

JEWISHcolorado

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019

JEWISHcolorado
June 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
JEWISHcolorado
Denver, Colorado

We have audited the accompanying financial statements of JEWISHcolorado, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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.

Board of Directors
JEWISHcolorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JEWISHcolorado as of June 30, 2020 and 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Denver, Colorado
January 13, 2021

JEWISHcolorado
Statements of Financial Position
June 30, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,205,148	\$ 346,036
Certificates of deposit	8,550,298	10,017,540
Restricted cash	939,819	191,816
Accounts receivable	307,946	116,777
Pledges receivable, net	3,420,155	3,051,709
Capital campaign receivable, net	1,954,661	2,311,348
Investments	53,532,757	55,589,079
Assets held under split-interest agreements	1,444,777	1,450,595
Loans and notes receivable, net of allowance; 2020 - \$261,092 and 2019 - \$217,219	1,794,620	1,724,768
Property and equipment, net of accumulated depreciation	8,581,807	7,425,916
Other assets	<u>35,836</u>	<u>94,144</u>
 Total assets	 <u>\$ 81,767,824</u>	 <u>\$ 82,319,728</u>

Liabilities and Net Assets

Liabilities

Line-of-credit (revolving) agreement	\$ 624,000	\$ 900,000
Accounts payable, accrued liabilities and deferred revenue	1,316,404	688,621
Funds held on behalf of others	15,913,941	15,753,789
Obligations on split-interest agreements	1,201,221	1,192,421
Refundable advance (PPP loan)	551,052	-
Long-term debt, net	2,184,428	1,461,629
Due to other agencies	<u>3,293,007</u>	<u>2,765,526</u>
 Total liabilities	 <u>25,084,053</u>	 <u>22,761,986</u>

Net Assets

Without donor restrictions	43,310,202	45,991,383
With donor restrictions	<u>13,373,569</u>	<u>13,566,359</u>
 Total net assets	 <u>56,683,771</u>	 <u>59,557,742</u>
 Total liabilities and net assets	 <u>\$ 81,767,824</u>	 <u>\$ 82,319,728</u>

JEWISHcolorado
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Annual contributions (Flagship)	\$ 3,240,136	\$ -	\$ 3,240,136
Capital campaign contributions	672,680	-	672,680
Program contributions	477,604	-	477,604
Mission fees	199,236	-	199,236
Donor-advised fund contributions, including donor pass-through contributions	4,866,744	-	4,866,744
Restricted contributions	-	581,503	581,503
Grants and sponsorships	1,095,637	-	1,095,637
Less donor pass-through contributions	<u>(1,780,670)</u>	<u>-</u>	<u>(1,780,670)</u>
Contributions, net	8,771,367	581,503	9,352,870
Event and program income	173,052	-	173,052
Investment income, net	262,533	251,971	514,504
Investment and campaign management fees	361,857	-	361,857
Other income	16,572	-	16,572
Change in value of split-interest gift	-	(14,618)	(14,618)
Net assets released from restrictions	<u>1,163,337</u>	<u>(1,163,337)</u>	<u>-</u>
Total revenues, gains and other support	<u>10,748,718</u>	<u>(344,481)</u>	<u>10,404,237</u>
Expenses			
Grants	1,550,329	-	1,550,329
Distributions, from donor-advised funds including pass-through distributions	7,342,768	-	7,342,768
Israel programs	653,310	-	653,310
Local programs	1,433,410	-	1,433,410
Less donor pass-through distributions	<u>(1,780,670)</u>	<u>-</u>	<u>(1,780,670)</u>
Total program services	<u>9,199,147</u>	<u>-</u>	<u>9,199,147</u>
Management and general	2,191,534	-	2,191,534
Fundraising	<u>1,887,526</u>	<u>-</u>	<u>1,887,526</u>
Total support services	<u>4,079,061</u>	<u>-</u>	<u>4,079,061</u>
Total expenses	13,278,208	-	13,278,208
Donor reclassifications	(151,691)	151,691	-
Change in Net Assets	<u>(2,681,181)</u>	<u>(192,790)</u>	<u>(2,873,971)</u>
Net Assets, Beginning of Year	<u>45,991,383</u>	<u>13,566,359</u>	<u>59,557,742</u>
Net Assets, End of Year	<u>\$ 43,310,202</u>	<u>\$ 13,373,569</u>	<u>\$ 56,683,771</u>

JEWISHcolorado
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Annual contributions (Flagship)	\$ 4,378,059	\$ -	\$ 4,378,059
Capital campaign contributions	2,006,460	-	2,006,460
Program contributions	812,758	-	812,758
Donor-advised fund contributions, including donor pass-through contributions	5,985,862	-	5,985,862
Restricted contributions	-	37,312	37,312
Grants and sponsorships	1,091,255	-	1,091,255
Less donor pass-through contributions	<u>(3,127,921)</u>	<u>-</u>	<u>(3,127,921)</u>
Contributions, net	11,146,473	37,312	11,183,785
Event and program income	604,891	-	604,891
Investment income, net	1,457,269	769,714	2,226,983
Investment and campaign management fees	359,046	-	359,046
Other income	15,093	-	15,093
Change in value of split-interest gift	-	(78,847)	(78,847)
Net assets released from restrictions	<u>7,981,862</u>	<u>(7,981,862)</u>	<u>-</u>
Total revenues, gains and other support	<u>21,564,634</u>	<u>(7,253,683)</u>	<u>14,310,951</u>
Expenses			
Grants	1,623,327	-	1,623,327
Distributions, from donor-advised funds including pass-through distributions	14,290,776	-	14,290,776
Israel programs	1,213,218	-	1,213,218
Local programs	1,714,160	-	1,714,160
Less donor pass-through distributions	<u>(3,127,921)</u>	<u>-</u>	<u>(3,127,921)</u>
Total program services	<u>15,713,560</u>	<u>-</u>	<u>15,713,560</u>
Management and general	1,939,385	-	1,939,385
Fundraising	<u>1,270,411</u>	<u>-</u>	<u>1,270,411</u>
Total support services	<u>3,209,796</u>	<u>-</u>	<u>3,209,796</u>
Total expenses	18,923,356	-	18,923,356
Donor reclassifications	(3,023,547)	3,023,547	-
Change in Net Assets	(382,269)	(4,230,136)	(4,612,405)
Net Assets, Beginning of Year, as Previously Reported	46,277,791	17,892,356	64,170,147
Change in Accounting Principle - ASU 2016-14	<u>95,861</u>	<u>(95,861)</u>	<u>-</u>
Net Assets, Beginning of Year, as Adjusted	<u>46,373,652</u>	<u>17,796,495</u>	<u>64,170,147</u>
Net Assets, End of Year	<u>\$ 45,991,383</u>	<u>\$ 13,566,359</u>	<u>\$ 59,557,742</u>

JEWISHcolorado
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services					Support Services			Total
	Grants	Donor-advised Distributions	Israel Programs	Local Programs	Total Program Services	Management and General	Fundraising	Total Support Services	
Grants and distributions	\$ 1,511,954	\$ 7,092,740	\$ 117,952	\$ 56,951	\$ 8,779,597	\$ -	\$ -	\$ -	\$ 8,779,597
Personnel	-	-	43,014	808,429	851,443	1,483,440	706,760	2,190,200	3,041,643
Event expenses	(4,830)	-	9,797	292,257	297,224	51,239	313,137	364,376	661,600
Program travel expenses	-	-	163,953	-	163,953	-	-	-	163,953
Independent contractors	-	25,500	186,418	47,856	259,774	304,379	48,056	352,435	612,209
Outside services	-	-	(37,375)	13,055	(24,320)	164,816	8,252	173,068	148,748
Office expenses	5,899	271	7,891	87,546	101,607	176,789	21,803	198,592	300,199
Facilities expenses	-	-	30,180	3,774	33,954	138,827	2,860	141,687	175,641
Bad debt expense and adjustment to fair value of long-term pledges	-	-	(7,500)	(4,951)	(12,451)	-	391,942	391,942	379,491
Travel and meetings	279	-	25,799	17,163	43,241	23,345	6,571	29,916	73,157
Insurance expense	-	-	47,046	-	47,046	53,651	-	53,651	100,697
Dues and subscriptions	-	-	17,066	47,493	64,559	18,668	40	18,708	83,267
Other expense	35	11,553	-	-	11,588	11,484	-	11,484	23,072
Equipment expense	-	-	9,018	3,585	12,603	69,432	9,105	78,537	91,140
Advertising and promotion	-	-	1,323	15,984	17,307	28,720	8,812	37,532	54,839
Financial expenses	(122)	(3,497)	-	-	(3,619)	138,433	(97)	138,336	134,717
Depreciation	-	-	18,552	-	18,552	216,356	-	216,356	234,908
Allocated overhead									
Executive personnel	16,092	93,742	8,748	19,194	137,777	(344,442)	206,665	(137,777)	-
Facilities costs	19,317	112,528	10,501	23,041	165,387	(315,739)	150,352	(165,387)	-
Information technology	1,705	9,931	927	2,033	14,595	(27,864)	13,269	(14,595)	-
Expenses included in the statement of activities	<u>\$ 1,550,329</u>	<u>\$ 7,342,768</u>	<u>\$ 653,310</u>	<u>\$ 1,433,410</u>	<u>\$ 10,979,817</u>	<u>\$ 2,191,534</u>	<u>\$ 1,887,526</u>	<u>\$ 4,079,061</u>	15,058,878
Less: donor pass through distributions									(1,780,670)
									<u>\$ 13,278,208</u>

JEWISHcolorado
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services					Support Services			Total
	Grants	Donor-advised Distributions	Israel Programs	Local Programs	Total Program Services	Management and General	Fundraising	Total Support Services	
Grants and distributions	\$ 1,543,397	\$ 14,070,252	\$ 49,600	\$ 144,976	\$ 15,808,225	\$ -	\$ -	\$ -	\$ 15,808,225
Personnel	46,239	-	63,770	825,706	935,715	1,689,708	540,071	2,229,779	3,165,494
Event expenses	-	-	72,705	390,279	462,984	19,381	283,178	302,559	765,543
Program travel expenses	-	-	630,820	-	630,820	-	-	-	630,820
Independent contractors	-	-	220,589	77,961	298,550	214,015	24,702	238,717	537,267
Outside services	754	-	16,255	39,639	56,648	143,811	19,940	163,751	220,399
Office expenses	175	-	12,341	62,528	75,044	103,966	28,642	132,608	207,652
Facilities expenses	45	-	33,827	4,269	38,141	121,533	2,120	123,653	161,794
Bad debt expense and adjustment to fair value of long-term pledges	-	-	-	-	-	-	28,077	28,077	28,077
Travel and meetings	648	-	25,842	42,482	68,972	20,208	16,659	36,867	105,839
Insurance expense	-	-	31,474	-	31,474	49,738	-	49,738	81,212
Dues and subscriptions	-	-	-	68,664	68,664	5,846	500	6,346	75,010
Other expense	-	-	-	5,403	5,403	65,397	-	65,397	70,800
Equipment expense	-	-	10,329	-	10,329	56,019	-	56,019	66,348
Advertising and promotion	-	-	12,201	18,090	30,291	11,712	3,557	15,269	45,560
Financial expenses	-	-	-	300	300	43,587	60	43,647	43,947
Depreciation	-	-	9,498	-	9,498	27,792	-	27,792	37,290
Allocated overhead									
Executive personnel	14,375	98,849	10,743	15,179	139,146	(347,866)	208,720	(139,146)	-
Facilities costs	8,282	56,953	6,190	8,745	80,170	(133,617)	53,447	(80,170)	-
Information technology	9,412	64,722	7,034	9,939	91,107	(151,845)	60,738	(91,107)	-
Expenses included in the statement of activities	<u>\$ 1,623,327</u>	<u>\$ 14,290,776</u>	<u>\$ 1,213,218</u>	<u>\$ 1,714,160</u>	<u>\$ 18,841,481</u>	<u>\$ 1,939,385</u>	<u>\$ 1,270,411</u>	<u>\$ 3,209,796</u>	22,051,277
Less: donor pass through distributions									<u>(3,127,921)</u>
									<u>\$ 18,923,356</u>

JEWISHcolorado
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ (2,873,971)	\$ (4,612,405)
Items not requiring (providing) cash		
Depreciation	234,908	37,290
Bad debt expense (recovery)	379,491	28,077
Interest waived on note receivable	43,873	34,921
Net realized and unrealized losses (gains) on investments	206,470	(731,454)
Net realized and unrealized gains on investments held for others	(79,449)	(399,510)
Change in value of split-interest gifts	(5,818)	78,846
Contributions and investment income received for endowments	170,716	(3,007)
Contributions received for capital campaign	(672,680)	(2,006,460)
Changes in assets and liabilities		
Annual and capital campaign pledges receivable	(391,250)	906,729
Accounts receivable	(191,169)	-
Loans and notes receivable	(113,725)	293,524
Other assets	58,308	(72,165)
Accounts payable and accrued expenses	627,783	83,807
Refundable advance (PPP loan)	551,052	-
Funds held on behalf of others	160,152	(769,002)
Due to other agencies	527,481	(449,529)
	<u>(1,367,828)</u>	<u>(7,580,338)</u>
Net cash used in operating activities		
Investing Activities		
Purchase of property and equipment	(1,390,799)	(6,269,186)
Purchases of investments	(19,602,432)	(22,933,512)
Proceeds from sales and maturities of investments	21,552,169	41,821,190
	<u>558,938</u>	<u>12,618,492</u>
Net cash provided by investing activities		
Financing Activities		
Proceeds from contributions and investment income restricted for endowments	(170,716)	3,007
Proceeds from contributions and investment income restricted for capital campaign	672,680	2,006,460
Proceeds from line-of-credit	1,346,799	1,281,151
Payments on line-of-credit	(900,000)	(2,181,151)
Proceeds from issuance of note payable	-	1,461,629
	<u>948,763</u>	<u>2,571,096</u>
Net cash provided by financing activities		

JEWISHcolorado
Statements of Cash Flows (continued)
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	139,873	7,609,250
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>10,555,392</u>	<u>2,946,142</u>
Cash, Cash Equivalents, and Restricted Cash - End of Year	<u>\$ 10,695,265</u>	<u>\$ 10,555,392</u>
Cash and cash equivalents	\$ 1,205,148	\$ 346,036
Certificates of deposit	8,550,298	10,017,540
Restricted cash	<u>939,819</u>	<u>191,816</u>
Cash, Cash Equivalents, and Restricted Cash - End of Year	<u>\$ 10,695,265</u>	<u>\$ 10,555,392</u>
Supplemental Cash Flows Information		
Property and equipment in accounts payable	\$ -	\$ 86,654
Long-term debt incurred for purchase of property and equipment	\$ 772,799	\$ 1,461,629

JEWISHcolorado
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

JEWISHcolorado (Jco) is a not-for-profit corporation whose mission is to secure, steward, and share philanthropic and human resources in support of vibrant Jewish life in Colorado, Israel, and around the world. Jco will also mobilize the Jewish community in time of need. Jco is the result of an October 2013 merger between the Allied Jewish Federation of Colorado and the Jewish Community Foundation of Colorado.

Through a strategic grant-making process, awards are made to organization and programs that fall within one of three focus areas:

- 1) Engaging the next generation in being Jewish.
- 2) Caring for the vulnerable.
- 3) Advocating for Israel and the Jewish world.

Jco is also the center of long-term philanthropy for the Jewish community in Colorado. It educates the community about the benefits of planned giving and long-term sustained philanthropy guided by Jewish values. The endowments of many Jewish organizations and other restricted funds are housed at Jco.

During the year ended June 30, 2015, Jco entered into a five-year memorandum of understanding (MOU) with United Jewish Appeal, Aspen Valley (Aspen). Under this MOU, Jco operates Aspen's organization and company on behalf of its board. During the years ended June 30, 2020 and 2019, Aspen raised approximately \$419,478 and \$538,907, respectively. Of this amount for the years ended June 30, 2020 and 2019, approximately \$192,696 and \$206,289, respectively, was distributed to the Jewish Federations of North America for Israel and other overseas operations, and approximately another \$72,580 and \$68,000 was used or distributed for Jewish events and organizations in the Roaring Fork Valley. The only amount included in Jco's financial statements is the approximately \$42,000 and \$54,000 in fees Jco earned from managing the campaign which is included in other income on the statement of activities for the year ended June 30, 2020 and 2019.

Use of Estimates

The preparation of 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

JEWISHcolorado
Notes to Financial Statements
June 30, 2020 and 2019

Credit Risk

Financial instruments that potentially subject Jco to concentrations of credit risk consist primarily of cash and cash equivalents, investment, pledges receivable, and notes receivable. Jco limits its exposure to credit risk by placing its cash and cash equivalents and short-term investments in securities backed by the United States government and in instruments issued by quality financial institutions. Amounts are invested in several institutions to minimize risk. At various times throughout the year and at year-end, Jco's balances exceeded the federally insured limits.

Jco reduces its credit risk related to notes receivable and investments through its involvement and limited oversight of the third-party investors and borrowers.

Cash Equivalents

Jco considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Uninvested cash and cash equivalents included in investment accounts, including endowment accounts are not considered to be cash and cash equivalents.

Restricted Cash

For the year ended June 30,2019, restricted cash consists of funds received as part of the capital campaign restricted for capital expenditures. For the year ended June 30, 2020, this balance consists of cash restricted for Israel Study Tour, Total Choice Tzedakah giving (TCT) and the Community Response Fund, related to COVID-19 relief.

Pledges Receivable

Pledges relating to the annual campaign are expected to be collected within 18 months, or at the completion of a campaign, and are recorded at their net realizable values. No discount has been recorded as these amounts would have been insignificant. An allowance for uncollectible pledges has been established by Jco's management based on past collection experience and current economic conditions. Pledges relating to the capital campaign are expected to be collected over a five-year period. Accordingly, a discount has been recorded, as discussed in Note 3.

Investments and Net Investment Return

Investments include a variety of assets that are intended to provide a return on investment to Jco, as well as support the Jewish community as a whole.

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value at time of donation, if acquired by contribution or fair value.

Investments in private equity funds are recorded at net asset value (NAV), as a practical expedient.

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Notes to Financial Statements
June 30, 2020 and 2019

Real estate is reported at the lower of fair value at the date of the gift or current fair value based on appraisals. Real estate is not measured at fair value on a recurring basis.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

For cash flows purposes, purchases and sales of investments consist of amounts deposited and withdrawn from Jco's investment advisor. Jco's investment advisor manages Jco's investment portfolio on a day-to-day discretionary basis and acts accordingly with Jco's Investment Policy Statement.

Loans and Notes Receivable

Loans and notes receivable consist of loan participation agreements and various notes receivable to other organizations. Loan participation agreements are reported at the value of Jco's participation percentage in the original loan value. Interest is earned on the loan participation agreements in accordance with third party loan agreements. In general, the loan participation agreements are secured by a first deed of trust as part of the third-party loan agreement. Note receivable are recognized at their face value.

Notes receivable are measured at their face value. Interest is earned on notes receivable in accordance with the note agreements. An allowance for uncollectible notes receivable has been established by Jco's management based on past collection experience and current economic conditions.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	35 - 40 years
Furniture and equipment	5 - 10 years

Property and equipment are capitalized at purchased cost or fair value at the date of donation. Jco follows the practice of capitalizing all expenditures and donations for buildings, improvements, furniture, and equipment over \$5,000. Expenditures for lesser amounts are charged to operations.

JEWISHcolorado
Notes to Financial Statements
June 30, 2020 and 2019

Jco capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred for the years ended June 30, 2020 and 2019 was \$0 and \$50,772, respectively.

Long-lived Asset Impairment

Jco evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Split-interest Gifts

Certain donors have entered into trust or annuity arrangements whereby Jco receives benefits that are shared with other beneficiaries. There are interests in charitable remainder and lead trusts, a perpetual trust, and charitable gift annuities. Amortization of discounts and revaluations of expected future payments based on changes in life expectancy are recorded in the statement of activities as change in value of split-interest gifts.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor reclassifications consist of amounts reclassified by donors from donor-advised funds into donor-restricted endowment funds, which are perpetual in nature.

Contributions

Jco conducts an annual fundraising campaign to raise support for grants to agencies in the subsequent year. Each year, based on the results of the campaign, the Board, on the recommendation of the Grants Committee, awards funds to organizations whose programs fit specific impact areas. Grants are recorded on an accrual basis when amounts are reasonably determinable.

Jco allows donors to designate their contributions to any Jewish organization with Section 501(c)(3) status as determined by the IRS. Jco receives resources in certain transactions in which it is acting as an intermediary for the resource providers.

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Contributions are provided to Jco either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on Jco overcoming a donor-imposed barrier to be entitled to the funds	Not recognized as revenue until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions. Program contributions are contributions restricted for certain programmatic purposes by donors. Since the contribution with restriction is received and satisfied in the same period, these amounts are reported as net assets without donor restrictions.

Donor pass-through contributions, which consist of donor-designated pledges are recorded as liabilities rather than revenue for the organization receiving the pledges and are recorded as deferred income. Gross designations and distributions are presented in the statement of activities and subsequently eliminated, since Jco does not have variance power over these contributions.

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Conditional promises to give are not included as support until such time as the conditions are substantially met. Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Distributions are approved and made by Jco from its donor-advised funds based on the recommendations of donors.

Donor-advised Funds

Jco offers donors the option of establishing a donor-advised fund as a vehicle to promote philanthropic giving. Donor-advised funds are recorded as contributions without donor restrictions due to Jco's retention of variance power over the assets contributed. Donors may make recommended distributions from the donor-advised funds in accordance with the donor-advised fund agreement. All distributions are approved by Jco. Payments to agencies from donor-advised funds are recorded as distributions in the year paid.

Contributed Services

Jco receives a significant amount of donated services from unpaid volunteers who assist in fundraising, program activities, and special events. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

Income Taxes

Jco is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, Jco is subject to federal income tax on any unrelated business taxable income. There was no significant unrelated business taxable income for the years ended June 30, 2020 and 2019.

Advertising

Advertising costs are expensed in the year incurred. The total advertising costs for Jco were approximately \$44,000 and \$26,000 for the years ended June 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories. Allocated overhead consists of:

- Executive personnel costs allocated based on estimates of time expended
- Facilities costs allocated based headcount
- Information technology costs allocated based on headcount

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Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. These reclassifications had no effect on the change in net assets.

Revisions

In the statement of cash flows for the year ended June 30, 2019, net cash used in operating activities decreased by \$769,002 from (\$6,811,336) to (\$7,580,338) to reflect the change in funds held on behalf of others, which is classified as an operating activity within the statements. Additionally, as a result of amounts disclosed as cash included in investments decreasing from \$385,007 to \$0, purchases of investments increased from \$22,548,505 to \$22,933,512. Net cash provided by investing activities for both revisions increased by \$383,995 from \$12,234,497 to \$12,618,492.

Cash, cash equivalents, and restricted cash – end of year decreased from \$10,940,399 to \$10,555,392.

The statement of cash flows for the year ended June 30, 2019, have been revised for an immaterial change to decrease interest waived on the note receivable by \$293,524 and increase in the change loans and notes receivable by \$293,524.

In Note 5, Property and Equipment, 2019 balances have been revised to reflect the transfer of \$7,256,197 of construction in progress into land, buildings and improvements to match the capital contributions released from restriction as of June 30, 2019.

In Note 11, Liquidity and Availability, 2019 financial assets available to meet cash needs for general expenditures were reduced by \$1,724,768 from \$5,083,842 to \$3,359,074. This amount consists of loans and notes receivable due in more than one year.

In Note 14, Agency Endowment and Other Funds Held on Behalf of Others, distributions from these funds have been revised to reflect \$3,129,921, as disclosed in the statement of activities, which is a decrease of \$17,674,970, from the amount disclosed in 2019.

In Note 15, Disclosures About Fair Value of Assets and Liabilities, additional disclosures for Level 3 investments were included for 2019.

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Note 2: Pledges Receivable

Pledges receivable consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
	Without Donor Restrictions	Without Donor Restrictions
Annual Campaign Pledges Receivable		
Due within one year	\$ 3,856,505	\$ 3,442,801
Due within one to five years	-	-
	<u>3,856,505</u>	<u>3,442,801</u>
Less		
Allowance for uncollectible pledges	<u>436,350</u>	<u>391,092</u>
	<u><u>\$ 3,420,155</u></u>	<u><u>\$ 3,051,709</u></u>
Capital Campaign Pledges Receivable		
Due within one year	\$ 577,472	\$ 542,850
Due within one to five years	<u>1,518,617</u>	<u>1,956,675</u>
	2,096,089	2,499,525
Less		
Allowance for uncollectible contributions	34,648	21,714
Unamortized discount	<u>106,780</u>	<u>166,463</u>
Net capital campaign pledges receivable	<u><u>\$ 1,954,661</u></u>	<u><u>\$ 2,311,348</u></u>
Total net pledges receivable	<u><u>\$ 5,374,816</u></u>	<u><u>\$ 5,363,057</u></u>

The discount rate applied was 4% for 2020 and 2019.

Pledges receivable on the accompanying statements of financial position include approximately \$470,000 and \$1,613,000 due from various members of the Board as of June 30, 2020 and 2019.

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Note 3: Split-interest Gifts

Jco holds split-interest gifts that comprise the following at June 30:

	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	<u>Obligation</u>	<u>Fair Value</u>	<u>Obligation</u>
Remainder interests in two trusts with investments recorded at fair value. Jco is obligated to make various payments of trust assets annually to the beneficiaries either over their lifetimes or for a period of 20 years. The obligations have been discounted to present value using a discount rate of 9.0% and actuarial life expectancy tables.	\$ 1,285,929	\$ 1,201,221	\$ 1,336,632	\$ 1,192,421
Jco has an irrevocable 5.0% interest in a perpetual trust	<u>158,848</u>	<u>-</u>	<u>113,963</u>	<u>-</u>
	<u>\$ 1,444,777</u>	<u>\$ 1,201,221</u>	<u>\$ 1,450,595</u>	<u>\$ 1,192,421</u>

Note 4: Note Receivable with Denver Jewish Day School

A note receivable, secured by a lien against property with Denver Jewish Day School (DJDS) in Denver valued at \$1,510,873 and \$1,467,514 for June 30, 2020 and 2019, respectively, is included in the notes receivable balance. In June 2019, Jco and DJDS entered into an amended and restated promissory note where both parties are committed to ensuring the continued growth and strength of the Colorado Jewish Community, maturing on June 1, 2044. As part of this commitment, DJDS will conduct its Hebrew Immersion Program, a six-week study program in Israel for 10th grade students in which they have the opportunity to live with Israelis, deepen their Hebrew language skills, connect to Israel, and grow as they immerse themselves in Israel's culture and language.

If DJDS pays amounts as agreed upon and performs its obligations as noted above, Jco will waive accumulated accrued interest (\$261,092 and \$217,219 for 2020 and 2019, respectively). If performance obligations are not met, interest will accrue and be paid along with any principal at maturity date. Principal will be paid through the amount of the Jco Grant commencing for the Jewish Colorado fiscal year 2021 and continuing for all Jco grants to DJDS in future years until the note is paid in full.

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Note 5: Property and Equipment

Property and equipment at June 30, 2020 and 2019 consists of:

	<u>2020</u>	<u>2019</u>
Land, building and improvements	\$ 8,807,576	\$ 7,842,803
Furniture and equipment	<u>806,463</u>	<u>398,288</u>
	9,614,039	8,241,091
Less accumulated depreciation and amortization	<u>1,032,232</u>	<u>815,175</u>
	<u>\$ 8,581,807</u>	<u>\$ 7,425,916</u>

Note 6: Line-of-Credit

Jco has a \$2,500,000 line of credit expiring in July 1, 2020. At June 30, 2020 and 2019, there was \$624,000 and \$900,000, respectively, borrowed against this line. The line is collateralized by substantially all of Jco's assets. Interest is calculated at LIBOR plus 1.750%, which was 1.92% and 4.19% at June 30, 2020 and 2019, respectively, and is payable monthly through 2044. Interest rate shall not be less than 3.464% per annum. The line was renewed on a 90-day extension to September 30, 2020. The interest rate is subject to changes in the LIBOR index.

Note 7: Refundable Advance

On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was signed into law. Jco received a Paycheck Protection Program (PPP) loan established by the CARES Act and has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification (ASC) Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. As of June 30, 2020, the loan is recorded as a refundable advance in the amount of \$551,052 until conditions are satisfied. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

Note 8: Long-term Debt

In July 2018, Jco obtained a construction loan from a bank for the purpose of remodeling their existing building. The loan provides for up to \$6,000,000 in principal, with an initial interest rate of 3.33%, and is subject to certain financial covenants. The final maturity date is July 1, 2048 and is secured by capital campaign pledged revenues and property, with interest-only payments during a 24-month drawdown period, followed by monthly payments of interest and annual payments of principal beginning February 1, 2021. Principal will be paid annually thereafter based on a 20-year

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amortization with interest payable monthly during the 7-year term. Aggregate annual maturities have not been determined since Jco is still within the 24-month drawdown period. The balance of the loan at June 30, 2020 and 2019 was \$2,184,428 and \$1,461,629, respectively.

Note 9: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 are restricted for the following purposes or periods:

	2020	2019
Purpose restrictions		
Programs for Israel	\$ 1,670	\$ 74,657
School and camp scholarship funds	136,476	136,512
Future care for vulnerable populations in Denver	595,535	659,785
Jco future operations	539,260	632,206
Other	553,165	310,513
	1,826,106	1,813,673
Time restrictions		
Split-interest gifts	54,828	24,738
Endowments		
Subject to endowment spending policy and appropriation		
Programs for Israel	3,742,022	3,879,271
School and camp scholarship funds	1,672,333	1,660,469
Jco future operations	3,196,933	3,245,990
Other	2,024,552	2,082,142
Total endowments	10,635,840	10,867,872
Not subject to spending policy or appropriation		
Pooled investments held by others	417,166	436,577
Perpetual trust	128,162	113,963
Charitable remainder trust	231,467	229,536
Other	80,000	80,000
	856,795	860,076
	\$ 13,373,569	\$ 13,566,359

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Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2020 and 2019 have been designated for the following purposes:

	2020	2019
Undesignated	\$ 12,343,418	\$ 8,789,047
Donor-advised funds	30,821,781	37,054,766
B'nai Tzedek fund	145,003	147,570
	\$ 43,310,202	\$ 45,991,383

Note 10: Endowment

Jco's endowment consists of 43 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Jco's governing body is subject to the State of Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the Jco classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UPMIFA, Jco considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of Jco and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of Jco
7. Investment policies of Jco

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The composition of net assets by type of endowment fund at June 30, 2020 and 2019, was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Amounts required to be maintained in maintained in perpetuity by donor	\$ -	\$ 10,387,321	\$ 10,387,321
Accumulated investment gains	-	248,519	248,519
	<u>\$ -</u>	<u>\$ 10,635,840</u>	<u>\$ 10,635,840</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Amounts required to be maintained in in perpetuity by donor	\$ -	\$ 10,606,469	\$ 10,606,469
Accumulated investment gains	-	261,403	261,403
	<u>\$ -</u>	<u>\$ 10,867,872</u>	<u>\$ 10,867,872</u>

Change in endowment net assets for the years ended June 30, 2020 and 2019 were:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 10,867,872	\$ 10,867,872
Investment return, net	-	170,716	170,716
Additions	-	504,465	504,465
Appropriation of endowment assets for expenditures	-	(911,428)	(911,428)
Other changes			
Donor reclassifications	-	4,215	4,215
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 10,635,840</u>	<u>\$ 10,635,840</u>

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	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 8,942,571	\$ 8,942,571
Investment return, net	-	492,522	492,522
Additions	-	3,007	3,007
Appropriation of endowment assets for expenditures	-	(1,425,172)	(1,425,172)
Other changes			
Donor reclassifications	-	2,854,944	2,854,944
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 10,867,872</u>	<u>\$ 10,867,872</u>

Investment and Spending Policies

The Investment Committee and Jco's management are responsible for selecting and managing the asset mix for the endowments of Jco. The target asset allocation is determined on a fund-by-fund basis, depending on the investment objectives of each fund. Each fund has been assigned a model portfolio as the target asset allocation. The model portfolios include a conservative model, a moderate model, a moderate-without-alternative-investments model, and a growth model. Each model designates a target allocation to each of the following areas: (a) U.S. equities (12.5%-25%), (b) international equities (12.5%-25%), (c) hedged equities (5%-15%), (d) alternative investments (0%-20%), and (e) cash/fixed income (15%-60%). The spending policy is also determined on a fund-by-fund basis, depending on the spending objectives of each fund. This spending policy is either a percentage basis or flat distribution amount that will allow the endowment investments to grow in periods of strong growth while also allowing for distributions in years when investment values depreciate, which ultimately allows endowment investments to be maintained in perpetuity.

This is consistent with Jco's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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Underwater Endowments

The governing body of the Jco has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Jco considers a fund to be underwater if the fair value of the fund is less than the sum of

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

Jco has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2020, four funds with original gift values of \$596,597, fair values of \$495,811, and deficiencies of \$100,786, were reported in net assets with donor restrictions. At June 30, 2019, four funds with original gift values of \$596,597, fair values of \$517,286, and deficiencies of \$79,311, were reported in net assets with donor restrictions. These deficiencies resulted from continued appropriation for certain purposes that was deemed prudent by the governing body.

Jco has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations.

Note 11: Liquidity and Availability

Jco manages its liquidity and reserves following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets to fund near-term operating needs and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met that support mission fulfillment and will continue to be met, ensuring the sustainability of Jco

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Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019, comprise the following:

	2020	2019
Financial assets at year-end		
Cash and cash equivalents	\$ 1,205,148	\$ 346,036
Certificates of deposit	8,550,298	10,017,540
Investments	53,532,757	55,589,079
Assets held under split interest agreements	1,444,777	1,450,595
Pledges and accounts receivable, net	3,728,101	3,168,486
Capital campaign receivables, net	1,954,661	2,311,348
Loans and notes receivable	<u>1,794,620</u>	<u>1,724,768</u>
Total financial assets	<u>72,210,362</u>	<u>74,607,852</u>
Less: Amounts due in more than one year		
Pledges receivable, net	1,518,617	1,956,675
Loans and notes receivable	<u>1,794,620</u>	<u>1,724,768</u>
	<u>3,313,237</u>	<u>3,681,443</u>
Less: Amounts not available to be used within one year		
Funds held on behalf of others	15,913,941	15,753,789
Obligations on split-interest agreements	1,201,221	1,192,421
Restricted funds	1,880,916	1,838,411
Endowments and other amounts to be held in perpetuity	<u>11,492,635</u>	<u>11,727,948</u>
	<u>30,488,713</u>	<u>30,512,569</u>
Less: Internal designations		
Donor advised funds	<u>30,821,781</u>	<u>37,054,766</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,586,631</u>	<u>\$ 3,359,074</u>

Jco receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

Jco's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

Cash needs are reviewed daily, and Jco strives to operate efficiently and in times of excess cash on hand, the line of credit will be paid down to reduce interest expense incurred.

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Note 12: Due to Other Agencies

Due to other agencies consists of the following at the years ended June 30, 2020 and 2019:

	2020	2019
Grants to national and overseas organizations	\$ 1,701,544	\$ 1,843,838
Grants to strategic alliance partners and local agencies	681,529	443,534
Donor designations to local and national agencies	909,934	478,154
	\$ 3,293,007	\$ 2,765,526

Note 13: Employee Benefit Plan

Jco has a defined contribution plan (the Plan) available to all full-time employees after three months of employment. Under the Plan, Jco will match 100% of participants' contributions up to a maximum of 4% of their annual compensation. Employer matching and employee contributions are 100% vested upon contribution. In addition, Jco can make a discretionary retirement contribution to eligible participants with approval from the Board. Jco contributed approximately \$63,000 and \$67,000 to the Plan during the years ended June 30, 2020 and 2019, respectively.

Note 14: Agency Endowment and Other Funds Held on Behalf of Others

Jco houses funds to be invested for institutions primarily serving the greater Denver Jewish community. As of June 30, 2020 and 2019, Jco held \$15,813,289 and \$15,753,789, respectively, for local Jewish institution funds, which is included in Jco's investments. Distributions from these funds of \$1,780,670 and \$3,127,921 were paid to beneficiary institutions consistent with the terms of the institution's custodial agreements in 2020 and 2019. The balances in these funds vary each year due to the net of contributions, distributions, and market losses.

Note 15: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

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Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	Fair Value Measurements Using				Investments Measured at NAV^(A)
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
June 30, 2020					
Assets					
Investments					
Cash and money market funds	\$ 3,155,881	\$ 3,155,881	\$ -	\$ -	\$ -
Certificates of deposit	8,550,298	8,550,298	-	-	-
Equities	76,384	76,384	-	-	-
Mutual funds	48,694,578	48,694,578	-	-	-
Fixed Income (B)	520,490	-	-	520,490	-
Cash surrender value of life insurance policies (C)	345,298	-	345,298	-	-
Perpetual trust (D)	128,162	-	-	128,162	-
Alternative investments					
Limited partnerships (E)	118,503	-	-	118,503	-
Pooled investments held by others (F)	621,623	-	-	-	621,623
Total investments	62,211,217	60,477,141	345,298	767,155	621,623
Investments held for split interest agreements (G)	1,316,615	1,336,633	-	-	-
Total investments and split interest agreements (recurring)	<u>\$ 63,527,832</u>	<u>\$ 61,813,774</u>	<u>\$ 345,298</u>	<u>\$ 767,155</u>	<u>\$ 621,623</u>

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	<u>Fair Value Measurements Using</u>				
	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobserv- able Inputs (Level 3)</u>	<u>Investments Measured at NAV^(A)</u>
June 30, 2019					
Assets					
Investments					
Cash and money market funds	\$ 3,321,489	\$ 3,321,489	\$ -	\$ -	\$ -
Certificates of deposit	10,017,540	10,017,540	-	-	-
Equities	1,413,826	1,413,826	-	-	-
Mutual funds	48,829,978	48,829,978	-	-	-
Fixed Income (B)	647,833	-	-	647,833	-
Cash surrender value of life insurance policies (C)	345,298	-	345,298	-	-
Perpetual trust (D)	113,962	-	-	113,962	-
Alternative investments					
Limited partnerships (E)	118,503	-	-	118,503	-
Pooled investments held by others (F)	599,652	-	-	-	599,652
Total investments	65,408,081	63,582,833	345,298	880,298	599,652
Investments held in split interest agreements	1,336,633	1,336,633	-	-	-
Total investments and split interest agreements (recurring)	\$ 66,744,714	\$ 64,919,466	\$ 345,298	\$ 880,298	\$ 599,652

- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.
- (B) Jco holds investments in foreign and sovereign bonds both directly and as a part of its investment portfolio. These bonds are long-term investments.
- (C) Jco is the named beneficiary of several life insurance policies. The investment value is stated at the cash surrender value of the policy, regardless of the ultimate policy coverage amount.
- (D) Jco is the beneficiary of an interest in a perpetual trust in which Jco is not a trustee. Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement.
- (E) Limited partnership investments are composed of ownership shares held in a private corporation where market comparisons are unavailable.

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- (F) Jco holds investments in several separately managed portfolios. In communication with portfolio managers, the underlying assets are composed of equities and publicly traded securities. Jco elected to value the asset at net asset value. Otherwise, the investments are not intended to be sold and there is not current timeline for liquidation.
- (G) Jco is a beneficiary in split interest agreements in which Jco is also the trustee of the investments held for distribution. As a trustee, Jco plays a fiduciary role in the safekeeping of the asset. The underlying investments are invested in assets with readily determinable fair values.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There were no significant changes in the valuation techniques during the years ended June 30, 2020 and 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of securities are the responsibility of management. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

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Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Significant Unobservable Inputs (Level 3)
Balance, June 30, 2018	\$ 617,343
Unrealized depreciation on investments	(17,880)
Purchases	280,836
Balance, June 30, 2019	880,299
Unrealized appreciation on investments	14,199
Purchases	185,157
Sales	(312,500)
Balance, June 30, 2020	\$ 767,155

Unobservable Level 3 Inputs

The following is a description of the sensitivity of significant unobservable inputs, the interrelationships among the unobservable inputs used in the recurring fair value measurement and how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

Fixed Income

This fixed income category is composed of portfolio holdings and direct investments in foreign and sovereign bonds as described above. For portfolio holdings, the fair value held was \$34,990 and \$162,333 at June 30, 2020 and 2019, respectively. For the direct investments, the fair value held was \$485,500 for both years ended June 30, 2020 and 2019. The significant unobservable inputs used in the fair value measurement of Jco's fixed income securities are premiums for unrated securities and marketability discounts. Significant increases (decreases) in either of those inputs in isolation would result in a lower (higher) fair value measurement. In general, changes in either of those inputs will not affect the other input. As the investment type is more rare, significant market gains or losses are not as common. Therefore, the cash basis of these investments approximates fair value of these investments as the market difference is not material as deemed by Jco.

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Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement and was \$128,162 and \$113,962 as of June 30, 2020 and 2019, respectively. The fair value is generally stated at Jco's share of the fair value of the underlying investments. This results in the fair value being estimated using mortality tables, which is considered an unobservable input.

Limited Partnerships

Limited partnership investments are composed of ownership of two classes of option units held in a private company where market comparisons are unavailable. A third-party valuation was performed by the private company whose underlying inputs, including use of an option pricing model, are considered unobservable.

Nonrecurring Measurements

The following table presents the fair value measurement of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	Fair Value Measurements Using				Year-to-Date Gain/ Loss
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
June 30, 2020					
Real estate (J)	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2019					
Real estate (J)	\$ 312,500	\$ -	\$ -	\$ 312,500	\$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a nonrecurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

- (J) Jco received a donation in 2018 that provided half ownership over a real estate asset. Due to the lack of information over the donated asset, the investment was valued on a non-recurring basis in 2018. The asset was sold in August 2019. The original valuation reflected an estimate based on cost and potential selling prices.

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Note 16: Economic Uncertainties, CARES Act and Subsequent Events

As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Jco. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). The CARES Act includes numerous provisions intended to mitigate the pandemic's financial and operational impact. The CARES Act provides certain financial measures that had an impact on the Foundation. Jco received a PPP loan (refundable advance) established by the CARES Act as discussed in Note 7.

Subsequent events have been evaluated through January 13, 2021, which is the date the financial statements were available to be issued.

Note 17: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. Jco is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.