services	Management and General	Fundraising/ Development	Total Support Services	
Salaries	\$ 298,043	\$ 191,464	\$	\$	\$ 15,100	\$ 206,524	\$ 711,131	\$ 84,251	\$ 76,948	\$ 161,199	\$ 872,330
Payroll taxes	22,800	14,647			1,155	12,563	51,165	6,445	9,123	15,568	66,733
Other employee benefits	2,553	21,121				32,520	56,194	16,400	4,205	20,605	76,799
Operation expense	164,115	26,230	2,080		19,771	55,881	268,077	31,390	6,822	38,212	306,289
Travel	28,757	4,380	471			2,611	36,219	283	8,543	8,826	45,045
Interest					7,464		7,464	22,486		22,486	29,950
Depreciation/amortization					92,004		92,004	3,951		3,951	95,955
Professional fees	3,219				1,534	1,415	6,168	10,814	5,474	16,288	22,456
Program expenses	76,000	55,587	393	34,752	530	29,601	196,863		1,262	1,262	198,125
Sub-contractors	60,134	100	1,333			11,141	72,708	1,228	1,582	2,810	75,518
Professional development	364	1,115					1,479	1,295		1,295	2,774
Insurance	4,010	117			3,446		7,573	27,160		27,160	34,733
Association expense	8,417	1,492			50		9,959	2,518	787	3,305	13,264
Conference/meetings/events	5,850	1,014	11,464	1,464		26,313	46,105		2,877	2,877	48,982
Merchant fees	5,442					25	5,467	12,667	48	12,715	18,182
State Allocations			259				259			0	259
National/International Allocations			25,082				25,082			0	25,082
Total	\$ 679,704	\$ 317,267	\$ 41,082	\$ 36,216	\$ 141,054	\$ 378,594	\$ 1,593,917	\$ 220,888	\$ 117,671	\$ 338,559	\$ 1,932,476

See accompanying independent auditors' report and notes to financial statements.

Statements of Cash Flows

Raleigh-Cary Jewish Federation, Inc.

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 438,563	\$ (166,144)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	117,565	95,955
Donated support capitalized in fixed assets	0	(72,300)
Contributions restricted for long-term purposes:		
Kahn Community Campus (KCC), net	(898,980)	(72,071)
Contributions to permanent endowments	(3,834)	0
(Decrease) increase in allowance for uncollectible pledges	(14,036)	(33,081)
Net realized (gains) losses on investments	(32,396)	(59,572)
Net unrealized (gains) losses on investments	(122,068)	131,038
Loss (gain) on disposal of fixed assets	0	335
(Increase) decrease in operating assets:		
Pledges receivable, other than Kahn Community Campus	12,887	27,326
Other receivables, prepaid expenses, and other assets	(58,040)	(19,738)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(347,408)	368,322
Deferred income	(27,606)	(50,543)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(935,353)</u>	<u>149,527</u>
INVESTING ACTIVITIES:		
Purchases of fixed assets	(1,788,519)	(1,831,531)
Purchases of investments	(32,158)	(127,535)
Reinvestment of net investment earnings	(11,391)	(16,261)
Proceeds from sales of investments	119,878	65,098
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,712,190)</u>	<u>(1,910,229)</u>
FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term purposes:		
Kahn Community Campus	656,151	481,436
Contributions to permanent endowments	3,834	0
Net proceeds from line-of-credit borrowings	50,000	0
Proceeds from long-term borrowings	2,421,000	417,618
Principal payments on long-term borrowings	(408,407)	(96,694)
Principal payments on capital lease	(3,187)	(3,728)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>2,719,391</u>	<u>798,632</u>
NET CHANGE IN CASH	71,848	(962,070)
Cash and cash equivalents, beginning of year	<u>474,685</u>	<u>1,436,755</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 546,533</u>	<u>\$ 474,685</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 73,326	\$ 29,902
NONCASH INVESTING AND FINANCING ACTIVITIES:		
(Increase) decrease in investments/donated stock at December 31	\$ 0	\$ 3,220
Fixed assets obtained by donation	0	72,300
Fixed assets obtained under capital lease	0	17,665
INVESTMENT ACTIVITY FOR AGENCY FUNDS:		
Cash received and invested	\$ 352,425	\$ 47,602
Cash withdrawals	(36,964)	(34,233)
Investment earnings, net of fees	15,639	14,334
Net change in fair value	129,182	(53,175)
Net change in amounts held in agency	<u>\$ 460,282</u>	<u>\$ (25,472)</u>

See accompanying independent auditors' report and notes to financial statements.

Notes to Financial Statements

Raleigh-Cary Jewish Federation, Inc.

Years Ended December 31, 2019 and 2018

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization: Raleigh-Cary Jewish Federation, Inc. (the Organization/RCJF) was organized in Wake County, North Carolina, in 1987 as a nonprofit corporation. The Organization was established for the purpose of supporting Jewish charities in local, state, national, and global communities.

Program Services: The Organization derives its support and revenue largely from pledges, contributions, grants, sponsorships, and program fees. Programs supported by the Organization include the following:

Jewish Community Center: Provides programs and services to children, teens, adults and seniors.

Jewish Family Services: Dedicated to meeting the human service needs of the Jewish community.

Jewish Community Relations Council (JCRC): Provides education and advocacy as a liaison with the general community.

Jewish Community Foundation: Enables members of the community to create a lasting legacy in the community. Significant donations are invested and disbursed as directed by donors or by a committee of RCJF to fund various causes within the community.

Kahn Community Campus: The David R. Kahn Community Campus hosts the Jewish Community Center and an open facility for the community to utilize. (Refer also to *Note D--Fixed Assets*).

Community Engagement: Programs and events that promote community engagement and develop community leaders.

Facilities (2019): The running and management of facilities that host the Organization's programs, with an emphasis on operating efficiencies, security, and maximization of revenue potential.

Basis of Presentation: The accompanying financial statements have been prepared on an accrual basis and are in conformity with standards promulgated by the American Institute of Certified Public Accountants.

Adoption of ASU 2018-08: During 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies how an entity determines whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution should be considered conditional. As required by ASU 2018-08, the Organization applied the requirements on a modified prospective basis to agreements that either were not complete at January 1, 2019, or were entered into after January 1, 2019. The adoption of ASU 2018-08 resulted in no changes to support and revenue recognized for the year ended December 31, 2019.

Net Assets: The accompanying financial statements have been prepared in accordance with ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization's net assets have been grouped into the following classes:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. At December 31, 2019 and 2018, the Organization's net assets without donor restrictions include net assets of \$407,959 and \$379,928, respectively, held under donor-advised funds.

Raleigh-Cary Jewish Federation, Inc.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

Net Assets With Donor Restrictions: Net assets that are subject to restrictions imposed by donors and grantors. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that require resources to be maintained in perpetuity. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

Recognition of Support: Promises to give, including pledges, contributions, and grants to the Organization are generally considered nonreciprocal transactions and are recognized as support when conditions, if any, have been met. A condition exists if the agreement with the donor includes a barrier that must be overcome and either a right of return of assets transferred or a right of release from the donor's obligation to transfer assets. Grants and contributions requiring a match are considered conditional until the match is satisfied, wholly or in part, as defined by agreement. Cost-reimbursement grants are considered conditional until qualifying expenditures are incurred. Event sponsorships are considered conditional until the event is held. Amounts received in advance of conditions being met are included in deferred income in the statement of financial position. Support from unconditional grants and contributions is recognized as an increase in either net assets without donor restrictions or net assets with donor restrictions, based on the absence or presence of any donor-imposed restrictions.

Donated Fixed Assets: Donations of fixed assets are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as donor-restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Donations received in connection with capital campaigns are generally reclassified to net assets without donor restrictions as related expenditures are incurred.

Donated Marketable Securities: Donated marketable securities are recorded as contributions in the amount of proceeds, net of brokerage fees, when sold just after donation.

Donated Services: Contributions of donated services that create or enhance non-financial 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 recorded at their fair values in the period received. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. Volunteer services are not recorded in the financial statements because the criteria for recognition have not been satisfied.

Recognition of Revenue: Membership dues are recognized as revenues in the applicable membership period. Program fees, including summer camps and events, are recognized as the services are provided or when the related events are held. Membership dues and program fees collected in advance have been included in deferred income in the statement of financial position.

Cash and Cash Equivalents: The Organization considers all highly liquid investments having a maturity of three months or less when purchased to be cash equivalents. The Organization held cash equivalents of \$1,017 and \$1,016 in a certificate of deposit (including accrued interest) at December 31, 2019 and 2018, respectively.

Pledges Receivable: Pledges at December 31, 2019, include capital campaign pledges of \$758,115 due from various individuals. Pledges of \$10,000 or more due beyond one year are recorded at the net present value of the estimated future cash flows using a discount factor of 4%. Noncurrent pledges receivable at December 31, 2019 and 2018 are net of an unamortized discount of \$50,736 and \$53,751, respectively. The Organization provides for potentially uncollectible pledges using the allowance method. Outstanding receivables are unsecured. (Refer also to *Note C--Pledges Receivable/Conditional Promises* and *Note K--Concentrations of Credit Risk*.)

Raleigh-Cary Jewish Federation, Inc.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

Investments: The Organization's investments are part of a pooled portfolio managed by the Jewish Foundation of Greensboro, a constituent agency of the Greensboro Jewish Federation. The Organization's share of the portfolio is carried at fair value based on quoted market prices, as reported by the Jewish Foundation of Greensboro for each donor fund. At December 31, 2019, the pooled portfolio's holdings approximated the following: cash (3.16%), fixed income securities (33.54%), and equities (63.30%). Certain funds invested with the Jewish Foundation of Greensboro are held under agency on behalf of Beth Meyer Synagogue. The Organization has neither title nor variance power over funds held under agency; therefore, these invested assets are also recognized as a liability in the accompanying statements of financial position. Investments are subject to market fluctuations and, therefore, are not insured against loss.

Net investment income, as reported in the accompanying financial statements, includes investment earnings, realized and unrealized gains and losses (disclosed in statements of cash flows), and a reduction for fees of \$11,967 and \$9,352 in 2019 and 2018, respectively. Net investment income generated by endowment funds is recognized in a net asset class based on the donor's expressed intent. (The accompanying statements of activities exclude investment activity for investments held under agency.)

Refer also to *Note I--Net Assets With Donor Restrictions, Held Under Endowments* and *Note J--Fair Value Measurements*.

Fixed Assets: Fixed assets are carried at cost or at fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. Fixed asset purchases of less than \$2,500 are generally expensed when incurred.

Impairment of Long-Lived Assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future 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 fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Beneficial Interests in Gifts Held by Others: The Organization has been named by certain donors as beneficiary of the residuum interest in certain irrevocable gift annuity trusts held by others. The Organization recognizes the present value of its beneficial interest in these agreements in the period the trust is established, or upon notification of the existence of the trust if notification is given in a later period. The present value is calculated based on donor life expectancy, using applicable mortality tables and a discount rate of approximately 6%. Beneficial interests of \$11,658 and \$9,007 are included in *other assets* at December 31, 2019 and 2018, respectively.

Cash Surrender Value of Life Insurance: Certain donors have named the Organization as beneficiary of life insurance policies. Premiums are paid directly by the Organization, but only with funds provided by the donor. The cash surrender values of these policies of \$77,215 and \$61,527 at December 31, 2019 and 2018, respectively, are included in net assets with donor restrictions (and *other assets*) in the accompanying financial statements. (Refer also to *Note H--Net Assets With Donor Restrictions, Other Than Endowments*.)

Interests in Estates: Certain individuals have expressed intent to give a portion of their estate to the Organization. Because these agreements are generally revocable during the donor's lifetime, the Organization recognizes such as contributions only after the death of the donor and after a court's ruling as to the validity of the will.

Deferred Income: Deferred income includes program fees collected prior to the event, member dues collected prior to the membership year, and support received under conditional awards. Deferred income also includes annual campaign contributions collected prior to the campaign year. Pledges for the annual campaign are considered by management to represent intents to give, rather than promises to give, until the campaign year.

Raleigh-Cary Jewish Federation, Inc.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

Fair Value of Financial Instruments: The carrying values of cash equivalents, receivables due within one year, accounts payable, and other accrued liabilities are considered to approximate the fair values of such given the short-term maturities of these financial instruments. Pledges receivable due beyond one year are carried net of a discount as described herein, resulting in a carrying value that approximates fair value. The carrying value of long-term debt approximates the fair value of such given that interest rates approximate market rates for debt with similar terms and remaining maturities. (Refer also to Note A as pertains to *Investments* and *Note J--Fair Value Measurements*.)

Tax-Exempt Status: Raleigh-Cary Jewish Federation, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable state tax statutes. Therefore, no provision for federal or state income taxes has been made in the financial statements. In addition, the Internal Revenue Service has determined the Organization is not a private foundation within the meaning of Section 509(a). The Organization had no income subject to taxation as unrelated business income in 2019 and 2018, and management is aware of no uncertain tax positions taken by the Organization.

Functional Expenses: The Organization allocates certain expenses on a functional basis between program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Certain indirect expenses are allocated to program and support services based on estimated usage and/or benefit. Support services include expenses for management and general and fundraising/development. Fundraising relates primarily to campaigns and other events designed to generate support. Development includes the process of tracking, collecting, and disbursing funds within the parameters of the related campaigns and/or events.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates.

Future Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019, as deferred by ASU 2020-05. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Notes to Financial Statements--Continued

Raleigh-Cary Jewish Federation, Inc.

NOTE B -- AVAILABILITY AND LIQUIDITY OF ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within a year:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end (cash, net receivables, and investments)	\$ 3,723,063	\$ 2,834,232 *
Less those unavailable for general expenditures within one year:		
Kahn Community Campus:		
Cash	(290,669)	(121,895)
Pledges receivable, net	(707,379)	(414,550)*
Investments held in agency	(1,270,842)	(810,560)
Held under endowments	(511,829)	(457,932)
With donor restrictions, non-endowed	(172,715)	(209,420)
Held under donor-advised funds	<u>(407,959)</u>	<u>(379,928)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 361,670</u>	<u>\$ 439,947</u>

(*) \$110,380 less than previously reported due to prior period adjustment described in Note O.

At December 31, 2019, the Organization also has the capacity to borrow \$150,000 on a bank line of credit, as described in *Note E--Bank Line of Credit*.

NOTE C -- PLEDGES RECEIVABLE / CONDITIONAL PROMISES

Pledges receivable are expected to be collected as follows:

	December 31,	
	<u>2019</u>	<u>2018</u>
2019	\$	\$ 277,518
2020	161,803	196,868
2021	266,475	102,375
2022	263,060	33,320
2023	39,305	31,500
2024	46,952	19,467
Thereafter	<u>0</u>	<u>0</u>
	777,595	661,048
Less: Effects of prior period adjustment (Note O)	0	(110,380)
Less: Unamortized discount	(50,736)	(53,751)
Less: Allowance for uncollectible pledges	<u>(50,000)</u>	<u>(64,036)</u>
	<u>\$ 676,859</u>	<u>\$ 432,881</u>

Conditional Promises: At December 31, 2019, conditional promises to give (to the Organization) include a \$100,000 reimbursement grant to be used for security equipment and a \$15,000 matching grant for general operations.

Notes to Financial Statements--Continued

Raleigh-Cary Jewish Federation, Inc.

NOTE D -- FIXED ASSETS (including subsequent events)

Fixed assets consist of the following:

	December 31,	
	2019	2018
JC campus expansion project (construction in progress)*	\$ 45,713	\$ 2,124,126
Land	2,355,839	1,019,824
Land improvements	1,186,974	208,040
Buildings	3,114,154	1,622,591
Automobile	40,771	40,771
Office equipment	83,152	109,003
Furniture and fixtures	<u>79,720</u>	<u>33,968</u>
	6,906,323	5,158,323
Less: Accumulated depreciation	<u>(1,101,331)</u>	<u>(1,024,285)</u>
	<u>\$ 5,804,992</u>	<u>\$ 4,134,038</u>

*not yet depreciable

The David R. Kahn Community Campus Expansion Project: The Organization is undertaking an expansion project that involves the renovation of existing structures and construction of new facilities at its David R. Kahn Community Campus. The Organization contracted with Samet Construction in December 2016 to build two multipurpose athletic fields, covered sport courts, new parking areas, roadways and certain site improvements for a total estimated three-phase project with an estimated price of about \$10 million.

Phase 1 site work and parking lots were largely completed in October 2018. The balance of Phase 1 work was completed concurrently with Phase 2 building completion. Total costs for Phase 1 approximated \$2.1 million.

Phase 2 includes the building of a metal sports court with approximately 15,500 square feet. Phase 2 was completed in September 2019 at a cost of less than \$1.3 million. There is a Phase 2b for additional campus enhancements. This includes lighting, fencing, security cameras, etc. and is estimated to have a maximum cost of \$800,000 from 2019 to 2023. It is anticipated that some of Phase 2b costs will be covered by federal grants. Approximately \$200,000 has been approved from a 2018 and 2020 federal grant. Management expects to apply for an additional \$100,000 in 2021 and in 2022.

Phase 2C will include additional requested facility improvements that include several picnic pavilions (\$75,000 each), storage facilities (\$50,000), improved archery range (\$40,000), (playground (\$150,000), improvements to the pavilion which include storm curtains (\$120,000), infrared heating (\$60,000), divider curtains (\$20,000), score boards (\$15,000), and Wi-Fi controls for basketball goals and lights (\$10,000). These improvements will only be added if there is associated funding for the project.

Phase 3 includes a multipurpose office and programming building with approximately 16,000 square feet. This phase is anticipated to begin, providing adequate fundraising has occurred, in Fall 2023 and is expected to be completed in Summer 2024. The building is estimated to cost about \$6 million.

The project will be financed with proceeds from campaign-specific donor pledges and proceeds from long-term bank borrowings. Campaign proceeds will also be used to retire the related debt. (Refer also to *Note F--Long Term Debt* as it pertains to the construction loan.) If at least 70% of a phase is not covered by committed donor pledges, the phase will be delayed until such time that the condition has been met.

Notes to Financial Statements--Continued

Raleigh-Cary Jewish Federation, Inc.

NOTE D -- FIXED ASSETS (including subsequent events)--Continued

Assets Held under a Capital Lease: In March 2018, the Organization entered into a 60-month capital lease for office equipment. Remaining lease payments of approximately \$11,938 (including interest) at December 31, 2019, are payable monthly through February 2023.

Fixed assets at December 31, 2019, include the following for assets held under a capital lease:

Office equipment	\$ 17,665
Less: Accumulated amortization	<u>(6,477)</u>
	<u>\$ 11,188</u>

NOTE E -- BANK LINE OF CREDIT (including a subsequent event)

The Organization has access to a \$200,000 bank line of credit, subject to renewal in April 2021. The line requires monthly payments of interest at prime minus one-half of one percent (5.0% at December 31, 2019), subject to a minimum rate of 3.75%, and is secured by a Negative Pledge Agreement. The outstanding balance on the line was \$50,000 and \$0 at December 31, 2019 and 2018, respectively. At the date the financial statements were available to be issued, the line had an outstanding balance of \$173,000.

NOTE F -- LONG-TERM DEBT (other than line of credit borrowings)

Long-term debt is summarized as follows:

	<u>December 31,</u> <u>2019</u>	<u>2018</u>
Note payable to bank, dated December 15, 2016, providing for draws up to \$630,000, all of which were taken prior to December 31, 2017. As modified on October 10, 2018, the note bears interest at 3.35%, requires 43 monthly principal and interest payments of approximately \$4,752 beginning in November 2018 (previously required \$11,435 beginning in July 2017) and 1 final payment of the entire balance due of approximately \$327,790 (if payments are not accelerated) in June 2022. Subject to certain prepayment penalties through 2019. Secured by certain land and buildings as represented in a Negative Pledge Agreement.	\$ 435,941	\$ 477,392
Construction loan with a bank, dated December 17, 2015, providing for draws of up to \$2,500,000 in connection with the JCC Campus Expansion Project. As modified on December 20, 2018, draws may be taken through January 25, 2022 (previously December 2018). The note bears interest at 3.5%, requires monthly interest-only payments through December 2021 (previously December 2018), 83 monthly principal and interest payments of \$33,600 (if fully drawn) beginning in January 2022 (previously January 2019), and 1 final payment in December 2028 (previously December 2025). Subject to certain prepayment penalties through December 2021 (previously December 2018). Secured by certain land and buildings as represented in a Negative Pledge Agreement.	2,316,678	360,678

Notes to Financial Statements--Continued

Raleigh-Cary Jewish Federation, Inc.

NOTE F -- LONG-TERM DEBT (other than line of credit borrowings) -- Continued

Long-term debt is summarized as follows:

	December 31,	
	2019	2018
Note payable to bank, dated October 10, 2018, providing for draws up to \$375,000, of which \$126,324 remained to be drawn at December 31, 2018. The note bears interest at 4.65%, requires 15 monthly interest-only payments beginning in November 2018, 119 monthly payments of principal and interest of approximately \$3,926 (if fully drawn) beginning February 2020, and 1 principal and interest payment of approximately \$3,897 (if fully drawn) in January 2030. Subject to certain prepayment penalties within three years of date of loan. Secured by certain land and buildings as represented in a Negative Pledge Agreement. Note proceeds are to be used solely for the Organization's business operations, unless bank agrees otherwise.	346,720	248,676
	3,099,339	1,086,746
Less: Current portion	(74,778)	(41,702)
	\$ 3,024,561	\$1,045,044

Interest expense on bank borrowings approximated \$73,326 and \$29,950 in 2019 and 2018, respectively.

Principal maturities on long-term debt are as follows at December 31, 2019:

2020	\$ 74,778
2021	77,749
2022	710,148
2023	375,200
2024	388,979
Thereafter	1,472,485
	\$ 3,099,339

NOTE G -- DONOR-ADVISED FUNDS

Donor-advised funds of \$407,959 and \$379,928 are included in net assets without donor restrictions at December 31, 2019 and 2018, respectively. Although grant recommendations are accepted from donors or other advisors of these funds, the Organization has variance power. Therefore, the ultimate discretion as to the use of these funds lies with the Organization's Board of Directors.

Notes to Financial Statements--Continued

Raleigh-Cary Jewish Federation, Inc.

NOTE H -- NET ASSETS WITH DONOR RESTRICTIONS, OTHER THAN ENDOWMENTS

Net assets with donor restrictions, other than endowments, were released from restrictions upon satisfaction of the following purpose restrictions:

	Years Ended December 31,	
	<u>2019</u>	<u>2018</u>
Kahn Community Campus-capital expenditures	\$ 910,495	\$ 1,824,306
Kahn Community Campus-other expenditures	0	22,584
Jewish women's causes	34,500	24,000
Grants (meal assistance, senior connections and transportation)	71,087	23,732
Other	<u>32,777</u>	<u>4,883</u>
	<u>\$ 1,048,859</u>	<u>\$ 1,899,505</u>

Net assets with donor restrictions, other than endowments, are available for the following purposes:

	December 31,	
	<u>2019</u>	<u>2018</u>
Donor restrictions - temporary in nature:		
Kahn Community Campus	\$ 0	\$ 11,515*
Jewish Women's Foundation of Raleigh-Cary	133,896	145,210
Other	50,478	73,218
Grants	76,681	75,268
Donor restrictions - perpetual in nature:		
Cash surrender value of life insurance policies	<u>77,215</u>	<u>61,527</u>
	<u>\$ 338,270</u>	<u>\$ 366,738</u>

(*) \$110,380 less than previously reported due to prior period adjustment described in Note O.

NOTE I -- NET ASSETS WITH DONOR RESTRICTIONS, HELD UNDER ENDOWMENTS

Regulations/Standards Governing Endowment Funds: FASB ASC 958-205 provides guidance on the net asset classification of board-designated and donor-restricted endowment funds held by nonprofit organizations, subject to an enacted version of UPMIFA (the *Uniform Prudent Management Institutional Funds Act*). The Organization holds only donor-restricted endowment funds. Therefore, unless stated otherwise in the gift instrument, assets held under endowments are considered donor-restricted assets until appropriated for expenditure by the Organization. Endowment net assets are disaggregated further as to which amounts are subject to appropriation by the Organization or to investment in perpetuity. The Organization considers the following to be subject to investment in perpetuity: (1) the original value of gifts donated to endowments, (2) the original value of subsequent gifts to endowments, and (3) accumulations to endowments made in accordance with the direction of the applicable donor gift instruments. Net investment income is considered available for appropriation unless otherwise directed by the gift instrument.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of those endowment assets over the long-term. The Organization's investment portfolio relies on diversification of assets (refer to Note A for portfolio mix percentages) to achieve its long-term return objectives within prudent risk parameters. The return objective and spending policy are reviewed and approved annually by the Board coincident with approval of the budget for the following fiscal year.

Notes to Financial Statements--Continued

Raleigh-Cary Jewish Federation, Inc.

NOTE I -- NET ASSETS WITH DONOR RESTRICTIONS, HELD UNDER ENDOWMENTS -- Continued

The majority of the Organization's endowment agreements contain donor restrictions as to the use of investment income. At December 31, 2019, endowment net assets of \$34,522 and \$44,518 are subject to appropriation for an annual lecture and scholarships, respectively. Endowment net assets of \$5,011 at December 31, 2019, may be appropriated for general operations.

The composition of endowment net assets by fund type is as follows at December 31, 2019:

	Subject to <u>Approp'n</u>	Subject to Investment in Perpetuity	<u>Total</u>
Donor-restricted endowment funds:			
General operations	\$ 5,011	\$ 25,013	\$ 30,024
Scholarships	44,518	377,765	422,283
Annual lecture	34,522	25,000	59,522
Board-designated endowment funds	<u>0</u>	<u>0</u>	<u>0</u>
Total endowment funds, December 31, 2019	<u>\$ 84,051</u>	<u>\$ 427,778</u>	<u>\$ 511,829</u>
Endowment net assets, December 31, 2018	\$ 33,988	\$ 423,944	\$ 457,932
Investment return, net	71,081	0	71,081
Contributions	0	3,834	3,834
Appropriated for expenditure	<u>(21,018)</u>	<u>0</u>	<u>(21,018)</u>
Endowment net assets, December 31, 2019	<u>\$ 84,051</u>	<u>\$ 427,778</u>	<u>\$ 511,829</u>

Notes to Financial Statements--Continued

Raleigh-Cary Jewish Federation, Inc.

NOTE I -- NET ASSETS WITH DONOR RESTRICTIONS, HELD UNDER ENDOWMENTS -- Continued

The composition of endowment net assets by fund type is as follows at December 31, 2018:

	Subject to <u>Approp'n</u>	Subject to <u>Investment in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds:			
General operations	\$ 1,527	\$ 21,179	\$ 22,706
Scholarships	4,120	377,765	381,885
Annual lecture	28,341	25,000	53,341
Board-designated endowment funds	<u>0</u>	<u>0</u>	<u>0</u>
Total endowment funds, December 31, 2018	<u>\$ 33,988</u>	<u>\$ 423,944</u>	<u>\$ 457,932</u>
Endowment net assets, December 31, 2017	\$ 78,918	\$ 423,944	\$ 502,862
Investment return, net	(23,398)	0	(23,398)
Contributions	0	0	0
Appropriated for expenditure	<u>(21,532)</u>	<u>0</u>	<u>(21,532)</u>
Endowment net assets, December 31, 2018	<u>\$ 33,988</u>	<u>\$ 423,944</u>	<u>\$ 457,932</u>

NOTE J -- FAIR VALUE MEASUREMENTS

The Organization applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority.

Notes to Financial Statements--Continued

Raleigh-Cary Jewish Federation, Inc.

NOTE J -- FAIR VALUE MEASUREMENTS -- Continued

Assets measured at fair value on a recurring basis by the Organization at December 31, 2019 and 2018 are as follows:

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
<u>December 31, 2019</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash equivalents:				
Certificate of deposit	\$ 1,017	\$ 0	\$ 1,017	\$ 0
Investments	2,434,307	2,434,307	0	0
Pledges receivable, noncurrent	565,056	0	565,056	0
Life insurance, cash surrender value	77,215	0	77,215	0
Beneficial interest in certain irrevocable gift annuity trusts	<u>11,658</u>	<u>0</u>	<u>11,658</u>	<u>0</u>
	<u>\$ 3,089,253</u>	<u>\$ 2,434,307</u>	<u>\$ 654,946</u>	<u>\$ 0</u>
<u>December 31, 2018</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash equivalents:				
Certificate of deposit	\$ 1,016	\$ 0	\$ 1,016	\$ 0
Investments	1,895,890	1,895,890	0	0
Pledges receivable, noncurrent	219,399*	0	219,399	0
Life insurance, cash surrender value	61,527	0	61,527	0
Beneficial interest in certain irrevocable gift annuity trusts	<u>9,007</u>	<u>0</u>	<u>9,007</u>	<u>0</u>
	<u>\$ 2,186,839</u>	<u>\$ 1,895,890</u>	<u>\$ 290,949</u>	<u>\$ 0</u>

(*) \$110,380 less than previously reported due to prior period adjustment described in Note O.

Level 1: The Organization's investments are part of a pooled portfolio managed by the Jewish Foundation of Greensboro, a constituent agency of the Greensboro Jewish Federation. The Organization's share of the portfolio is carried at fair value based on quoted market prices, as reported by the Jewish Foundation of Greensboro for each donor fund. At December 31, 2019, the pooled portfolio's holdings approximated the following: cash (3.16%), fixed income securities (33.54%), and equities (63.30%). At December 31, 2018, the pooled portfolio's holdings approximated the following: cash (4.76%), fixed income securities (31.08%), and equities (64.16%).

Level 2: The certificate of deposit are carried at face value plus accrued interest which approximates the fair value of such. Pledges receivable due beyond one year are discounted using present value techniques (as described further in Note A herein), resulting in carrying values that approximate the fair values of these receivables. Fair values for the cash surrender value of life insurance policies are estimated using the face value, premium amounts, interest rate and age of insured. Fair values for charitable gift annuities are estimated using the contribution amount, annuity amount, interest rate and age of insured. These are considered to be Level 2 observable inputs.

The Organization reports transfers between levels of the fair value hierarchy, if any, at the end of the reporting period. There were no such transfers at December 31, 2019 and 2018.

At December 31, 2019 and 2018, the Organization has no assets or liabilities classified within Level 3 of the fair value hierarchy.

Raleigh-Cary Jewish Federation, Inc.

NOTE K -- CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Organization to the potential concentration of credit risk consist primarily of bank deposits and pledges receivable. Bank holdings are eligible for up to \$250,000 of FDIC insurance coverage per account holder, per bank. At December 31, 2019, bank holdings exceeded federally insured limits by approximately \$187,000.

Approximately 80% of Kahn Community Campus pledges receivable at December 31, 2019, is due under three pledge agreements from individuals.

NOTE L -- OPERATING LEASE (including subsequent events)

The Organization leases office space under an operating lease that expired December 31, 2019. Rent expense totaled \$22,800 and \$22,200 in 2019 and 2018, respectively. The Organization subsequently entered into a one-year lease for the space, with the lease providing for two renewal terms of one-year each. The Organization subsequently renewed the lease through December 31, 2021. Future minimum rentals under the lease, including subsequent renewals, are as follows:

2020	\$ 26,400
2021	27,200
Thereafter	<u>0</u>
	<u>\$ 53,600</u>

NOTE M -- RETIREMENT PLAN

The Organization sponsors a tax-deferred SIMPLE IRA retirement plan on behalf of its employees. All employees earning at least \$5,000 per calendar year are eligible to participate in the plan. The Organization will contribute a monthly matching contribution equal to the employee's contribution up to a maximum of 3% of the employee's compensation. Each employee may make additional contributions to the plan up to the maximum allowed by law. The Organization contributed approximately \$9,833 and \$12,484 to the retirement plan for the years ended December 31, 2019 and 2018, respectively.

NOTE N -- COMMITMENTS AND CONTINGENCIES (including subsequent events)

COVID-19: On March 11, 2020, the World Health Organization declared COVID-19 a global health pandemic. The State of North Carolina operated under a "Stay at Home" order from March 27, 2020 to May 8, 2020 during which time only *essential* service providers were permitted to have their employees continue to work on-site. The State is currently operating under Phase Three of its Three Phase re-opening plan. The U.S. Food and Drug Administration recently approved certain vaccines for the coronavirus which will be made available first to high-risk individuals and then to the population at large.

The Organization closed its offices effective March 13, 2020, and remains closed except for certain authorized personnel. Staff are working remotely to provide program and support services to clients via phone, video conferences, and e-mail.

Due to COVID-19 uncertainties, the Organization applied for a *forgivable loan* under the Paycheck Protection Program (PPP), a program administered through the U.S. Small Business Administration and created with the enactment of the Coronavirus Aid, Relief, and Economy Security Act (the CARES Act). A loan of \$217,100 was approved on April 15, 2020 and funded on April 24, 2020. Management expects the PPP loan to be eligible for forgiveness based on the Organization's use of all proceeds therefrom to fund eligible payroll and other qualifying expenses within twenty-four weeks of receipt. Per program guidelines, any portion of a loan that is not eligible for forgiveness will bear interest at 1.0%, with payments of interest deferred for the first six months. Thereafter, the note will require monthly payments of principal and interest, based on an eighteen-month amortization period, or as otherwise agreed by the lender bank. PPP loans are unsecured.

Notes to Financial Statements--Continued

Raleigh-Cary Jewish Federation, Inc.

NOTE N -- COMMITMENTS AND CONTINGENCIES (including subsequent events -- Continued

The 2020 opening of the Organization's summer camp program was delayed and the number of registrations accepted was limited in response to the pandemic. Sports fields were closed for rental March to April 2020. Other programming or fundraising events were cancelled or converted to virtual events. JCC member dues and contributions from businesses and individuals were also down in 2020. However, the PPP loan proceeds are expected to mitigate some or most of the effects of these lost revenues.

The Organization expects to extend its COVID-19 protocols through most, if not all, of 2021; however, management expects its program income, including field rentals, in 2021 to approach or exceed pre-pandemic levels. Contributions from businesses and individuals in 2021 are expected to approach pre-pandemic levels.

The Organization continues to monitor the situation; however, the resulting impact of COVID-19 on operations cannot be reasonably estimated at this time.

NOTE O -- PRIOR PERIOD ADJUSTMENT

The Organization's net assets at December 31, 2017, as previously reported, have been restated to correct a prior period error. Net assets with donor restrictions were decreased by \$110,380 to correct an overstatement in pledges receivable.

NOTE P -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 28, 2021, the date on which the financial statements were available to be issued.