

Milwaukee Jewish Federation, Inc. and Affiliates

Financial Report

June 30, 2022 and 2021

MILWAUKEE JEWISH FEDERATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Milwaukee Jewish Federation, Inc. and Affiliates
Milwaukee, WI

Opinion

We have audited the accompanying financial statements of Milwaukee Jewish Federation, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Jewish Federation, Inc. and Affiliates as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Milwaukee Jewish Federation, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Milwaukee Jewish Federation, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Milwaukee Jewish Federation, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Milwaukee Jewish Federation, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

October 24, 2022

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,973,986	\$ 17,148,073
Current portion of promises to give - net	2,939,469	3,427,863
Current portion of accounts and notes receivable	810,995	838,698
Prepaid expenses	<u>129,332</u>	<u>79,439</u>
Total current assets	11,853,782	21,494,073
LONG-TERM ASSETS		
Investments	206,222,609	218,884,064
Property and equipment - net	27,101,303	27,445,709
Collections	244,084	244,084
Promises to give - net, less current portion	12,922	509,765
Accounts and notes receivable - net, less current portion	3,928,858	3,977,460
Donated real estate held for sale	1,593,500	1,583,000
Donated works of art held for sale	239,533	240,493
Other assets	<u>2,186,022</u>	<u>2,187,591</u>
Total long-term assets	<u>241,528,831</u>	<u>255,072,166</u>
TOTAL ASSETS	<u>\$ 253,382,613</u>	<u>\$ 276,566,239</u>

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

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,483,129	1,782,219
Community allocations payable	4,255,154	4,920,538
Current portion of capital lease obligation	7,519	1,748
Current liability for trusts and gift annuities	196,223	502,209
Total current liabilities	5,942,025	7,206,714
LONG-TERM LIABILITIES		
Long-term debt, less current maturities - net	53,972,903	53,947,628
Capital lease obligation, less current portion	11,279	1,542
Liability for trusts and gift annuities, less current portion	1,330,356	3,219,652
Passport to Israel	362,770	363,929
Interest rate swap	36,579	708,369
Post-retirement benefit liability	3,500	3,500
Agency endowment funds	29,440,436	31,694,180
Assets held on behalf of cemetery	4,360,471	5,250,694
Total long-term liabilities	89,518,294	95,189,494
TOTAL LIABILITIES	95,460,319	102,396,208
NET ASSETS		
Without donor restrictions	100,826,777	115,151,483
With donor restrictions	57,095,517	59,018,548
TOTAL NET ASSETS	157,922,294	174,170,031
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 253,382,613</u>	<u>\$ 276,566,239</u>

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

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Campaign support:			
Annual and capital campaign support	\$ 7,260,285	\$ 0	\$ 7,260,285
Campaign payments from fund transfers	(2,724,560)	0	(2,724,560)
Total campaign support	4,535,725	0	4,535,725
Other contribution support	9,960,450	1,425,296	11,385,746
Investment loss, net	(8,523,453)	(2,531,296)	(11,054,749)
Rental income	2,594,255	0	2,594,255
Programs and events revenue	172,513	0	172,513
Other income	1,173,594	1,920,826	3,094,420
Net assets released from restrictions	2,737,857	(2,737,857)	0
Total support and revenue	12,650,941	(1,923,031)	10,727,910
Expenses:			
Program services:			
Allocations to local agencies	2,772,481	0	2,772,481
Allocations to national agencies	18,160	0	18,160
Allocations to Israel and overseas	1,435,993	0	1,435,993
Grants	10,746,225	0	10,746,225
Milwaukee programs	8,266,330	0	8,266,330
Total program services	23,239,189	0	23,239,189
Supporting services:			
Administration and planning	2,174,915	0	2,174,915
Fundraising	2,233,333	0	2,233,333
Total supporting services	4,408,248	0	4,408,248
Total expenses	27,647,437	0	27,647,437
Support and revenue in deficit of expenses	(14,996,496)	(1,923,031)	(16,919,527)
Other changes in net assets:			
Change in value of interest rate swap	671,790	0	671,790
Total change in net assets	(14,324,706)	(1,923,031)	(16,247,737)
Net assets at beginning of year	115,151,483	59,018,548	174,170,031
Net assets at end of year	<u>\$ 100,826,777</u>	<u>\$ 57,095,517</u>	<u>\$ 157,922,294</u>

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

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Campaign support:			
Annual and capital campaign support	\$ 8,934,842	\$ 0	\$ 8,934,842
Campaign payments from fund transfers	(3,913,481)	0	(3,913,481)
Total campaign support	5,021,361	0	5,021,361
Other contribution support	9,259,731	1,683,852	10,943,583
Investment income, net	25,665,082	12,383,352	38,048,434
Rental income	2,200,302	0	2,200,302
Programs and events revenue	198,853	0	198,853
Other income (loss)	1,569,764	(686,793)	882,971
Net assets released from restrictions	2,121,238	(2,121,238)	0
Total support and revenue	46,036,331	11,259,173	57,295,504
Expenses:			
Program services:			
Allocations to local agencies	3,205,663	0	3,205,663
Allocations to national agencies	17,941	0	17,941
Allocations to Israel and overseas	1,412,068	0	1,412,068
Grants	10,432,182	0	10,432,182
Milwaukee programs	7,515,550	0	7,515,550
Total program services	22,583,404	0	22,583,404
Supporting services:			
Administration and planning	1,245,508	0	1,245,508
Fundraising	1,964,037	0	1,964,037
Total supporting services	3,209,545	0	3,209,545
Total expenses	25,792,949	0	25,792,949
Support and revenue in excess of expenses	20,243,382	11,259,173	31,502,555
Other changes in net assets:			
Change in value of interest rate swap	576,123	0	576,123
Total change in net assets	20,819,505	11,259,173	32,078,678
Net assets at beginning of year	94,331,978	47,759,375	142,091,353
Net assets at end of year	\$ 115,151,483	\$ 59,018,548	\$ 174,170,031

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

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

	Supporting services			Program services			Total
	Administration and planning	Fundraising	Total supporting services	Local allocations, grants, programs, and awards	Israel, overseas and national charities allocations and grants	Total program services	
Allocations	\$ 0	\$ 0	\$ 0	\$ 2,772,481	\$ 1,454,153	\$ 4,226,634	\$ 4,226,634
Grants	0	0	0	7,698,195	3,048,030	10,746,225	10,746,225
Interest and related fees	0	0	0	1,055,880	0	1,055,880	1,055,880
Bad debt expense (recoveries)	0	0	0	(2,229)	0	(2,229)	(2,229)
Miscellaneous	45,223	725	45,948	167,106	0	167,106	213,054
Professional services	307,627	191,013	498,640	399,108	0	399,108	897,748
Buildings/Cemetery operations	0	0	0	2,223,202	0	2,223,202	2,223,202
Newspaper	0	0	0	62,055	0	62,055	62,055
Salaries and benefits	1,480,849	1,682,675	3,163,524	1,629,075	0	1,629,075	4,792,599
Marketing and communications	6,273	11,878	18,151	87,128	0	87,128	105,279
Office operations	44,263	91,793	136,056	144,394	0	144,394	280,450
Occupancy and insurance	184,214	93,802	278,016	571,408	0	571,408	849,424
Information systems administration	48,694	35,975	84,669	31,381	0	31,381	116,050
Professional development	57,772	21,454	79,226	23,464	0	23,464	102,690
Programs and events	0	104,018	104,018	48,780	0	48,780	152,798
Depreciation and amortization	0	0	0	1,825,578	0	1,825,578	1,825,578
Total expenses	\$ 2,174,915	\$ 2,233,333	\$ 4,408,248	\$ 18,737,006	\$ 4,502,183	\$ 23,239,189	\$ 27,647,437

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

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2021

	Supporting services			Program services			Total
	Administration and planning	Fundraising	Total supporting services	Local allocations, grants, programs, and awards	Israel, overseas and national charities allocations and grants	Total program services	
Allocations	\$ 0	\$ 0	\$ 0	\$ 3,205,663	\$ 1,430,009	\$ 4,635,672	\$ 4,635,672
Grants	0	0	0	7,771,957	2,660,225	10,432,182	10,432,182
Interest and related fees	0	0	0	1,046,529	0	1,046,529	1,046,529
Bad debt expense (recoveries)	24	0	24	(1,524)	0	(1,524)	(1,500)
Miscellaneous	15,516	820	16,336	249,809	0	249,809	266,145
Professional services	336,710	218,838	555,548	360,655	0	360,655	916,203
Buildings/Cemetery operations	0	0	0	2,093,947	0	2,093,947	2,093,947
Newspaper	0	0	0	63,082	0	63,082	63,082
Salaries and benefits	635,641	1,484,002	2,119,643	1,432,662	0	1,432,662	3,552,305
Marketing and communications	109	16,185	16,294	55,967	0	55,967	72,261
Office operations	75,607	84,294	159,901	97,260	0	97,260	257,161
Occupancy and insurance	101,089	89,092	190,181	243,574	0	243,574	433,755
Information systems administration	71,289	41,276	112,565	40,807	0	40,807	153,372
Professional development	9,308	6,104	15,412	31,278	0	31,278	46,690
Programs and events	215	23,426	23,641	29,678	0	29,678	53,319
Depreciation and amortization	0	0	0	1,771,826	0	1,771,826	1,771,826
Total expenses	\$ 1,245,508	\$ 1,964,037	\$ 3,209,545	\$ 18,493,170	\$ 4,090,234	\$ 22,583,404	\$ 25,792,949

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

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (16,247,737)	\$ 32,078,678
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions designated for endowment	(139,473)	(46,376)
Bad debt expense (recoveries)	(2,229)	(1,500)
Depreciation and amortization	1,825,578	1,771,826
Loss on disposal of property and equipment	4,985	24,038
Adjustment to donated works of art /real estate held for sale	(10,500)	(11,922)
Loss on sale of donated real estate held for sale	0	201,797
Net realized and unrealized (gains) losses on investments	13,510,804	(36,002,803)
Amortization of debt issuance costs	25,275	25,273
Change in value of interest rate swap	(671,790)	(576,123)
Change in value of trusts and gift annuities	(83,846)	662,603
Changes in operating assets and liabilities:		
Promises to give	985,237	(1,126,077)
Accounts and notes receivable	64,045	(511,413)
Prepaid expenses	(49,893)	31,459
Other assets	(5,239)	(23,365)
Accounts payable and accrued expenses	(299,090)	284,623
Accrued income taxes	0	(2,511,038)
Community allocations payable	(665,384)	804,424
Passport to Israel	(1,159)	367
Agency endowment funds	(2,253,744)	5,833,475
Assets held on behalf of cemetery	(890,223)	949,171
Net cash provided by (used in) operating activities	(4,904,383)	1,857,117
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,486,157)	(183,339)
Purchase of investments	(52,684,893)	(88,042,687)
Proceeds from sales of investments	51,835,544	83,382,611
Issuance of accounts and notes receivable	0	(536,925)
Payments received on accounts and notes receivable	14,489	15,565
Proceeds from sales of donated real estate held for sale	0	158,703
Proceeds from sales of donated works of art held for sale	960	2,016
Increase in cash surrender value of life insurance	39,094	17,264
Net cash used in investing activities	(2,280,963)	(5,186,792)

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions designated for endowment	\$ 139,473	\$ 46,376
Payments to trust beneficiaries	(2,111,436)	(293,313)
Proceeds from capital lease obligation	22,559	0
Principal payments under capital lease obligation	(7,051)	(5,649)
Net cash used in financing activities	(1,956,455)	(252,586)
Net decrease in cash, cash equivalents, and restricted cash	(9,141,801)	(3,582,261)
Cash, cash equivalents, and restricted cash at beginning of year	17,295,476	20,877,737
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 8,153,675</u>	<u>\$ 17,295,476</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents:		
Checking accounts	\$ 3,680,211	\$ 6,314,240
Cash held by bond trustee	74,748	39,360
Cash equivalents held by investment managers	4,219,027	10,794,473
Total cash and cash equivalents	7,973,986	17,148,073
Restricted cash included in other assets - reserve and replacement funds	179,689	147,403
Total cash, cash equivalents, and restricted cash	<u>\$ 8,153,675</u>	<u>\$ 17,295,476</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 995,217</u>	<u>\$ 981,896</u>

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A -- Nature of business and significant accounting policies

Nature of business

Milwaukee Jewish Federation, Inc. and Affiliates is a nonprofit organization whose mission, through the development of community-wide financial support, planning, and allocations, is to ensure the continuity of the Jewish people, to enhance the quality of Jewish life, and to build a strong and unified Jewish community in Milwaukee, in Israel, and throughout the world.

Basis of consolidation

The financial statements include the accounts of the Milwaukee Jewish Federation, Inc.; two corporations, MJF Housing No. 2, Inc., and MJF Housing No. 3, Inc., each organized to own and operate housing under Section 202 of the National Housing Act, regulated by the U.S. Department of Housing and Urban Development (HUD), and five charitable trusts (collectively the "Federation"). All material intercompany balances and transactions have been eliminated in the consolidation.

A summary of significant accounting policies follows:

Basis of accounting

The financial statements of the Federation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Classification of net assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Federation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed 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 explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates

The preparation of the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A significant estimate in the preparation of the accompanying financial statements is the amount of promises to give from donors that will be paid from funds already held by Federation through the Jewish Community Foundation (JCF), a program of the Federation, which is recorded as an offset to promises to give. The Federation estimates that approximately 35% of the annual campaign receivables (net of collection reserve) will be paid with funds held through the JCF.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A -- Nature of business and significant accounting policies (Continued)

Cash and cash equivalents

The Federation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Cash held by bond trustee is utilized to pay one month of interest on the tax-exempt bonds (see Note G). Cash held by investment managers is held on behalf of donors to JCF. These two cash sources cannot be used for the general operations of the Federation.

The Federation maintains depository relationships with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Depository accounts held at these institutions are insured by the FDIC up to specified limits where balances in excess of FDIC limits are uninsured. The Federation has not experienced any losses with these accounts.

Investments

Investments are recorded at fair value. Donated investments are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received. The Federation records the change in ownership of bonds and stocks on the day a trade is made.

Promises to give

Unconditional promises to give are recorded as receivable in the year pledged. Conditional promises to give are those that contain a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend on have been met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Promises to give without a purpose restriction to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor's intention is to support current-period activities.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on promises to give is computed using a 2% rate for each of the years ended June 30, 2022 and 2021. The Federation uses a risk-adjusted discount rate commensurate with the risks involved based upon management's analysis of the expected cash flows from the promises to give. The amortization of the discount is recognized as contribution income over the duration of the promise to give.

Management individually reviews all past due promises to give and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of promises to give are reduced by collection reserves that reflect management's estimate of uncollectible amounts.

The Federation elected a policy to treat the Paycheck Protection Program (PPP) funds received as of June 30, 2022 and 2021, as conditional contributions. The Federation is required to spend the funds on payroll, maintain employee headcount and limit reduction in compensation to relieve the condition. As of June 30, 2022 and 2021, all of the barriers have been met and the full amount totaling \$0 and \$756,927, respectively, are included in other income on the statements of activities.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A -- Nature of business and significant accounting policies (Continued)

Accounts and notes receivable and credit policy

Accounts receivable are uncollateralized obligations due on normal trade terms are stated at the amount management expects to collect from outstanding balances. Payments of accounts receivable are applied to the specific invoices identified on the client's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Management individually reviews all past due accounts and notes receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amount of accounts and notes receivable is reduced by an allowance that reflects management's estimate of uncollectible amounts.

Property and equipment

Property and equipment acquisitions are recorded at cost. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, improvements, and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements that do not prolong the useful lives of assets are expensed as incurred. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Useful lives range from 3 to 30 years for equipment and 10 to 45 years for buildings and land improvements.

Collections

Collections consist of artwork that is recorded at appraised value on the date of contribution. These items are considered to be works of art and/or historical treasures and are not being depreciated. Proceeds from deaccessions of works of art and/or historical treasures are reported as revenue and can be used for acquisition of new collection items.

Impairment of long-lived assets

The Federation reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Donated works of art held for sale

The Federation received gifts of artwork which do not meet the criteria to be defined as a collection as the artwork is not held for public exhibition, education, or research. Gifts of artwork are recorded at fair value on the date the gifts are received, typically based on appraisals. The artwork is marketed for sale immediately and expected to be sold within one year. The donated works of art is not depreciated as it is held for sale.

Donated real estate held for sale

The Federation receives gifts of real estate, which are recorded at fair value on the date the gifts are received. The fair value of the property is typically based on appraisals. These assets are marketed for sale immediately and expected to be sold within one year. The donated real estate is not depreciated as it is held for sale.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A -- Nature of business and significant accounting policies (Continued)

Reserve and replacement funds for HUD properties

A replacement reserve is funded monthly in the amount of \$1,450 (\$1,473 prior to January 1, 2022) and is held by the Federation. With HUD's approval, these funds may be used for the replacement of property or other operating expenses. Reserve and replacement funds are included with other assets in the statements of financial position.

Fair value measurements

Fair value is the price that would be received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Community allocations payable

Community allocations payable, reported in the statements of financial position, represents grants and allotments that are generally approved by the Board of Directors in June and paid the following fiscal year. Total cash paid for community allocations during the years ended June 30, 2022 and 2021 was \$4,871,338 and \$4,282,433, respectively.

Liability for trusts and gift annuities

Liability for trust and gift annuities, reported on the statements of financial position, represents an obligation for the actuarial present value of future payments to beneficiaries under charitable trusts and gift annuities irrevocably naming the Federation or local Jewish agencies as final recipient of trust assets. In addition, this liability includes the assets of revocable charitable trusts. The present value of the estimated future liabilities was calculated using rates between 5.25% and 8.00% and applicable mortality tables. Assets held in trusts and gift annuities totaled \$4,905,260 and \$7,752,547 as of June 30, 2022 and 2021, respectively, and are included in investments in the statements of financial position.

Passport to Israel

Passport to Israel is a program used to encourage donors to send their children to Israel. Donor contributions are matched by the donor's synagogue and the Federation. These funds are held by the Federation on behalf of the donors and are invested in the Federation's fixed pool investments with the capital appreciation added to the donor's account. Expenses incurred on the child's trip to Israel may be reimbursed from this account.

Interest rate swap

The Federation uses an interest rate swap to manage its risk related to interest rate movements. An interest rate swap contract is used to hedge the risk of changes in interest rates. The unrealized gain or loss, which represents the change in fair market value of the swap, is reflected in the statements of activities as "change in value of interest rate swap". The net settlement, which is the difference between the interest paid and received under the swap contract, is reflected in interest and related fees in the statements of functional expenses.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A -- Nature of business and significant accounting policies (Continued)

Agency endowment funds

The Federation recognizes a liability when it receives a transfer of assets and the resource provider (i.e., a not-for-profit organization) specifies itself or an affiliate as the beneficiary. The Federation, when accepting cash or other financial assets from a not-for-profit organization, recognizes the fair value of those assets as a liability to the specified beneficiary (generally the same not-for-profit organization) concurrent with recognition of the assets received from the not-for-profit organization if the Federation agrees to any of the following: (1) use of those assets on behalf of the not-for-profit organization, (2) transfer of those assets to the not-for-profit organization, (3) use of the return on those assets to benefit the not-for-profit organization, or (4) application of any of the above to an unaffiliated specified beneficiary determined by the not-for-profit organization.

When a third-party donor explicitly grants the Federation variance power, the Federation will recognize the fair value of any assets it receives as a contribution.

Assets held on behalf of cemetery

Cemetery property and equipment and an investment portfolio intended to satisfy cemetery operating expenses were transferred to the Federation from the Trustees of Spring Hill Cemetery & Mausoleum of Gilead-Memorial Lodge No. 41 of B'nai B'rith in 1988. The assets are included in the Federation's investments and property and equipment; cemetery payables are included in the Federation's accounts payable and accrued expenses in the statements of financial position. The excess of cemetery assets over liabilities is recorded as a long-term liability in the statements of financial position as the entire transfer is revocable upon 60 days-notice to or from the Federation.

Campaign payments from fund transfers

Donors may recommend transfers to various campaigns from established donor advised funds. The Federation presents these transfers as a reduction in annual and campaign support in the statements of activities.

Revenue recognition – campaign and other contribution support

Contributions are recognized when received. Campaign and other contribution support, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A -- Nature of business and significant accounting policies (Continued)

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received. Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, 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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Donated services are recognized as contributions, at the donor's estimated fair value, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Federation.

Revenue recognition – investment transactions

Interest, dividends, gains and losses on investments are reported as an increase or decrease in net assets without donor restrictions unless explicitly restricted by donors. Investment expenses, including internal investment expenses, if any, are netted with investment return on the statements of activities.

Revenue recognition – rental revenue

Rental revenue is recognized when earned. The Federation leases rental space to various tenants which are substantially all on a yearly basis.

Revenue recognition – contracts with customers

The Federation sells advertising space in its newspapers and offers programs and events throughout the year. The Federation's contracts have single performance obligations, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract, and therefore, is not distinct. Revenue for sales of advertising space is recognized at the time the newspaper is published (point in time) and revenue from a program or an event is recognized in the period in which that program or event is held (point in time).

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A -- Nature of business and significant accounting policies (Continued)

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function, and accordingly, certain costs have been allocated among the programs and supporting services benefited. Facilities and related costs are allocated based upon square footage occupied. Human resources personnel costs are allocated based on the number of employees. Expenses that can be identified with a specific activity are allocated directly according to their natural expenditure classification.

Tax status

The Milwaukee Jewish Federation, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Milwaukee Jewish Federation, Inc. is also exempt from state income taxes on related income. All other entities consolidated in these financial statements have been classified as tax-exempt organizations under the Code.

Reclassifications

Some items in the 2021 financial statements have been reclassified to be consistent with the current year's presentation.

Subsequent events

These financial statements have not been updated for subsequent events occurring after October 24, 2022, which is the date these financial statements were available to be issued. The Federation has no responsibility to update these financial statements for events and circumstances occurring after this date.

New accounting standard adopted

In September 2020, FASB issued Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets, which provides more transparency and consistency to the presentation and disclosure of contributed nonfinancial assets.

The organization was required to adopt this new accounting standard during its fiscal year ended June 30, 2022. The adoption of this new standard requires the entity to apply presentation and disclosure changes retrospectively to all periods presented. The adoption of this new standard did not have an impact on the entity's financial statements.

Accounting standards updates

Leases (ASC 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In June 2020, the FASB issued ASU 2020-05 which deferred the effective date of ASU 2016-02 to fiscal years beginning after December 15, 2021. Early application is permitted. Management is currently evaluating the effects this new standard will have on the organization's financial statements.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A -- Nature of business and significant accounting policies (Continued)

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. The objective of ASU No. 2016-13 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. As a result, the amendments in this update replace the current incurred loss impairment methodology with one that reflects the expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including historical experience, current conditions, and reasonable and supportable forecasts. In November 2019, the FASB issued ASU 2019-10 which deferred the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022. Early application is permitted. Management is currently evaluating the effects this new standard will have on the organization's financial statements.

NOTE B -- Promises to give

Promises to give consist of the following:

<u>As of June 30, 2022</u>	<u>Gross promises to give</u>	<u>Collection reserves</u>	<u>Unamortized discount</u>	<u>Net promises to give</u>
Annual campaigns	\$ 3,057,389	\$ (337,871)	\$ (524)	\$ 2,718,994
Other campaigns	<u>233,397</u>	<u>0</u>	<u>0</u>	<u>233,397</u>
Totals	<u>\$ 3,290,786</u>	<u>\$ (337,871)</u>	<u>\$ (524)</u>	<u>\$ 2,952,391</u>
<u>As of June 30, 2021</u>	<u>Gross promises to give</u>	<u>Collection reserves</u>	<u>Unamortized discount</u>	<u>Net promises to give</u>
Annual campaigns	\$ 4,110,551	\$ (360,457)	\$ (21,462)	\$ 3,728,632
Other campaigns	<u>208,996</u>	<u>0</u>	<u>0</u>	<u>208,996</u>
Totals	<u>\$ 4,319,547</u>	<u>\$ (360,457)</u>	<u>\$ (21,462)</u>	<u>\$ 3,937,628</u>

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE B -- Promises to give (Continued)

Promises to give are expected to be collected as follows:

As of June 30,	2022	2021
Less than one year	\$ 3,277,340	\$ 3,788,320
One to five years	13,446	531,227
Gross promises to give	3,290,786	4,319,547
Less:		
Unamortized discount	(524)	(21,462)
Collection reserves	(337,871)	(360,457)
Promises to give – net	2,952,391	3,937,628
Less: Current portion	2,939,469	(3,427,863)
Promises to give – net, less current portion	\$ 12,922	\$ 509,765

NOTE C -- Accounts and notes receivable

Accounts receivable and notes receivable include the following:

As of June 30,	2022	2021
Receivable from charitable trust	\$ 403,473	\$ 431,665
Loans to Jewish Community Center (JCC)	3,000,000	3,000,000
Bequests receivable	45,261	49,413
Notes receivable	522,436	536,925
Chronicle advertising sales receivable	8,673	15,536
Rent receivable	(135)	69
Crypts and graves account receivable	11,300	0
Employee retention credit receivable (see Note U)	732,255	732,255
Other receivables	16,590	53,423
Gross accounts and notes receivable	4,739,853	4,819,286
Less: Allowance for doubtful accounts	0	(3,128)
Total accounts and notes receivable - net	4,739,853	4,816,158
Less: Current portion	(810,995)	(838,698)
Accounts and notes receivable – net, less current portion	\$ 3,928,858	\$ 3,977,460

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE C -- Accounts and notes receivable (Continued)

The Federation loaned \$2,400,000 in June 2005 and \$600,000 in October 2007 to the JCC to finance certain capital improvements. The loan agreements bear interest on the unpaid principal balance at the same rates per annum paid by the Federation on their tax-exempt bonds (see Note G). The loan agreements mature September 1, 2035 and are subject to mandatory prepayment of principal immediately upon payment of principal by the Federation on their tax-exempt bonds. The JCC is required to maintain funds held in the Federation's investments, at an assessed level deemed appropriate by the Federation, in order for the JCC to adequately discharge their loans when due. The balance in the JCC's capital reserve account as of June 30, 2022 and 2021 was \$1,826,038 and \$2,035,202, respectively.

Notes receivable includes an amount representing a promissory note assigned by a donor to the Federation in September 2020. The original amount of the note was \$550,000, the note bears interest at 1.05% and requires monthly principal and interest payments of \$1,782 commencing October 1, 2020. The note is due September 1, 2050.

Notes receivable included an amount lent to an area business by a donor who endorsed the note to the Federation in January 2012. The note was due in annual interest-only payments of \$1,170, with a final payment of principal and interest due January 29, 2021. The full balance of the note was collected as of June 30, 2021.

NOTE D -- Other assets

Other assets consist of the following:

As of June 30,	<u>2022</u>	<u>2021</u>
Partnership interests	\$ 337,020	\$ 331,781
Cash surrender value of life insurance policies	1,669,313	1,708,407
Reserve and replacement funds	<u>179,689</u>	<u>147,403</u>
Total other assets	<u>\$ 2,186,022</u>	<u>\$ 2,187,591</u>

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE E -- Property and equipment, net

Property and equipment, net consists of the following:

As of June 30,	2022	2021
Land	\$ 3,041,944	\$ 3,041,944
Buildings and land improvements	54,978,535	53,836,958
Equipment	6,941,896	6,814,551
Construction in progress	193,210	0
Total property and equipment	65,155,585	63,693,453
Accumulated depreciation	(38,054,282)	(36,247,744)
Property and equipment - net	\$ 27,101,303	\$ 27,445,709

NOTE F -- Investments

Investments include the following as of June 30:

	2022	2021
State of Israel bonds	\$ 2,400,500	\$ 1,911,000
Corporate, U.S. government, and municipal bonds	18,814,636	20,356,210
Common and preferred stocks	7,301,803	13,340,120
Mutual funds	102,504,744	120,499,186
Alternative investments	75,200,926	62,777,548
Total investments	\$ 206,222,609	\$ 218,884,064

Investment income (loss), net is as follows for the years ended June 30:

	2022	2021
Interest income	\$ 866,926	\$ 735,842
Dividend income	2,145,965	1,907,119
Unrealized (losses) gains	(17,731,803)	30,780,923
Realized gains	4,220,999	5,221,880
Management and advisor fees	(556,836)	(597,330)
Total investment income (loss), net	\$ (11,054,749)	\$ 38,048,434

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. The Federation has continuing funding obligations related to their level 3 alternative investments. The outstanding commitments total \$3,257,983 and \$4,793,034 as of June 30, 2022 and 2021, respectively.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE G -- Long-term debt

In December 2012, the Federation issued \$54,340,000 in tax-exempt variable rate demand revenue bonds (the "Series O-1 Bonds") through the Colorado Educational and Cultural Facilities Authority as part of the National Jewish Federation Bond Program. Interest expense on the Series O-1 Bonds is based on the Daily Rate, equal to 80% of 1 month LIBOR plus 57 basis points, is reset daily, and is payable monthly.

As of June 30, 2022 and 2021, \$74,748 and \$39,360, respectively, was held by the bond trustee for payment of interest on the tax-exempt bonds.

Wells Fargo is the Trustee and U.S. Bank is the Initial Holder of the Series O-1 Bonds. The bonds are unsecured. Terms of the bond agreement require the Federation to meet semi-annual liquidity covenants measured as of June 30 and December 31.

Long-term debt consists of the following:

As of June 30,	<u>2022</u>	<u>2021</u>
Series O-1 Bonds, \$48,715,000 of principal maturing in September 2035 and \$5,625,000 of principal maturing in November 2037; interest rate of 1.42% at June 30, 2022.	\$ 54,340,000	\$ 54,340,000
Less: Unamortized debt issuance costs	<u>(367,097)</u>	<u>(392,372)</u>
Total long-term debt	<u>\$ 53,972,903</u>	<u>\$ 53,947,628</u>

Debt issuance costs related to the issuance of long-term debt are amortized using the straight-line method over the life of the debt. Amortized costs included in interest expense totaled \$25,275 and \$25,273 for the years ended June 30, 2022 and 2021, respectively.

NOTE H -- Interest rate swap

The Federation's purpose for entering into an interest rate swap agreement is to hedge against the risk of interest rate increases on related variable rate debt (see Note G). The Federation did not make a hedging designation, and therefore accounts for the change in value of the interest rate swap under a "no hedge designation". The fair value of the derivative financial instrument is reflected on the statements of financial position in accordance with U.S. GAAP.

To minimize the effect of changes in interest on the bonds, the Federation entered into an interest rate swap agreement with US Bank effective October 1, 2018. Under the agreement, the Federation pays interest at a fixed rate of 2.156% on an amortizing notional amount (\$27,170,000 as of June 30, 2022). The Federation receives interest at 75% of the 1-month LIBOR rate. The agreement expires on October 3, 2022.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE H -- Interest rate swap (Continued)

The fair value of the interest rate swap agreement was \$(36,579) and \$(708,369) as of June 30, 2022 and 2021, respectively, and is shown as a liability called "interest rate swap" on the statements of financial position. The change in value of the interest rate swap agreement totaled \$671,790 and \$576,123 for the years ended June 30, 2022 and 2021, respectively, and is shown as "change in value of interest rate swap" in the statements of activities. Net swap settlements of \$553,714 and \$564,338 were recorded as increases to interest expense for the years ended June 30, 2022 and 2021, respectively.

NOTE I -- Paycheck Protection Program

On April 16, 2020, the Federation qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$669,500 (the "PPP Loan"). The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Federation's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Federation. The loan was forgiven in full on February 23, 2021.

On February 11, 2021, the Federation qualified for and received a second loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$756,927 (the "Additional PPP Loan"). The principal amount of the Additional PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Federation's request to the extent that the Additional PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Federation. The loan was forgiven in full on January 20, 2022.

The SBA retains the right to review the eligibility of any borrower, regardless of the size of the loan. If the SBA subsequently determines the borrower was ineligible for a PPP loan after forgiveness, the borrower must immediately repay the loan to the lender.

NOTE J -- Capital advances

MJF Housing No. 2, Inc. and MJF Housing No. 3, Inc. received \$1,416,400 and \$1,391,400 of capital advances under Section 202, respectively, from HUD to finance construction of low-income apartment complexes. The advances given were in the form of mortgage notes which bear no interest and require no repayments provided that the complexes to which the mortgage notes relate remain available for low-income elderly persons in accordance with the appropriate regulations until March 1, 2038. It is management's intent to continue operating these complexes in accordance with these restrictions; therefore, the advances were recorded as net assets without donor restrictions in the accompanying statements of financial position.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE K -- Related parties

Board and staff members typically make contributions to the various campaigns of the Federation and may be employees of firms with which the Federation conducts business. Board members may also be with firms or foundations that contribute funds or provide contributed services to the Federation. Board members abstain from voting on business transactions that involve any potential related parties.

NOTE L -- Liquidity and availability of financial resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

As of June 30,	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,973,986	\$ 17,148,073
Accounts and notes receivable	<u>810,995</u>	<u>838,698</u>
Total financial assets	8,784,981	17,986,771
Less:		
Cash held by bond trustee	(74,748)	(39,360)
Cash equivalents held by investment managers	<u>(4,219,027)</u>	<u>(10,794,473)</u>
Total financial assets available for general expenditure	<u>\$ 4,491,206</u>	<u>\$ 7,152,938</u>

The Federation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The Federation invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE M -- Net assets without donor restrictions

Net assets without donor restrictions but which have been designated for various purposes consist of the following:

As of June 30,	<u>2022</u>	<u>2021</u>
Unrestricted reserves	\$ 15,274,207	\$ 17,269,908
Donor-designated funds	40,434,867	45,457,802
Donor-designated funds held in endowments	112,944	472,352
Net investment in property and equipment	4,428,743	7,225,398
Donor-advised funds	<u>40,576,016</u>	<u>44,726,023</u>
Total net assets without donor restrictions	<u>\$ 100,826,777</u>	<u>\$ 115,151,483</u>

- Unrestricted reserves consist of lifetime gifts, bequests, and the investment return on all funds within this category. Distributions are made at the discretion of the Federation.
- Donor-designated funds consist of individual contributions received by the Federation in the form of lifetime gifts, bequest, or transfers from existing funds and trusts. Distributions are made based on the wishes expressed by the donors. The Federation has final authority and discretion over the funds.
- Net investments in property and equipment consist of all property and equipment net of depreciation and liabilities.
- Donor-advised funds are established by donors during their lifetimes and operate in a similar manner as private foundations. Donors contribute cash or appreciated securities and real property which are usually liquidated soon after being gifted. The proceeds are invested and controlled by the Federation, but the donors retain the privilege of making recommendations for charitable distributions.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE N -- Net assets with donor restrictions

Net assets with donor restrictions consist of the following:

As of June 30,	2022	2021
Subject to expenditure for specified purpose:		
Scholarships, grants, and awards	\$ 1,084,874	\$ 1,083,771
Purpose-restricted	4,663,405	5,014,626
Restricted for agencies	16,654,665	16,934,266
PACE/LOJE	7,160,486	7,766,499
Total subject to expenditure for specified purpose	29,563,430	30,799,162
Subject to the passage of time of other events:		
Residual value of trusts and gift annuities	5,212,742	4,030,687
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	44,801	44,800
Total subject to the passage of time or other events	5,257,543	4,075,487
Endowments subject to endowment spending policy and appropriation		
Endowment corpus	18,914,958	18,775,484
Unappropriated earnings on endowment investments restricted for specified purpose	3,359,586	5,368,415
Total endowments subject to endowment spending policy and appropriation	22,274,544	24,143,899
Total net assets with donor restrictions	\$ 57,095,517	\$ 59,018,548

- Scholarships, grants, and awards are funds that were established to support a specific class of people, including teenagers, college students, and young leadership volunteers, by awarding them scholarships or grants based on the actions of the Federation committees established for those purposes.
- Purpose-restricted funds are created by donors to provide funds for the programs and services of the Federation they wish to support. The fund agreements provide for the manner and frequency of distributions in keeping with the Federation's spending discipline.
- Agency funds are gifts made to the Jewish Community Foundation for the exclusive use and benefit of communal agencies, schools, and synagogues. The funds are invested and controlled by the Jewish Community Foundation but can only be accessed at the request of the entity that established the funds.
- PACE/LOJE funds are contributed by donors who wish to designate their giving to the annual campaign of the Federation. Each year a distribution is made from each fund in the name of the donors to that year's campaign.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE N -- Net assets with donor restrictions (Continued)

- Residual value of trust and gift annuities consist of split-interest gifts where the donor receives income from the trust or annuity for his or her lifetime or a term of years and, upon the death of the donor or the end of the term, the Federation receives the remaining principal. The remainder can be either with or without donor restrictions depending on the terms of the original agreement.
- Time-restricted funds related to the annual, capital campaign, and other donor-designated pledges that are due in future periods.

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donor as follows:

Years ended June 30,	<u>2022</u>	<u>2021</u>
Residual value of trusts and gifts annuities	\$ 267,261	\$ 14,062
Scholarships, grants, and awards	938,302	888,279
Purpose-restricted	231,336	182,346
Restricted for agencies	979,446	718,080
PACE/LOJE	<u>321,512</u>	<u>318,471</u>
Total net assets released from restrictions	<u>\$ 2,737,857</u>	<u>\$ 2,121,238</u>

NOTE O -- Endowments

The Federation has received several gifts where the donors have stipulated that the gift amount be invested and maintained in perpetuity to generate annual income for various Federation purposes. These funds are maintained by the Federation in various investments and the Federation is responsible for investment decisions. The Federation determines the income available for distribution using the total return method. Distributions are made annually in amounts determined by the Endowment Committee of the Federation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Federation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Wisconsin state legislature, as requiring the Federation to preserve the fair value of the donor's original gift, as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as net assets with donor restrictions (a) the original value of the donor's gifts to the endowment, (b) the original value of a donor's subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as part of the endowment corpus is classified as unappropriated earnings on endowment assets restricted for specific purpose until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by UPMIFA.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE O -- Endowments (Continued)

In accordance with UPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the various funds, (b) the purposes of the donor-restricted endowment funds, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the Federation, and (g) the Federation's investment policies.

The Federation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the purchasing power of the endowment assets. Under the Federation's investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner to protect principal, grow the aggregate portfolio value in excess of the rate of inflation and achieve an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles, and to ensure that any risk assumed is commensurate with the given investment vehicle and the Federation's objectives.

To achieve its investment goals, the Federation targets an asset allocation that will achieve a balanced return of current income and long-term growth of principal while exercising risk control. The Federation's asset allocations include a blend of equity and debt securities and cash equivalents.

Interest, dividends, and net appreciation in fair value of endowment funds on donor restricted endowment funds are classified as net assets with donor restrictions until appropriated for expenditure by the Board of Directors.

Endowment net assets consist of the following:

As of June 30,	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor designated endowment funds - 2022	\$ 112,944	\$ 22,274,544	\$ 22,387,488
Donor designated endowment funds - 2021	\$ 472,352	\$ 24,143,899	\$ 24,616,251

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE O -- Endowments (Continued)

Changes in endowment net assets are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowments at June 30, 2020	\$ (161,319)	20,575,827	20,414,508
Contributions	4,081	46,376	50,457
Investment income	850,544	4,623,931	5,474,475
Administrative fees	(46,087)	(249,257)	(295,344)
Appropriation for expenditure	<u>(174,867)</u>	<u>(852,978)</u>	<u>(1,027,845)</u>
Endowments at June 30, 2021	472,352	\$ 24,143,899	\$ 24,616,251
Contributions	0	139,473	139,473
Investment loss	(149,436)	(841,309)	(990,745)
Administrative fees	(46,987)	(254,520)	(301,507)
Appropriation for expenditure	<u>(162,985)</u>	<u>(912,999)</u>	<u>(1,075,984)</u>
Endowments at June 30, 2022	<u>\$ 112,944</u>	<u>\$ 22,274,544</u>	<u>\$ 22,387,488</u>

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the historical dollar value of the fund. Deficiencies can result from unfavorable market fluctuations and appropriations for programs deemed prudent by Board of Directors.

NOTE P -- Milwaukee programs

Milwaukee programs reported in the statements of activities include the following:

Years ended June 30,	<u>2022</u>	<u>2021</u>
Federation direct services	\$ 2,178,651	\$ 1,865,628
HUD properties	263,093	229,522
Federation properties	5,001,130	4,509,382
Jewish Community Relations Council	270,056	228,704
Jewish Community Foundation	433,920	437,119
Other	<u>119,480</u>	<u>245,195</u>
Total Milwaukee programs	<u>\$ 8,266,330</u>	<u>\$ 7,515,550</u>

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE Q -- Concentrations

Concentrations of gross pledges receivable are as follows:

As of June 30,	<u>2022</u>	<u>2021</u>
Donor A	0.0%	11.3%
Donor B	9.9%	7.5%
Donor C	9.6%	0.0%
Others	<u>80.5%</u>	<u>81.2%</u>
Totals	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

NOTE R -- Benefit plan

The Federation sponsors the Milwaukee Jewish Federation, Inc. 401(k) Retirement Savings Plan covering all employees over the age of 21 with at least one year of service. Safe-harbor contributions to a trustee are made semi-monthly at 3% of eligible staff's compensation. The Federation can, at its discretion, make an additional contribution of up to 4% of eligible staff compensation at calendar year-end. The Federation contributed 4% of eligible compensation for each of the years ended June 30, 2022 and 2021. Benefit plan expense totaled \$112,516 and \$104,272 for the years ended June 30, 2022 and 2021, respectively.

NOTE S -- Contingencies

The Federation owns an interest in a partnership whose sole asset is land. Management is aware that the land may be contaminated with hazardous materials that could require remediation. The Federation has recognized a liability related to environmental remediation costs associated with the property in the amount of \$437,193 and \$449,973 as of June 30, 2022 and 2021, respectively, and it is included in accounts payable and accrued expenses on the statements of financial position. Management believes that any potential additional liability related to the environmental remediation would be immaterial to the financial statements.

The Federation agreed to guarantee \$11,215,000 of tax-exempt variable rate demand revenue bonds issued by Madison Hillel through the Colorado Educational and Cultural Facilities Authority as part of the National Jewish Federation Bond Program. The Federation also guaranteed interest due on these bonds. Madison Hillel is a constituent agency of the Federation. Constituent agencies must meet the standards and qualifications contained in the Federation's Principles of Affiliation, including holding a 501(c)(3) determination letter from the Internal Revenue Service and providing program services to the Jewish community in the Milwaukee area. Capital campaign funds from Madison Hillel of \$7,746,459 are held at the Federation, and the Federation may use these investments, if needed, to pay any amounts obligated under the guarantee.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE T -- Fair value measurements

Information regarding assets and liabilities measured at fair value is as follows:

<u>As of June 30, 2022</u>	<u>Total assets at fair value</u>	<u>Recurring fair value measurement using</u>		
		<u>Quoted prices in active markets for identical inputs (level 1)</u>	<u>Significant other observable inputs (level 2)</u>	<u>Significant unobservable inputs (level 3)</u>
Investments:				
State of Israel bonds	\$ 2,400,500	\$ 0	\$ 2,400,500	\$ 0
Corporate bonds	11,026,430	0	11,026,430	0
U.S. government municipal bonds	7,788,205	0	7,788,205	0
Common stock:				
Domestic equities	6,723,219	6,723,219	0	0
Foreign equities	578,584	578,584	0	0
Preferred stock	0	0	0	0
Equity mutual funds:				
Domestic equities	68,358,604	68,358,604	0	0
Foreign equities	23,290,083	23,290,083	0	0
Fixed income mutual funds	10,856,056	10,856,056	0	0
Alternative investments:				
Whole life insurance policies	611,676	0	611,676	0
Private equity funds	4,899,261	0	0	4,899,261
Other structured products	10,710,809	0	0	10,710,809
Alternative investments measured using NAV practical expedient*:				
Hedge funds	36,752			
Other alternative investments	46,654,419			
Other structured products	<u>12,288,010</u>			
 Total investments	 206,222,609	 109,806,547	 21,826,811	 15,610,070
 Cash equivalents held by investment managers	 <u>4,219,027</u>	 <u>4,219,027</u>	 <u>0</u>	 <u>0</u>
 Total assets at fair value	 <u>\$ 210,441,636</u>	 <u>\$ 114,025,574</u>	 <u>\$ 21,826,811</u>	 <u>\$ 15,610,070</u>

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE T -- Fair value measurements (Continued)

<u>As of June 30, 2021</u>	<u>Total assets at fair value</u>	Recurring fair value measurement using		
		<u>Quoted prices in active markets for identical inputs (level 1)</u>	<u>Significant other observable inputs (level 2)</u>	<u>Significant unobservable Inputs (level 3)</u>
Investments:				
State of Israel bonds	\$ 1,911,000	\$ 0	\$ 1,911,000	\$ 0
Corporate bonds	12,386,622	0	12,386,622	0
U.S. government municipal bonds	7,969,588	0	7,969,588	0
Common stock:				
Domestic equities	12,738,667	12,738,667	0	0
Foreign equities	465,363	465,363	0	0
Preferred stock	136,089	136,089	0	0
Equity mutual funds:				
Domestic equities	78,701,102	78,701,102	0	0
Foreign equities	30,635,375	30,635,375	0	0
Fixed income mutual funds	11,162,711	11,162,711	0	0
Alternative investments:				
Whole life insurance policies	566,323	0	566,323	0
Private equity funds	1,839,097	0	0	1,839,097
Other structured products	11,807,973	0	0	11,807,973
Alternative investments measured using NAV practical expedient*:				
Hedge funds	44,859			
Other alternative investments	36,678,810			
Other structured products	<u>11,840,485</u>			
 Total investments	 218,884,064	 133,839,307	 22,833,533	 13,647,070
 Cash equivalents held by investment managers	 <u>10,794,473</u>	 <u>10,794,473</u>	 <u>0</u>	 <u>0</u>
 Total assets at fair value	 <u>\$ 229,678,537</u>	 <u>\$ 144,633,780</u>	 <u>\$ 22,833,533</u>	 <u>\$ 13,647,070</u>

*In accordance with U.S. GAAP, 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 presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE T -- Fair value measurements (Continued)

	Total liabilities at fair value	Recurring fair value measurement using		
		Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>As of June 30, 2022</u>				
Interest rate swap	\$ <u>36,579</u>	\$ <u>0</u>	\$ <u>36,579</u>	\$ <u>0</u>

	Total liabilities at fair value	Recurring fair value measurement using		
		Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>As of June 30, 2021</u>				
Interest rate swap	\$ <u>708,369</u>	\$ <u>0</u>	\$ <u>708,369</u>	\$ <u>0</u>

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

- State of Israel bonds are valued at cost, which approximated fair value.
- Corporate, U.S. government, and municipal bonds are valued using quotes from pricing vendors based on recent trading activity and other observable market data.
- Cash equivalents held by investment managers (consisting mainly of money market funds), common and preferred stock are valued based on quoted market prices.
- Mutual funds are value at the daily closing price as reported by the fund. Mutual funds held by the Federation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Federation are deemed to be actively traded.
- Whole life insurance policies are valued at cash surrender value as reported by the issuer.
- Alternative investments are valued based on estimates and valuations provided by investment managers as described below.
- The interest rate swap is valued using discounted cash flows based on yield curves and other factors.

Alternative investments consist of 22 funds and 21 funds held at various brokerage firms as of June 30, 2022 and 2021, respectively. The valuations of the funds are determined by the Advisors of the funds. The Advisors oversee the valuations of the funds' investments in accordance with approved valuation procedures. The fair valuation of investments includes, but is not limited to, the investment's interest in a master fund, using the discounted cash flow method, and reviewing appraisal reports. The investments are valued either on a quarterly or monthly basis.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE T -- Fair value measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Federation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The total purchases of alternative investments measured using level 3 inputs was \$1,460,429 and \$3,054,088 for the years ended June 30, 2022 and 2021, respectively.

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table presents additional information about the Federation's investments whose fair value is measured using the reported NAV practical expedient:

<u>As of June 30, 2022</u>	<u>Fair value</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>	<u>Unfunded commitments</u>
Hedge funds:				
Goldman Sachs Investment Partners ^(A)	\$ 36,752	I	I	\$ 0
Other alternative investments and structured products:				
Entrust Capital Diversified Fund QP LTD ^(B)	\$ 142,837	II	II	\$ 0
Rock Creek Georgetown Fund LTD ^(C)	\$ 7,011,422	II	II	\$ 0
Sheperd Investments ^(D)	\$ 14,867	I	I	\$ 0
PRISA Fund ^(E)	\$ 20,607,569	Quarterly	90 days	\$ 0
Clarion Lion Properties Real Estate Fund ^(F)	\$ 11,519,018	Quarterly	90 days	\$ 0
IFM Global Infrastructure ^(G)	\$ 7,358,705	Quarterly	90 days	\$ 1,500,000
Parametric Defensive Equity Fund LLC ^(H)	\$ 12,288,010	Monthly	5 days	\$ 0

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE T -- Fair value measurements (Continued)

<u>As of June 30, 2021</u>	<u>Fair value</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>	<u>Unfunded commitments</u>
Hedge funds:				
Goldman Sachs Investment Partners ^(A)	\$ 44,859	I	I	\$ 0
Other alternative investments and structured products:				
Entrust Capital Diversified Fund QP LTD ^(B)	\$ 145,004	II	II	\$ 0
Rock Creek Georgetown Fund LTD ^(C)	\$ 7,728,579	II	II	\$ 0
Sheperd Investments ^(D)	\$ 14,867	I	I	\$ 0
PRISA Fund ^(E)	\$ 12,732,118	Quarterly	90 days	\$ 2,000,000
Clarion Lion Properties Real Estate Fund ^(F)	\$ 9,068,272	Quarterly	90 days	\$ 0
IFM Global Infrastructure ^(G)	\$ 6,989,970	Quarterly	90 days	\$ 0
Parametric Defensive Equity Fund LLC ^(H)	\$ 11,840,485	Monthly	5 days	\$ 0

I. These funds are currently in the liquidation process. Liquidity is determined by market conditions.

II. The funds call for periodic redemptions each calendar quarter with 90 days' notice.

(A) Goldman Sachs Investment Partners investments are currently in liquidation.

(B) Entrust Capital Diversified Fund QP LTD is an exempted company incorporated under the laws of the Cayman Islands. The fund invests substantially all of its net assets in an international business company incorporated under the laws of the British Virgin Islands, EnTrust Capital Diversified Fund LTD (the "Master Fund"), under a master-feeder agreement. The structure of the Master Fund allocates its assets among a diversified group of alternative investment fund managers, commonly referred to as a "fund of funds". The investments strategies may utilize a variety of financial instruments in their trading strategies and invest in U.S. and non-U.S. equities and equity-related securities, debt securities, options, futures, forwards, swap contracts, repurchase agreements, private placements, and commodities.

(C) Rock Green Georgetown Fund LTD is an exempted company incorporated under the laws of the Cayman Islands. The structure of the fund allocates its assets among a diversified group of alternative investment fund managers, which is commonly referred to as a "fund of funds." The investment strategies may include, but are not limited to, pairs trading, market neutral equity, merger arbitrage, long/short equity, long concentrated, long biased, short biased, and event driven investment strategies.

(D) Sheperd Investments is currently in liquidation.

MILWAUKEE JEWISH FEDERATION, INC. AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE T -- Fair value measurements (Continued)

- (E) The PRISA Fund is a broadly diversified equity real estate portfolio that invests primarily in existing income-producing properties with strong cash flows that are expected to increase over time and thereby provide the potential for capital appreciation. The fund makes investments in office, retail, industrial, apartment, hotel, and storage properties. The fund may also hold a modest amount of unimproved land or other property types. Investments are made through direct property ownership, or indirectly through such vehicles as joint ventures, general or limited partnerships, limited liability companies, mortgage loans and other loan types, including mezzanine debt and debt secured by an interest in the borrowing entity or interest in companies or entities that directly or indirectly hold real estate or real estate interests.
- (F) The Clarion Lion Properties Real Estate Fund is a core-style, open-end real estate fund that holds a strategically diversified portfolio of real estate assets across the four main property types in major markets located throughout the United States. The primary performance objective is to combine attractive income yield with long-term capital growth.
- (G) IFM Global Infrastructure funds is a Delaware limited partnership investing substantially all of its assets in a Cayman Islands unit trust. The fund's investment objective is to acquire and maintain a diversified portfolio of global infrastructure investments (within targeted sub-sectors with varied maturities) that realizes a 10% annual return over a three-year rolling period.
- (H) Parametric Defensive Equity Fund LLC ("Parametric") offers equity index options and seeks to structurally reduce equity market risk, while adding a relatively uncorrelated risk premium to enhance returns. Parametric seeks to reduce the magnitude of drawdowns and recover faster from stress events.

NOTE U -- Employee Retention Tax Credit

In accordance with Section 2301 of the CARES Act enacted on March 27, 2020, the Federation has claimed an Employee Retention Tax Credit in the amount of \$732,255 which is included in the balance of accounts and notes receivable as of June 30, 2022 and 2021 and was credited against payroll tax expenses reported in the statements of activities for the year ended June 30, 2021.

NOTE V -- Subsequent Events

On September 6, 2022, the Federation closed on the sale of land located in Illinois in the amount of \$3,000,000. The land is included in donated real estate held for sale on the statements of financial position as of June 30, 2022, in the amount of \$1,286,000.

The Federation entered into two interest rate swap agreements with Town Bank effective November 1, 2022. Under the first agreement, the Federation pays interest at a fixed rate of 3.118% on a nonamortizing notional amount of \$48,906,000. The Federation receives interest at 80% of SOFR. The agreement expires November 1, 2032. Under the second agreement, the Federation pays interest at a fixed rate of 3.359% on a nonamortizing notional amount of \$5,434,000. The Federation receives interest at 80% of SOFR. The agreement expires November 1, 2027.