Jewish Federation of Metropolitan Chicago

Consolidated Financial Report
June 30, 2022

Contents

Independent Auditor's Report

Board of Directors
Jewish Federation of Metropolitan Chicago

Opinion
We have audited the consolidated financial statements of Jewish Federation of Metropolitan Chicago (the Federation) and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the Federation 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.

We did not audit the financial statements of Michael Reese Health Trust (Trust), a wholly-owned subsidiary, whose statements reflect total assets constituting 6.7% and 6.8%, respectively, of consolidated total assets at June 30, 2022 and 2021, and total revenues constituting 0.0% and 6.7%, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Trust, is based solely on the report of the other auditors.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Federation 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 these 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 the Federation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of 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 GAAS 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 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 GAAS, 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 the Federation's 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 the Federation's 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.

RSM US LLP

Chicago, Illinois
December 13, 2022

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Financial Position
June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Custodian	Total All Funds 2022
Assets				
Cash and cash equivalents	$ 86,808	$ 3,890	$ 3,931	$ 94,629
Investments	1,858,890	229,651	7,777	2,096,318
Pledges and other receivables, net	46,476	12,146	465	59,087
Due from JFMC Facilities Corporation	20,651	-	-	20,651
Loans receivable—affiliated agencies and other beneficiaries	3,548	-	-	3,548
Other assets	10,018	-	-	10,018
Due from broker	5,642	-	-	5,642
Redemptions receivable from underlying funds	9,320	-	-	9,320
Advanced contributions to underlying funds	1,190	-	-	1,190
Amount due from participating employers for pension benefits	24,592	-	-	24,592
Beneficial interest in charitable trusts	-	39,333	-	39,333
Interfund accounts	(11,433)	11,488	(55)	-
	$ 2,055,702	$ 296,508	$ 12,118	$ 2,364,328

(Continued)

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Financial Position (Continued)
June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Custodian	Total All Funds 2022
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 18,410	$ -	$ 1,041	$ 19,451
Appropriations payable	6,739	-	-	6,739
Grants payable	16,150	-	-	16,150
Liability for pension benefits	47,787	-	-	47,787
Funds invested on behalf of unitholders	183,816	-	-	183,816
Other liabilities	18,700	-	-	18,700
Support foundations distributions payable	25,942	-	-	25,942
Interest rate swap liability	4,024	-	-	4,024
Loans payable	3,000	-	-	3,000
Tax exempt debt	5,123	-	-	5,123
Funds held for others	5,504	9,761	11,077	26,342
	335,195	9,761	12,118	357,074
Net assets:				
Without donor restrictions:				
Undesignated	29,036	-	-	29,036
Noncontrolling interest in investments	34,541	-	-	34,541
Designated by the governing board for the following:				
Donor-advised funds	244,303	-	-	244,303
Long-term investments	1,412,627	-	-	1,412,627
With donor restrictions	-	286,747	-	286,747
	1,720,507	286,747	-	2,007,254
	$ 2,055,702	$ 296,508	$ 12,118	$ 2,364,328

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Financial Position
June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Custodian	Total All Funds 2021
Assets				
Cash and cash equivalents	$ 68,021	$ 2,281	$ 5,925	$ 76,227
Investments	2,154,112	224,013	12,770	2,390,895
Pledges and other receivables, net	39,407	21,975	360	61,742
Due from JFMC Facilities Corporation	23,302	-	-	23,302
Loans receivable—affiliated agencies and other beneficiaries	3,846	-	-	3,846
Other assets	9,473	-	-	9,473
Redemptions receivable from underlying funds	18,254	-	-	18,254
Advanced contributions to underlying funds	51,566	-	-	51,566
Amount due from participating employers for pension benefits	32,668	-	-	32,668
Beneficial interest in charitable trusts	-	47,048	-	47,048
Interfund accounts	(10,575)	10,620	(45)	-
	$ 2,390,074	$ 305,937	$ 19,010	$ 2,715,021

(Continued)

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Financial Position (Continued)
June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Custodian	Total All Funds 2021
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 15,803	$ -	$ 2,050	$ 17,853
Appropriations payable	5,530	-	-	5,530
Grants payable	9,614	383	-	9,997
Liability for pension benefits	62,165	-	-	62,165
Funds invested on behalf of unitholders	197,245	-	-	197,245
Other liabilities	14,201	-	-	14,201
Support foundations distributions payable	23,156	-	-	23,156
Interest rate swap liability	13,929	-	-	13,929
Loans payable	5,750	-	-	5,750
Tax exempt debt	5,430	-	-	5,430
Funds held for others	4,299	9,039	16,960	30,298
	357,122	9,422	19,010	385,554
Net assets:				
Without donor restrictions:				
Undesignated	34,437	-	-	34,437
Noncontrolling interest in investments	62,405	-	-	62,405
Designated by the governing board for the following:				
Donor-advised funds	274,313	-	-	274,313
Long-term investments	1,661,797	-	-	1,661,797
With donor restrictions	-	296,515	-	296,515
	2,032,952	296,515	-	2,329,467
	$ 2,390,074	$ 305,937	$ 19,010	$ 2,715,021

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions				Total		
		Noncontrolling	Designated		Without	With	Total
		Interest in	Donor-Advised	Long-Term	Donor	Donor	All Funds
	Undesignated	Investments	Funds	Investments	Restrictions	Restrictions	2022
Revenue:							
Public support:							
Direct public support:							
Contributions	$ 112,710	$ -	$ -	$ 30,384	$ 143,094	$ 41,585	$ 184,679
Contributions designated for donor-advised funds	-	-	51,890	-	51,890	-	51,890
Distributions from beneficial interest in charitable trusts to support operations	900	-	-	-	900	-	900
Total received directly	113,610	-	51,890	30,384	195,884	41,585	237,469
Indirect public support:							
United Way allocation (includes Chicago and Suburban)	502	-	-	-	502	-	502
Total received indirectly	502	-	-	-	502	-	502
Total public support	114,112	-	51,890	30,384	196,386	41,585	237,971
Grants from government agencies	5,123	-	-	-	5,123	-	5,123
Miscellaneous revenue	5,708	-	60	291	6,059	32	6,091
	10,831	-	60	291	11,182	32	11,214
Other revenue:							
Investment income (net of related fees of approximately $3,225)	60	-	4,188	7,574	11,822	325	12,147
Loss on investment activity (net)	-	-	(33,252)	(168,996)	(202,248)	(20,703)	(222,951)
Unrealized loss on beneficial interest in charitable trusts	-	-	-	-	-	(7,715)	(7,715)
Unrealized gain on fair value of swap arrangements	-	-	-	9,119	9,119	-	9,119
	60	-	(29,064)	(152,303)	(181,307)	(28,093)	(209,400)
Transfer of net assets released from restrictions:							
Satisfaction of restrictions	23,536	-	-	269	23,805	(23,805)	-
Total revenue	148,539	-	22,886	(121,359)	50,066	(10,281)	39,785

(Continued)

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Activities (Continued)
Year Ended June 30, 2022

	Without Donor Restrictions				Total		
		Noncontrolling	Designated		Without	With	Total
		Interest in	Donor Advised	Long-Term	Donor	Donor	All Funds
	Undesignated	Investments	Funds	Investments	Restrictions	Restrictions	2022
Expenses:							
Program expenses:							
Appropriations	$ 62,509	$ -	$ -	$ -	$ 62,509	$ -	$ 62,509
Grants	63,285	-	60,896	100,160	224,341	-	224,341
Other	24,566	-	-	4,681	29,247	-	29,247
Total program expenses	150,360	-	60,896	104,841	316,097	-	316,097
Supporting expenses:							
Management and administration	14,901	-	-	3,038	17,939	-	17,939
Fundraising	7,452	-	-	-	7,452	-	7,452
Total supporting expenses	22,353	-	-	3,038	25,391	-	25,391
Total expenses	172,713	-	60,896	107,879	341,488	-	341,488
Expenses over revenue	(24,174)	-	(38,010)	(229,238)	(291,422)	(10,281)	(301,703)
Other changes in net assets:							
Pension-related changes other than pension expense	7,354	-	-	-	7,354	-	7,354
Transfer to fund deferred compensation	-	-	-	-	-	-	-
Transfer between funds	6,219	-	8,000	(15,553)	(1,334)	1,334	-
Transfer from endowment funds to support operations	5,200	-	-	(4,379)	821	(821)	-
Decrease in net assets—JFMC	(5,401)	-	(30,010)	(249,170)	(284,581)	(9,768)	(294,349)
Noncontrolling interest in investments	-	(27,864)	-	-	(27,864)	-	(27,864)
Decrease in net assets	(5,401)	(27,864)	(30,010)	(249,170)	(312,445)	(9,768)	(322,213)
Net assets:							
Beginning of fiscal year	34,437	62,405	274,313	1,661,797	2,032,952	296,515	2,329,467
End of fiscal year	$ 29,036	$ 34,541	$ 244,303	$ 1,412,627	$ 1,720,507	$ 286,747	$ 2,007,254

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions				Total		
		Noncontrolling	Designated		Without	With	Total
		Interest in	Donor-Advised	Long-Term	Donor	Donor	All Funds
	Undesignated	Investments	Funds	Investments	Restrictions	Restrictions	2021
Revenue:							
Public support:							
Direct public support:							
Contributions	$ 115,086	$ -	$ -	$ 26,490	$ 141,576	$ 27,962	$ 169,538
Contributions designated for donor advised funds	-	-	55,292	-	55,292	-	55,292
Distributions from beneficial interest in charitable trusts to support operations	942	-	-	-	942	-	942
Total received directly	116,028	-	55,292	26,490	197,810	27,962	225,772
Indirect public support:							
United Way allocation (includes Chicago and Suburban)	502	-	-	-	502	-	502
Total received indirectly	502	-	-	-	502	-	502
Total public support	116,530	-	55,292	26,490	198,312	27,962	226,274
Grants from government agencies	9,471	-	-	-	9,471	-	9,471
Miscellaneous revenue	4,864	-	16	187	5,067	231	5,298
	14,335	-	16	187	14,538	231	14,769
Other revenue:							
Investment income (net of related fees of approximately $3,063)	17	-	2,414	4,542	6,973	225	7,198
Gain on investment activity (net)	-	-	41,631	410,065	451,696	35,408	487,104
Unrealized gain on beneficial interest in charitable trusts	-	-	-	-	-	9,825	9,825
Unrealized gain on fair value of swap arrangements	-	-	-	5,960	5,960	-	5,960
	17	-	44,045	420,567	464,629	45,458	510,087
Transfer of net assets released from restrictions:							
Satisfaction of restrictions	28,059	-	-	7,630	35,689	(35,689)	-
Total revenue	158,941	-	99,353	454,874	713,168	37,962	751,130

(Continued)

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Activities (Continued)
Year Ended June 30, 2021

	Without Donor Restrictions				Total		
		Noncontrolling	Designated		Without	With	Total
		Interest in	Donor-Advised	Long-Term	Donor	Donor	All Funds
	Undesignated	Investments	Funds	Investments	Restrictions	Restrictions	2021
Expenses:							
Program expenses:							
Appropriations	$ 61,498	$ -	$ -	$ -	$ 61,498	$ -	$ 61,498
Grants	67,688	-	43,645	82,386	193,719	-	193,719
Other	21,409	-	-	3,638	25,047	-	25,047
Total program expenses	150,595	-	43,645	86,024	280,264	-	280,264
Supporting expenses:							
Management and administration	14,768	-	-	2,441	17,209	-	17,209
Fundraising	6,661	-	-	-	6,661	-	6,661
Total supporting expenses	21,429	-	-	2,441	23,870	-	23,870
Total expenses	172,024	-	43,645	88,465	304,134	-	304,134
Revenue over expenses (deficiency)	(13,083)	-	55,708	366,409	409,034	37,962	446,996
Other changes in net assets:							
Pension-related changes other than pension expense	6,256	-	-	-	6,256	-	6,256
Transfer to fund deferred compensation	105	-	-	(105)	-	-	-
Transfer between funds	4,370	-	4,000	(3,160)	5,210	(5,210)	-
Transfer from endowment funds to support operations	7,866	-	-	(10,033)	(2,167)	2,167	-
Increase in net assets—JFMC	5,514	-	59,708	353,111	418,333	34,919	453,252
Noncontrolling interest in investments	-	4,633	-	-	4,633	-	4,633
Increase in net assets	5,514	4,633	59,708	353,111	422,966	34,919	457,885
Net assets:							
Beginning of fiscal year	28,923	57,772	214,605	1,308,686	1,609,986	261,596	1,871,582
End of fiscal year	$ 34,437	$ 62,405	$ 274,313	$ 1,661,797	$ 2,032,952	$ 296,515	$ 2,329,467

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Management and Administration	Fundraising	Total All Funds 2022
Functional expenses:				
Salaries	$ 13,545	$ 9,082	$ 4,039	$ 26,666
Fringe benefits	2,610	1,672	870	5,152
	16,155	10,754	4,909	31,818
Appropriations	62,509	-	-	62,509
Grants	224,341	-	-	224,341
Professional fees	2,802	1,115	47	3,964
Occupancy	2,635	1,570	517	4,722
Insurance	26	435	-	461
Conferences, events, meetings and major trips	3,049	178	1,083	4,310
Advertising	275	-	63	338
Information technology	625	1,763	197	2,585
Outside printing and design	251	13	199	463
Supplies	560	151	32	743
Postage and shipping	198	65	145	408
Membership dues	21	-	-	21
Bank and credit card fees	344	178	-	522
Interest expense	49	193	-	242
Miscellaneous	2,257	1,524	260	4,041
Total functional expenses	$ 316,097	$ 17,939	$ 7,452	$ 341,488

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Management and Administration	Fundraising	Total All Funds 2021
Functional expenses:				
Salaries	$ 12,544	$ 8,838	$ 3,997	$ 25,379
Fringe benefits	2,288	1,534	803	4,625
	14,832	10,372	4,800	30,004
Appropriations	61,498	-	-	61,498
Grants	193,719	-	-	193,719
Professional fees	3,705	1,305	86	5,096
Occupancy	2,498	1,499	492	4,489
Insurance	20	454	-	474
Conferences, events, meetings and major trips	493	99	393	985
Advertising	327	-	133	460
Information technology	522	1,720	202	2,444
Outside printing and design	188	10	185	383
Supplies	312	88	27	427
Postage and shipping	148	105	112	365
Membership dues	26	-	-	26
Bank and credit card fees	280	127	-	407
Interest expense	50	209	-	259
Miscellaneous	1,646	1,221	231	3,098
Total functional expenses	$ 280,264	$ 17,209	$ 6,661	$ 304,134

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
(Decrease) increase in net assets—JFMC	$ (294,349)	$ 453,251
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Change in allowance for uncollectible pledges	(360)	(187)
Net realized and unrealized loss (gain) on investments	213,447	(440,368)
Net change in unrealized loss (gain) on beneficial interests in charitable trusts	7,715	(9,825)
Net change in unrealized loss on charitable gift annuities	3,082	1,980
Change in amount due from participating employers for pension benefits due to actuarial gains/losses and change in assumptions	7,451	11,305
Change in pension liability due to actuarial gains/losses and change in assumptions	(14,805)	(17,561)
Change in unrealized gain on fair value of swap arrangements	(9,120)	(5,960)
Contributions in perpetuity	(7)	(2,419)
Changes in:		
Pledges and other receivables	2,230	16,123
Due from affiliates	2,651	3,642
Other assets	(6,187)	162
Amount due from participating employer's for pension benefits	625	(2,015)
Accounts payable, accrued expenses and other liabilities	7,261	5,370
Appropriations payable	45	(769)
Grants payable	6,152	(5,098)
Liability for pension benefits	427	4,342
Support foundations—distributions payable	2,786	(28,323)
Funds held for others	(3,956)	375
Net cash used in operating activities	(74,912)	(15,975)
Cash flows from investing activities:		
Proceeds from sales of investments	551,499	543,634
Purchases of investments	(514,456)	(503,784)
Additions to charitable gift annuities	(2,694)	(534)
Liquidations of charitable gift annuities	2,407	2,083
Collections of loans receivable from affiliated agencies and other beneficiaries	298	288
Changes in:		
Advanced contributions to underlying funds	50,376	(36,300)
Redemptions receivable from underlying funds	8,934	10,990
Net cash provided by investing activities	96,364	16,377
Cash flows from financing activities:		
Contributions in perpetuity	7	2,419
Payments on loans payable	(2,750)	(8,542)
Proceeds on tax exempt debt	5,123	-
Payments on tax exempt debt	(5,430)	(365)
Net cash used in financing activities	(3,050)	(6,488)
Increase (decrease) in cash and cash equivalents	18,402	(6,086)
Cash and cash equivalents:		
Beginning of year	76,227	82,313
End of year	$ 94,629	$ 76,227
Supplemental disclosures of cash flow information:		
Interest paid	$ 75	$ 191
Supplemental schedules of noncash investing and financing activities:		
Forgiveness of loan payable	$ -	$ 5,422
Change in tracking unit and noncontrolling interest investments	$ (41,293)	$ 50,261

See notes to consolidated financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies

The Jewish Federation of Metropolitan Chicago (JFMC) is a not-for-profit social service organization that makes appropriations and grants to its affiliated agencies (pursuant to certain Principles of Affiliation Agreements) and other beneficiaries, which are primarily engaged in charitable, educational, social welfare and health activities.

These consolidated financial statements also include the accounts and activities of the following entities:

Jewish United Fund of Metropolitan Chicago (Jewish United Fund): Jewish United Fund is a nonprofit social service organization that conducts fundraising activities on behalf of JFMC by means of annual calendar year campaigns, in order to make domestic and overseas allocations to beneficiary organizations. Jewish United Fund provides critical resources that bring food, refuge, health care, education and emergency assistance to 500,000 Chicagoans of all faiths, and to millions of Jews in Israel and around the world. The Federation is the sole member of Jewish United Fund and has a controlling financial interest, as well as significant economic interest in the organization.

JFMC Pooled Endowment Portfolio, LLC (PEP): JFMC holds a portion of its investments in the JFMC Pooled Endowment Portfolio, LLC (see Note 2). JFMC is the manager and administrator of the PEP and is also the majority owner of the PEP. As manager, JFMC owned 85.7% and 84.1% of the PEP's ownership interest as of June 30, 2022 and 2021, respectively. For the fiscal years ended June 30, 2022 and 2021, JFMC owned an additional 11.3% and 11.2%, respectively, of the PEP through its subsidiary, Michael Reese Health Trust.

Michael Reese Health Trust (Trust): The Michael Reese Health Trust is a public grant-making foundation whose mission is to support and encourage charitable, educational and research activities related to health care in the Chicago metropolitan area. JFMC is the sole member of the Trust and appoints the majority of the Board of Directors.

Support Foundations: Support Foundations are separate, not-for-profit corporations which are funded by various donors to support the broad charitable purpose of JFMC (see Note 3). JFMC has both control of the board of directors and an economic interest in the Support Foundations and, accordingly, the Support Foundations have been consolidated into JFMC's financial statements.

The Covenant Foundation: The Covenant Foundation is a not-for-profit organization whose mission is to build on existing strengths within the field of Jewish education across all denominations through all forms of pre-collegiate and adult Jewish education. JFMC has a controlling financial interest in the Covenant Foundation through a majority voting interest of the Board of Directors.

A summary of significant accounting policies followed by JFMC is as follows:

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

Principles of consolidation: In accordance with the accounting guidance on reporting of related entities by not-for-profit organizations, JFMC's financial statements consolidate the activities of the Jewish United Fund, PEP, the Trust, Support Foundations and the Covenant Foundation (collectively referred to as the Federation). All inter-organizational balances and transactions have been eliminated in consolidation.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Basis of presentation: The Federation follows the accounting guidance on financial statements of nonprofit organizations, which establishes standards for general-purpose external financial statements issued by nonprofit organizations. It requires that net assets and related revenue, expenses, gains and losses be classified into two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions. Also included in net assets without donor restrictions are donor advised funds and long-term investments. Items that affect (i.e., increase or decrease) this net asset category include amounts received from government agencies, program service fees and all expenses associated with the core activities of the Federation. In addition to these activities, changes in this category of net assets include the activities of certain types of board-designated funds, support foundations and philanthropic support. Also included in this category are contributions without donor restrictions, indirect public support, investment income (inclusive of gains and losses on investment activity) and restricted contributions which were received and whose donor-imposed restrictions were met during the same fiscal period.

Net assets with donor restrictions: Net assets subject to restrictions imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Federation or the passage of time. Items that affect this net asset category are restricted contributions and grants. These amounts are reclassified to net assets without donor restrictions when such restrictions are met or have expired. Some donor restrictions are perpetual in nature, in which the donor has stipulated that the funds be invested in perpetuity. This net asset category includes beneficial interests in charitable trusts. Investment income, including realized and unrealized gains on such assets, are recorded in net assets with donor restrictions until appropriated for expenditures, unless specifically restricted by the donors.

Noncontrolling interest in investments: Noncontrolling interest in investments represent the portion of equity in the PEP owned by other not-for-profit organizations not affiliated with the Federation. As of June 30, 2022 and 2021, there were two and four such other organizations, respectively. The profit or loss derived from the performance of the PEP is allocated to all members of the PEP including the noncontrolling interest as reflected in the consolidated statements of activities. Noncontrolling interest on the accompanying consolidated financial statements relates to the minority members' 3.0% and 4.7% share of the PEP at June 30, 2022 and 2021, respectively.

Contributions: Contributions received, including unconditional promises and noncash assets, are recognized as revenue with or without donor restrictions when the donor's commitment is made. Conditional promises, consisting of grants from government agencies, are recognized when the barriers have been substantially met (generally when qualifying expenses have been incurred and all other grant requirements have been met). Contributions of assets other than cash are recorded at their estimated fair value. Contributions also include legacies and bequests, the amounts of which are not currently determinable, and are recorded as received.

Donor–advised funds: Individuals may establish donor-advised funds, whereby each fund and its related earnings may be distributed to charities recommended by the donor, subject to the approval of the Federation. Donor-advised funds are classified as net assets without donor restrictions.

Cash and cash equivalents: Cash equivalents are defined as all highly liquid investments purchased with an original maturity of three months or less. The cash balance exceeds federally insured limits. However, the Federation has not experienced any losses in such accounts and management does not believe that it is exposed to any significant credit risk.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Investments: Investments are reported at fair value. The difference between the aggregate fair values of investments as of the end of the year and their fair values at the beginning of the year for investments still owned (or the cost, for acquisitions during the year) and the net gain or losses on dispositions of investments are reflected as net gain or loss on investment activity. Dividend and interest income are reported as investment income on the consolidated statements of activities.

Pledges and other receivables: Pledges receivable are recorded for a donor's unconditional promise to give to the Federation. The allowance for doubtful pledges is based on management's estimate of the collectability of identified receivables.

Pledges receivables are also recorded net of a discount to present value applied to the long-term portion of any multi-year pledge. The discount is amortized over the term of the pledge, and amortization is recorded as contribution revenue on the consolidated statements of activities.

Other receivables primarily consist of Jewish United Fund campaign pledges, foundation and government grants receivable and miscellaneous receivables which are expected to be collected in fiscal year 2023. Based on historical experience and an analysis of specific accounts, management has determined that no allowance for doubtful accounts is necessary for other receivables.

Due from JFMC Facilities Corporation (Facilities): Due from Facilities (an unconsolidated special purpose entity) consists primarily of amounts relating to tax-exempt financing and advances to meet cash flow requirements. In addition, the Federation occupies office space owned by Facilities in Chicago, Illinois. Occupancy expense paid by the Federation to Facilities for the years ended June 30, 2022 and 2021, was $2,937 and $2,762, respectively.

Redemptions receivable from underlying funds: This asset consists of investment redemptions in transit at year-end related to the underlying funds invested in the PEP.

Advanced contributions to underlying funds: This asset consists of deposits made by the Federation and the PEP to investment subscriptions that were in transit at fiscal year-end.

Beneficial interest in charitable trusts: The Federation has recorded as an asset its beneficial interest in several irrevocable charitable trusts. Distributions received from the charitable trusts are recorded as revenue without donor restrictions.

Appropriations payable: Amounts approved by the Board of Directors to be paid to beneficiary organizations are included in appropriations payable to beneficiaries if unpaid at fiscal year-end. Adjustments are periodically made to appropriations payable based on Board action.

Charitable gift annuity and charitable remainder trust obligations: The Federation has entered into various charitable gift annuities and charitable remainder trust agreements with its donors. The Federation is obligated to make payments to the annuitants and trust recipients for the remainder of their lives. This liability is included in the funds held for others on the consolidated statements of financial position. The contributed funds for charitable gift annuities and charitable remainder trusts are recorded on the date the agreement or trust is recognized. Charitable gift annuities and charitable remainder trusts received for the benefit of third-party beneficiaries are recorded at fair value in the Custodian funds.

Donated services: No amounts have been reflected herein for donated services because they do not meet the defined requirements for inclusion in the consolidated financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Refugee and Immigrant Social Service Program: The Federation administers state funds allocated for specified services to refugees and immigrants on behalf of the Illinois Department of Human Services. Funds received and distributions made to participating agencies under these programs are accounted for in the undesignated fund. All costs incurred by the Federation in connection with administering the programs, and reimbursements for such costs from the state agency, are reflected as program services expenses and grant revenue on the consolidated statements of activities.

Fair value of financial instruments: The fair value of the Federation's other assets and liabilities that qualify as financial instruments under the accounting guidance on measuring fair value of financial instruments approximates the carrying amounts presented in the consolidated statements of financial position due to the short-term maturity of these assets. The carrying amounts reflected in the consolidated statements of financial position for loans and pledges receivable, charitable remainder and annuity trusts, loans payable and tax-exempt debt approximate their respective fair values because discount and interest rates applied are consistent with current market rates. Management has estimated the fair values by discounting expected cash flows using interest rates that management believes are approximately equal to the interest rates currently available for similar financing arrangements.

Derivative financial instruments: Interest rate swap arrangements are recognized as either an asset or liability at fair value in the consolidated statements of financial position, with changes in fair value reported as net unrealized gains or losses in other revenue on the consolidated statements of activities. The Federation does not consider any derivative instruments to be hedging instruments in accordance with hedge accounting guidance.

Income taxes: JFMC, Jewish United Fund, the Trust, JFMC's Support Foundations and the Covenant Foundation are Illinois not-for-profit corporations and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. However, income from certain activities not directly related to the Federation's tax-exempt purposes, such as unrelated business income allocated from investment partnerships, are subject to taxation.

The PEP, a Delaware LLC, is not subject to federal income tax because its income and losses are includable in the tax returns of its members. The PEP may be required to file returns in various state and local jurisdictions as a result of its operations and the residency of its members.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Federation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Federation and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. At June 30, 2022 and 2021, there were no unrecognized tax benefits identified or recorded as liabilities.

JFMC, Jewish United Fund, the Covenant Foundation and certain Support Foundations file separate Forms 990 and 990-T in the U.S. federal jurisdiction and the state of Illinois. The remaining Support Foundations file separate Form 990 and the Trust files Form 990-PF in the U.S. federal jurisdiction and the state of Illinois.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Functional expenses: Operating expenses directly identified with a specific functional area are fully allocated to that area. Operating expenses attributable to multiple functional areas are allocated based on a methodology established and consistently applied by management. Occupancy expenses are allocated on the basis of square footage. Certain expenses are allocated using ratios based on management's estimate of time and effort.

Management estimates: In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification: Certain fiscal year 2021 balances have been reclassified to conform to the current year presentation, without any effect on previously reported total net assets or total changes in net assets.

Pending accounting pronouncement: In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Topic 842 will be effective for the Federation's fiscal year 2023 consolidated financial statements.

Note 2. JFMC Pooled Endowment Portfolio, LLC

The PEP is a Delaware limited liability company that was organized by JFMC in 2011 upon the transfer of investments and equity from the Federation (the Manager). As Manager, the Federation makes all investment decisions on behalf of the PEP. The PEP was created to serve as an endowment investment solution for Federation-related charitable organizations and to provide access to professional investment management, administration and reporting for its members. The PEP may purchase, hold or sell investments directly or through one or more vehicles formed to facilitate the purchase, holding or sale of such investments, including one or more master funds or other entities formed for tax, administrative or operational reasons.

Each member of the PEP has a direct ownership interest in the underlying assets of the PEP and is required to be a not-for-profit organization as described by Section 501(c)(3) of the Internal Revenue Code and such member's assets now or hereafter invested in the PEP must be exclusively one or more of the types of assets described in subsections (i) through (viii) of Section 3(c)(10)(B) of the Investment Company Act of 1940, as amended (the Investment Company Act). In addition, each member must be an accredited investor as defined under Rule 501(a) of Regulation D of the Securities Act of 1933, as amended (the Securities Act). The minimum initial investment required to subscribe for an interest in the PEP is $1,000. The Manager may, in its sole discretion, accept subscriptions for a lesser amount or establish different minimum amounts in the future. The Manager may accept subscriptions as of the first business day of each month. The Manager, in its sole discretion, may accept or reject, in whole or in part, any subscription.

Note 2. JFMC Pooled Endowment Portfolio, LLC (Continued)

As defined in the LLC agreement, withdrawals can be made by members on a monthly basis subject to certain limitations described below. If the withdrawal request exceeds 40% of a member's average monthly account balance, the Manager will pay 50% of the withdrawal request in the current month and the remaining balance will be paid over a five-year period (the Investor Gate). The Manager shall be entitled to redeem any portion of its equity account on the first day of any month. Additionally, the amount of aggregate withdrawal requests during any given month shall be limited, on a proportionate basis among redeeming members (excluding any from the Manager) to an amount equal to 10% of the net asset value of the PEP (the Fund Gate). The remaining amount of withdrawal requests in excess of the Fund Gate will be given priority over subsequent withdrawal requests in subsequent months but continue to be subject to the Fund Gate. Members are required to provide the Manager with written notice of withdrawal requests by the 15th of each month.

The outside members' equity in the PEP was $34,541 and $62,405 as of June 30, 2022 and 2021, respectively, which is reflected as noncontrolling interest in investments on the consolidated statements of financial position.

JFMC also offers contract rights (Tracking Units) to certain qualified investors (Unitholders) who do not meet the requirements for direct ownership interest in the PEP as defined above. Each Unitholder must be a not-for-profit organization as described by Section 501(c)(3) of the Internal Revenue Code. By purchasing Tracking Units, a Unitholder is able to participate indirectly in the PEP's investment return through the JFMC's investment in the PEP. The Tracking Units do not represent a direct ownership in the PEP, they represent solely a right to receive redemption payments from the Manager as defined in the Tracking Unit agreement. At this time, the Manager is only accepting new Unitholders from Jewish charities located in the Chicagoland area. The Unitholders held $183,816 and $197,245 of JFMC's investment in the PEP as of June 30, 2022 and 2021, respectively, which is reported as a liability on the consolidated statements of financial position.

Subscriptions for Tracking Units are accepted as of the first business day of each month, with at least five calendar days' written notice prior to the first day of the month. The minimum initial investment for Tracking Units is $1,000. The number and value of Tracking Units purchased is determined by the Manager, in its sole discretion, based on the value of the PEP as of the date the Tracking Units are purchased and in accordance with the valuation policies and procedures set forth in the PEP's governing documents. The Manager, in its sole discretion, may accept or reject, in whole or in part, any subscription.

A Unitholder may withdraw all or any portion of its Tracking Units, subject to certain limitations described in the PEP's governing documents, effective as of the last business day of the month. Unitholders are required to provide the Manager with written notice of withdrawal requests by the 15^{th} of each month. The Manager will generally pay the withdrawal amount in two installments; (1) 80% on the last day of the month in which the withdrawal is requested, and (2) the remainder is paid within 60 days.

The Manager, in its sole discretion, determines the number of Tracking Units to redeem as a result of the Unitholder's withdrawal request by valuing each Tracking Unit in accordance with the valuation policies and procedures set forth in the PEP's governing documents.

(In Thousands)

Note 3. Support Foundations

As of June 30, 2022 and 2021, various Support Foundations were consolidated within the Federation's consolidated financial statements. The Support Foundation assets are classified as net assets without donor restrictions and their revenue and expenses are reported in the long-term investments column on the consolidated statements of activities. The following table presents the activity of these Support Foundations.

	2022	2021
Assets:		
Investments and other assets	$ 994,921	$ 1,147,356
Liabilities:		
Distributions payable	$ 25,942	$ 23,156
Net assets	968,979	1,124,200
	$ 994,921	$ 1,147,356
Revenues:		
Contributions	$ 40,601	$ 16,707
Investment income	8,540	5,168
(Loss) gain on investment activity, net	(157,981)	289,334
Other income	819	401
	(108,021)	311,610
Expenses:		
Distributions	45,720	49,408
Other expenses	1,480	997
	47,200	50,405
(Decrease) increase in net assets	$ (155,221)	$ 261,205

(In Thousands)

Note 4. Appropriations

Appropriations to JFMC's affiliated agencies and other beneficiaries, which are approved by the Board of Directors, was $62,509 and $61,498 for fiscal years ended June 30, 2022 and 2021, respectively.

The following table presents changes in the appropriation payable accounts for the fiscal years ended June 30, 2022 and 2021:

Changes during fiscal year 2021		
Appropriations and adjustments:		
Affiliated agencies	$	23,495
Others		38,003
		61,498
Payments		62,790
Net changes	$	(1,292)
Balance, June 30, 2021		
Appropriations payable	$	5,530
Changes during fiscal year 2022		
Appropriations and adjustments:		
Affiliated agencies	$	24,241
Others		38,268
		62,509
Payments		61,300
Net changes	$	1,209
Balance, June 30, 2022		
Appropriations payable	$	6,739

In accordance with the Principles of Affiliation Agreements between JFMC and its affiliated agencies, the affiliated agencies may not negotiate any merger or material transfer of their assets without approval of JFMC and, in the event of any liquidation, dissolution or winding up of the affairs of an affiliated agency, the net proceeds, after payment of all debts, are to be distributed to JFMC.

(In Thousands)

Note 5. Pledges and Other Receivables

Pledges receivable with donor restrictions as of June 30, 2022 and 2021, consist primarily of unconditional pledges from various individuals. The pledges have been made to support various Federation-sponsored programs and projects including the Arie Crown Hebrew Day School capital project, the Fund for the Future, Jewish Child and Family Services Human Services Campus Capital Campaign, Jewish Women's Foundation and Solomon Schechter Day School Capital Campaign. All pledges expected to be collected after June 30, 2023, are discounted using rates ranging from 1.2% to 4.6%. Pledges are receivable as follows:

	2022	2021
Amounts expected to be collected in:		
Less than one year	$ 6,130	$ 9,251
One to five years	8,093	15,120
More than five years	398	444
Total pledges receivable	14,621	24,815
Less:		
Allowance for uncollectible pledges	(1,772)	(2,132)
Discount to present value	(703)	(708)
	$ 12,146	$ 21,975

The Jewish United Fund also had $32,574 and $30,938 of pledges outstanding at June 30, 2022 and 2021, respectively, that are included in pledges and other receivables without donor restrictions. These pledges were received in connection with its annual campaign and are expected to be collected in the following fiscal year. An allowance for uncollectible pledges of $5,059 and $5,229 at June 30, 2022 and 2021, respectively, had been applied to this balance.

Other receivables (without donor restrictions and custodian) of $14,367 and $8,469, are primarily comprised of grants receivable from the Illinois Department of Human Service and private funders.

(In Thousands)

Note 6. Loans Receivable—Affiliated Agencies and Other Beneficiaries

Loans receivable from affiliated agencies and other beneficiaries are stated at the net amount of the outstanding loans. Management's estimate of any allowance for loan loss is based on a review of specific loans and current economic conditions that may affect the borrower's ability to repay. There was no allowance for loan loss recorded as of June 30, 2022 and 2021.

Loans receivable due from affiliated agencies and other beneficiaries consisted of the following:

	2022	2021
Jewish Child and Family Services (JCFS):		
(a) Noninterest bearing loan to finance merger costs of Jewish Family and Community Services and Jewish Children's Bureau. Repayment of the loan began in fiscal 2010 at $75 per year through 2029.	$ 553	$ 628
JFMC Facilities Corp. (Facilities):		
(a) Loan to finance operating deficits of the Goldie Bachman Luftig Building.	2,268	2,429
(b) Loan to fund project at Migdal Oaz Home, bearing interest at 5.5%, maturing in 2037.	67	70
(c) Loan to finance road improvements at the "Z" Frank Apachi Day Camp bearing interest at a rate of 4% and payable over a 25-year period ending in 2034.	67	71
(d) Loans to finance roof and parking lot improvements at the Bernard Horwich Jewish Community Building, bearing interest at 4.5% per annum over 20 and 25-year periods with final payment due in 2029 and 2034.	230	248
(e) Loan to finance renovations at 30 S. Wells, bearing interest at a rate of 3.98%, payable monthly over a 15-year period, with final payment due in 2029.	118	132
Other organizations:		
(a) Loans made to various day schools to provide the cash match requirement to receive funding from the U.S. Department of Homeland Security Grants for security improvements at the schools. These loans bear interest at various rates (1% per annum plus the long-term Treasury bill rate) based on the term of the loan. Principal and interest payments are payable monthly, maturing at various dates through 2029.	17	22
(b) Others	228	246
	$ 3,548	$ 3,846

Note 7. Fair Value of Financial Instruments and Investments

As described in Note 1, the Federation reports its investments at fair value. Guidance provided by FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Federation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. These inputs may include (a) quoted prices for identical or similar instruments in inactive markets, (b) quoted prices for similar instruments in active markets, (c) inputs other than quoted prices that are observable for the asset or liability or (d) inputs derived principally from or corroborated by observable market data by correlation or other means. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement. The Federation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The availability of valuation techniques and observable inputs can vary from instrument to instrument and is affected by a wide variety of factors including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

Note 7. Fair Value of Financial Instruments and Investments (Continued)

For the fiscal years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities have been consistent with previous years. The following is a description of the valuation methodologies used for investments, beneficial interest in charitable trusts, derivative instruments and charitable remainder and annuity trusts measured at fair value:

Investments: Investments in money market funds, registered investment companies, which include mutual funds and exchange-traded funds, investments in various equity and credit assets and securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in government securities and bonds and corporate notes which are traded on a national securities exchange or market are valued at the mean between the current “bid” and “asked” quotations on that day. If a reliable bid and asked quotation cannot be obtained from a national securities exchange, the security is priced at the mean between the bid and asked quotation of a reliable market maker. If the investments are not traded on an exchange, they are stated at cost plus accrued interest, which approximates the fair value. These financial instruments are classified as Level 2 in the fair value hierarchy.

Investments in non-registered investment companies consisting of certain equity funds, hedged credit funds, private credit funds and also real asset funds and real estate funds, are valued at fair value as determined by the Federation based on net asset information (practical expedient) provided by the underlying investment managers. In determining fair value, the Federation utilizes the valuation reflected on the consolidated financial statements and other financial reports of the underlying investment entities. The underlying investment entities value securities and other financial instruments at fair value based upon market price, when possible, or at fair value determined by the respective entities’ investment manager when no market price is determinable. Although the Federation and the underlying investment managers use their best judgment in estimating the fair value investments in funds, there are inherent limitations in any estimation technique. The estimated fair values of certain investments of the underlying investment entities, which may include derivatives, securities and other designated or side pocketed investments for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and differences could be material.

In instances in which an underlying investment fund has invested in securities that include an illiquid portion, such investments may be held in a “side pocket.” Generally, side pockets are illiquid with no immediate active market. Accordingly, side pocket interests are generally valued using unobservable inputs. The fair value of the Federation’s investment in such underlying funds were approximately $45,000 and $31,000 as of June 30, 2022 and 2021, respectively.

Beneficial interest in charitable trusts: The fair value of the beneficial interest in charitable trusts is determined based upon the Federation’s proportional interest in the fair value of the trusts’ assets. The underlying trusts’ assets are either readily marketable and have fair values which are determined by obtaining quoted market prices in active markets or are determined by the trusts using information provided by the related investment managers. The beneficial interest in charitable trusts is classified as Level 3.

Note 7. Fair Value of Financial Instruments and Investments (Continued)

Derivative instruments: As further described in Note 10, the Federation uses interest rate swaps to manage interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses observable market-based inputs, including London Interbank Offered Rate (LIBOR) rate curves. The 30-day LIBOR as of June 30, 2022 and 2021, was 1.79% and 0.09%, respectively. The interest rate swaps are classified as Level 2.

Charitable remainder and annuity trusts: Assets received for charitable gift annuities and charitable remainder trusts are recorded at fair value in the without donor restrictions fund and with donor restrictions fund, respectively, until the Federation's obligations to the annuitants have been met. The difference between the fair value of assets contributed and obligations recorded is recognized as contribution revenue.

Liabilities for the charitable gift annuities and charitable remainder trusts are recorded in an amount equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables, as funds held for others on the consolidated statements of financial position. The remainder interests are computed and measured at fair value using a present value discount rate ranging from 3.09% to 7.00%. In computing the liability, management considers the estimated return on the invested assets and the contractual payment obligation during the expected term of each respective annuity agreement. The fair value estimates are classified as Level 3.

(In Thousands)

Note 7. Fair Value of Financial Instruments and Investments (Continued)

The following tables present the Federation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 and 2021:

	2022				
	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value (1)	Total
Assets					
Investments:					
Money market funds	$ 126,185	$ -	$ -	$ -	$ 126,185
Corporate notes	-	767	-	-	767
Government securities	-	228	-	-	228
Common stocks	385,469	-	-	-	385,469
State of Israel bonds	-	8,451	-	-	8,451
Exchange-traded funds	202,836	-	-	-	202,836
Investment in underlying funds:					
Equity:					
U.S. large cap equity	77,296	-	-	60,699	137,995
U.S. small cap equity	336	-	-	38,005	38,341
Emerging markets equity	-	-	-	19,141	19,141
Developed international equity	5,953	-	-	251,352	257,305
Hedged equity	-	-	-	163,738	163,738
Private equity and fund of funds	-	-	82,961	443,362	526,323
Credit:					
Hedged credit	-	-	-	12,590	12,590
Core credit	11,803	-	-	16,105	27,908
Private credit	-	-	-	56,233	56,233
Real assets	-	-	-	83,034	83,034
Real estate	-	-	-	44,084	44,084
Other	-	-	2,890	-	2,890
	$ 809,878	$ 9,446	$ 85,851	$1,188,343	2,093,518
Certificates of deposit					2,800
Total					$2,096,318
Beneficial interest in charitable trusts	$ -	$ -	$ 39,333	$ -	$ 39,333
Liabilities					
Interest rate swaps	$ -	$ 4,024	$ -	$ -	$ 4,024
Charitable remainder and annuity trusts	-	-	16,553	-	16,553
	$ -	$ 4,024	$ 16,553	$ -	$ 20,577

(In Thousands)

Note 7. Fair Value of Financial Instruments and Investments (Continued)

	2021				
	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value (1)	Total
Assets					
Investments:					
Money market funds	$ 145,316	$ -	$ -	$ -	$ 145,316
Corporate notes	-	797	-	-	797
Government securities	-	233	-	-	233
Common stocks	465,113	-	-	-	465,113
State of Israel bonds	-	8,977	-	-	8,977
Exchange-traded funds	188,367	-	-	-	188,367
Investment in underlying funds:					
Equity:					
U.S. large cap equity	84,477	-	-	81,489	165,966
U.S. small cap equity	488	-	-	43,608	44,096
Emerging markets equity	-	-	-	64,667	64,667
Developed international equity	7,308	-	-	286,455	293,763
Hedged equity	-	-	-	277,229	277,229
Private equity and fund of funds	-	-	71,838	419,646	491,484
Credit:					
Hedged credit	-	-	-	16,512	16,512
Core credit	11,219	-	-	20,787	32,006
Private credit	-	-	-	48,373	48,373
Real assets	-	-	-	84,086	84,086
Real estate	-	-	-	55,538	55,538
Other	-	-	4,923	-	4,923
	$ 902,288	$ 10,007	$ 76,761	$1,398,390	2,387,446
Certificates of deposit					3,449
Total					$2,390,895
Beneficial interest in charitable trusts	$ -	$ -	$ 47,048	$ -	$ 47,048
Liabilities					
Interest rate swaps	$ -	$ 13,929	$ -	$ -	$ 13,929
Charitable remainder and annuity trusts	-	-	14,479	-	14,479
	$ -	$ 13,929	$ 14,479	$ -	$ 28,408

(1) Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been categorized 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 consolidated statements of financial position.

Financial instruments classified as Level 3 in the fair value hierarchy represent the Federation's investments in financial instruments in which the Federation has used at least one significant unobservable input in the valuation model.

(In Thousands)

Note 7. Fair Value of Financial Instruments and Investments (Continued)

The tables below present the Federation's ability to redeem an investment in underlying funds valued at NAV or its equivalent as of June 30, 2022 and 2021, and include the underlying investment entities' redemption frequency and redemption notice period. The tables also include a summary of the significant categories of such investments measured at NAV, their attributes and investment strategies as of June 30, 2022 and 2021:

	June 30, 2022		
	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity:			
U.S. large cap equity (a)	$ 60,699	Various	Less than or equal to 60 days
U.S. small cap equity (a)	38,005	Semi-annual	90 days
Emerging markets equity (b)	19,141	Various	Less than or equal to 90 days
Developed international equity (c)	251,352	Various	Less than or equal to 1 year/N/A
Hedged equity (d)	163,738	Various	Less than or equal to 90 days/N/A
Private equity and fund of funds (e)	443,362	Various	N/A
Credit:			
Hedged credit (f)	12,590	Various	60-90 days/N/A
Core credit (g)	16,105	Various	45 days-1 year
Private credit (h)	56,233	Various	65 days/N/A
Real assets (i)	83,034	Illiquid	N/A
Real estate (j)	44,084	Illiquid	N/A
	$ 1,188,343		

	June 30, 2021		
	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity:			
U.S. large cap equity (a)	$ 81,489	Various	Less than or equal to 60 days
U.S. small cap equity (a)	43,608	Semi-annual	Less than or equal to 90 days
Emerging markets equity (b)	64,667	Various	Less than or equal to 90 days
Developed international equity (c)	286,455	Various	Less than or equal to 1 year/N/A
Hedged equity (d)	277,229	Various	Less than or equal to 90 days/N/A
Private equity and fund of funds (e)	419,646	Illiquid	N/A
Credit:			
Hedged credit (f)	16,512	Various	60-90 days/N/A
Core credit (g)	20,787	Various	45 days-1 year/N/A
Private credit (h)	48,373	Various	65 days/N/A
Real assets (i)	84,086	Various	60 days/N/A
Real estate (j)	55,538	Illiquid	N/A
	$ 1,398,390		

(a) This class represents investments in mutual funds, exchange-traded funds, partnerships and limited liability companies invested primarily in U.S. publicly traded companies with market capitalizations ranging from large to small. Redemptions range from monthly to semiannual.

Note 7. Fair Value of Financial Instruments and Investments (Continued)

(b) This class represents investments in mutual funds, exchange-traded funds, partnerships and limited liability companies invested primarily in companies located in emerging market economies around the globe. Redemptions are allowed monthly, quarterly, and biannually, and may be subject to lock-ups.

(c) This class represents investments in mutual funds, exchange-traded funds, partnerships and limited liability companies invested primarily in companies located in developed economies outside of the U.S. Redemptions range from monthly to three years and may be subject to lock-ups.

(d) This class represents investments in hedge funds whose strategies include, but are not limited to, global long/short equity, distressed investments, multi-strategy and event driven. Redemptions range from monthly to three years and may be subject to lock-ups.

(e) This class represents investments in private equity funds and fund-of-funds whose strategies include, but are not limited to, international and domestic buyouts, venture capital and special situations. These investments are illiquid.

(f) Hedged credit represents investments in hedge funds whose strategies include, but are not limited to, global long/short credit, structured credit and distressed investments. Redemptions range from monthly to three years and may be subject to lock-ups.

(g) This class represents investments in funds whose investments include U.S. investment grade debt and non-dollar sovereign debt. Redemptions range from quarterly to annually and may be subject to lock-ups.

(h) Private credit represents investments that involve interests in debt obligations that are invested through an illiquid structure whose strategies include, but are not limited to, senior secured loans and distressed debt. Redemptions vary.

(i) This class represents investments in funds that invest in physical or tangible assets including, but not limited to precious metals, agricultural land, and natural resources. A significant portion of these investments are illiquid; some allow redemptions on a quarterly basis.

(j) This class represents investments in funds involving the purchase, ownership, management, rental and/or sale of real estate properties. These investments are illiquid.

In connection with its investing and hedging activities, the Federation enters into transactions, directly and indirectly through positions held by the underlying investment entities, with a variety of securities and derivative financial instruments. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the consolidated statements of financial position.

The Federation’s direct and indirect investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Note 7. Fair Value of Financial Instruments and Investments (Continued)

The Federation may have indirect commitments that arise through positions held by the underlying investment entities in which the Federation invests directly and indirectly. These underlying investment entities utilize a variety of financial instruments in their trading strategies including, but not limited to, equity and debt securities of U.S. and foreign issuers, options and futures, forwards and swap contracts. These financial instruments contain various degrees of off-balance-sheet risk, including both market and credit risk. Market risk is the risk of potential adverse changes to the value of the financial instruments and their derivatives because of changes in market conditions, such as, but not limited to, interest and currency rate movements and volatility in commodity or security prices. Credit risk is the risk of the potential inability of counterparties to perform under the terms of their contracts, which may be in excess of the amounts recorded in the respective investment entity's balance sheet. In addition, the underlying investment entities may sell securities not yet purchased, whereby a liability is created for the repurchase of the security at prevailing prices. The ultimate obligation to satisfy the sales of securities sold, but not yet purchased, may exceed the amount recognized on their respective balance sheets.

However, as an investor in these underlying investment entities, the Federation's financial risk is limited to the fair value of its investments, which is reflected on the consolidated statements of financial position.

The Federation has invested in underlying investment entities which may have the right to temporarily restrict withdrawals/redemptions for periods of time beyond those described above. Such restrictions have been imposed on some of the Federation's investments as of June 30, 2022 and 2021. These restrictions may restrict the Federation's ability to satisfy future withdrawal requests.

The Federation also indirectly engages in the speculative trading of certain financial instruments through its underlying investment entities.

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Federation's overall exposure to market risk. The Federation attempts to control its exposure to market risk through various analytical monitoring techniques.

Credit risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. The Federation's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Federation has a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges. The Federation seeks to mitigate its exposure to this credit risk by placing its cash with major institutions.

Concentration of credit risk: The Federation's managers currently invest with various managers and clearing brokers. In the event these counterparties do not fulfill their obligations, the Federation may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The Federation attempts to minimize this credit risk by monitoring the creditworthiness of the managers and clearing brokers.

Investments in underlying funds: The managers of underlying investment entities in which the Federation invests may utilize derivative instruments with off-balance-sheet risk. The Federation's exposure to risk is limited to the amount of its investment.

(In Thousands)

Note 7. Fair Value of Financial Instruments and Investments (Continued)

As of June 30, 2022 and 2021, the Federation had approximately $144,000 and $169,000, respectively, of unfunded capital commitments to various investment entities, which have no specific capital call dates and such capital calls are at the discretion of the investment fund managers. This amount has been substantially reduced in recent years. Management believes most of the commitments will be called sometime over the next 5 to 10 years.

Note 8. Loans Payable

Loans payable consisted of the following:

	2022	2021
Loan to meet operating needs (a)	$ 3,000	$ 5,000
Loan to fund the Jewish Day School Guaranty Trust endowment fund distributions (b)	-	750
	$ 3,000	$ 5,750

(a) The Federation maintains an unsecured revolving line of credit with JP Morgan Chase Bank, N.A. (JP Morgan), which provides for maximum borrowings up to $30,000. During fiscal year 2022, the interest rate on the line of credit was LIBOR plus 0.65%. In August 2022, the line of credit was renewed and amended with an interest rate of adjusted term SOFR plus 0.65%, and a maturity date of August 28, 2023.

(b) Term loan with JP Morgan which financed distributions on behalf of the Jewish Day School Guaranty Trust, an endowment fund of the Federation. The loan required quarterly principal and interest payments of $743, had a fixed interest rate of 2.57%, and was paid in full during July 2021.

Future principal maturities on the loans are as follows:

2023	$ -
2024	3,000
	$ 3,000

Interest expense related to the above borrowings for the fiscal years ended June 30, 2022 and 2021, is approximately $70 and $171, respectively.

Note 9. Tax-Exempt Debt

Tax-exempt debt consisted of the following:

	2022	2021
Colorado Educational and Cultural Facilities Authority—Series G3	$ -	$ 1,690
Colorado Educational and Cultural Facilities Authority—Series J1	-	3,740
Colorado Educational and Cultural Facilities Authority—Series J3	5,123	-
	$ 5,123	$ 5,430

Note 9. Tax-Exempt Debt (Continued)

Colorado Educational and Cultural Facilities Authority—Series G3: Pursuant to an agreement dated June 1, 2012, with the Colorado Educational and Cultural Facilities Authority and Wells Fargo Bank, N.A. (Wells Fargo), the Federation received proceeds from the issuance of direct placement tax-exempt bonds (G3 bonds) in the amount of $5,015 to refinance the Series A1 and F1 bonds. The remaining proceeds of $69,820 were issued to Facilities, CJE SeniorLife and Jewish Community Centers of Chicago.

The bonds had a variable interest rate of 80% of monthly LIBOR plus 0.68% and were originally scheduled to mature in 2034. The effective interest rate for fiscal years 2022 and 2021 was approximately 0.90% and 0.79%, respectively. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original bond principal amount.

On June 1, 2022, the outstanding balance on the Series G3 Bonds were repaid in full with proceeds from the Series J3 tax exempt loan.

Colorado Educational and Cultural Facilities Authority—Series J1: Pursuant to an agreement dated July 1, 2012, with the Colorado Educational and Cultural Facilities Authority and JP Morgan Chase Bank, N.A. (JPMorgan Chase), the Federation received proceeds from the issuance of a direct placement tax-exempt loan (J1 Loan) in the amount of $5,150 to refinance previously existing tax-exempt debt. The remaining proceeds of $62,560 were issued to Facilities to refinance previously existing tax-exempt debt.

The loan had a variable interest rate of 79% of monthly LIBOR plus 0.85% and was originally scheduled to mature in 2038. The effective interest rate for fiscal years 2022 and 2021 was approximately 1.07% and 0.96%, respectively. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original bond principal amount.

On June 1, 2022, the outstanding balance on the Series J1 Loan was repaid in full with proceeds from the Series J3 tax exempt loan.

Colorado Educational and Cultural Facilities Authority—Series J3A: Pursuant to an agreement dated June 1, 2022, with the Colorado Educational and Cultural Facilities Authority and DNT Asset Trust (a wholly owned subsidiary of JP Morgan Chase Bank, N.A.), the Federation received proceeds from the issuance of a direct placement tax-exempt loan (J3A Loan) in the amount of $5,123 to refinance previously existing tax-exempt debt.

The loan matures in 2038 and bears interest at a variable rate of 80% of monthly adjusted term Secured Overnight Financing Rate (SOFR) plus 0.50%. This rate expires on June 1, 2032, at which time the Federation will be required to either refinance the loan or pay off the outstanding balance. The effective interest rate for June 2022 was approximately 1.42%.

(In Thousands)

Note 9. Tax-Exempt Debt (Continued)

Future principal maturities on tax-exempt debt are:

2023	$	400
2024		304
2025		309
2026		324
2027		334
Thereafter		3,452
	$	5,123

Note 10. Derivative Financial Instruments

To minimize the effect of changes in interest rates on tax-exempt debt, the Federation has entered into various interest rate swap arrangements. As of June 30, 2022, the Federation had four interest rate swap arrangements, with various financial institutions for notional amounts ranging from approximately $6,247 to $47,630, totaling approximately $104,000 of notional value.

In connection with three of the four swap arrangements, the Federation has agreed to pay fixed rates of interest equal to a blended average of 3.43%, with the counterparty paying a floating rate based on a range of 68% to 74% of LIBOR. One of the swaps includes a knock out provision under which the Federation would be required to pay interest at the floating rate rather than the fixed swap rate for as long as the 180-day rolling average of the Securities Industry and Financial Markets Association (SIFMA) Index remains above a 6% threshold. The SIFMA rate was 0.91% and 0.03% as of June 30, 2022 and 2021, respectively. The swap arrangements expire on various dates through 2041 matching the maturities of the underlying tax-exempt debt.

One of the Federation's swaps was entered into on behalf of CJE SeniorLife to hedge its exposure to floating interest rates on the Series G3 Bonds. The outstanding notional amount of the swap was $8,642 and $9,670 at June 30, 2022 and 2021, respectively. The Federation and CJE SeniorLife entered into an agreement whereby CJE SeniorLife agreed to pay all ongoing expenses related to the interest rate swap agreement directly to Wells Fargo. In connection with the interest rate swap agreement, CJE SeniorLife has agreed to pay a fixed rate of interest equal to 3.7%, with the counterparty paying a floating rate equal to 68% of the 30-day LIBOR rate. The Federation has recorded a receivable from CJE SeniorLife and an offsetting liability for the fair value of the swap agreement. At June 30, 2022 and 2021, the fair value of the interest rate swap is a liability of $631 and $1,417, respectively. Corresponding receivables for these amounts are recorded in pledges and other receivables at June 30, 2022 and 2021. The change in the receivable and the change in the fair value of the interest rate swap is recorded as an unrealized loss on the fair value of swap arrangements on the consolidated statement of activities. The interest rate swap agreement expires in 2035.

At June 30, 2022 and 2021, the estimated fair value of these four swap arrangements were a liability of $4,024 and $13,929, respectively.

(In Thousands)

Note 10. Derivative Financial Instruments (Continued)

The interest rate swap agreements as of and for the years ended June 30, 2022 and 2021, consist of:

	2022	2021
Liability derivatives:		
Interest rate contracts at fair value:		
Statement of financial position:		
Interest rate swap liability	$ 4,024	$ 13,929
Effective portion of gain:		
Other changes in net assets:		
Statement of activities position:		
Unrealized gain on swap agreement	$ (9,905)	$ (6,529)
Less amount of loss allocated to CJE SeniorLife	786	569
	$ (9,119)	$ (5,960)

Margin call: In connection with its interest rate swap arrangements, the Federation has entered into master agreements with JP Morgan and Wells Fargo which contain collateral posting provisions. When the net present value of the combined market values of the swaps exceeds $20,000 and $25,000 with JP Morgan and Wells Fargo, respectively, the swap counterparties with the negative carrying value must provide collateral to the other counterparty.

Note 11. Endowment

The Federation's endowment consists of donor-restricted funds established for a variety of purposes. In addition, its endowment includes funds designated by the Board of Directors to function as endowments. These funds are categorized as board-designated and included within long-term investments on the consolidated statement of activities. As required by accounting principles generally accepted in the United States of America (U.S. GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in Illinois on June 30, 2009. The Board of Directors of the Federation has interpreted Illinois UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation's policy is to classify as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In addition, the endowment includes funds with donor restrictions operating as term endowments for which the principal is not required to be held in perpetuity, and funds designated by the Board to function as endowments.

In accordance with UPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund.

2. The purpose of the Federation and the donor-restricted endowment fund.

(In Thousands)

Note 11. Endowment (Continued)

3. General economic conditions.

4. The possible effect of inflation and deflation.

5. The expected total return from income and the appreciation of investments.

6. Other resources of the Federation.

7. The investment policies of the Federation.

Endowment composition: The Federation's endowment net asset composition by type of fund is as follows for the years ended June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	$ -	$ 199,812	$ 199,812
Board-designated	374,548	-	374,548
	$ 374,548	$ 199,812	$ 574,360

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	$ -	$ 211,134	$ 211,134
Board-designated	441,909	-	441,909
	$ 441,909	$ 211,134	$ 653,043

(In Thousands)

Note 11. Endowment (Continued)

Changes in endowment net assets: The changes in endowment net assets for the Federation were as follows for the years ended June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 441,909	$ 211,134	$ 653,043
Investment gains:			
Net loss on investment activity (realized and unrealized)	(34,194)	(15,568)	(49,762)
Contributions	14,019	26,732	40,751
	(20,175)	11,164	(9,011)
Other changes:			
Satisfaction of restriction appropriation	-	(22,486)	(22,486)
Distributions	(47,186)	-	(47,186)
	(47,186)	(22,486)	(69,672)
Endowment net assets, end of year	$ 374,548	$ 199,812	$ 574,360

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 384,866	$ 181,464	$ 566,330
Investment gains:			
Net gain on investment activity (realized and unrealized)	88,465	35,785	124,250
Contributions	8,081	28,772	36,853
	96,546	64,557	161,103
Other changes:			
Satisfaction of restriction appropriation	-	(34,887)	(34,887)
Distributions	(39,503)	-	(39,503)
	(39,503)	(34,887)	(74,390)
Endowment net assets, end of year	$ 441,909	$ 211,134	$ 653,043

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Federation to retain as a fund of perpetual duration. Certain funds with original gift values totaling approximately $40,445 and $25,641 at June 30, 2022 and 2021, respectively, had deficiencies of $14,575 and $11,479 at June 30, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations in prior years that occurred after the investment of new contributions with donor restrictions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

(In Thousands)

Note 11. Endowment (Continued)

Funds with surpluses: The Federation also has funds with donor restrictions, which are to be maintained in perpetuity, with an accumulated surplus. The fair values of such funds at June 30, 2022 and 2021, were approximately $44,012 and $55,521 more than the original gift amounts of $56,229 and $58,848, respectively.

Return objectives and risk parameters: The Federation adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to achieve an annualized long-term average nominal return which is approximately equal to the long-term average return of the market as a whole, but with less volatility than the overall market. Actual returns in any given year may vary significantly from the targeted amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Federation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Federation targets a broadly diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: Prior to fiscal year 2019, the Federation used the controlled growth distribution policy (CGDP) for the majority of its endowment assets. Effective beginning in fiscal year 2019, the Federation began a transition to a new spending policy that uses a 4% spending rate for all newly established endowment funds. For existing endowment funds, a 4% spending rate, based on the rolling 16-quarter average balance, is being phased in over a five-year period.

Note 12. Net Assets with Donor Restrictions

Net assets released from time- and purpose-related restrictions were as follows:

	2022	2021
Satisfaction of restrictions:		
Satisfaction of time restriction	$ 269	$ 7,630
Satisfaction of restriction through recurring annual distributions	23,536	28,059
Total satisfaction of restrictions	$ 23,805	$ 35,689

(In Thousands)

Note 12. Net Assets with Donor Restrictions (Continued)

The following is a summary of net assets with time- and purpose-related restrictions:

	2022	2021
Abe and Ida Cooper Center	$ 5,996	$ 6,902
The ARK	49	61
CJE SeniorLife	283	595
Arie Crown Hebrew Day School—capital project	16,418	18,519
Center for Jewish Genetics	5,810	6,608
Charitable remainder trusts	4,610	5,959
Chicago Jewish Day School capital project	1,452	630
Children with special needs	1,056	1,214
Covenant Foundation	503	171
COVID-19 Initiative	15	2,088
Crown Family Foundation—tuition accessibility	16,088	-
Disaster relief fund	57	41
Fiedler Hillel	137	156
Financial assistance for the homeless	471	541
Financial assistance for students	9,872	12,730
Fund for the future	4,659	8,841
Hebrew Theological College	213	229
Hillels of Illinois	1,987	1,499
Holocaust Community Services	159	637
IsraelNow Teen Fund	17,965	20,119
Jewish Agency for Israel	3,895	4,576
Jewish Child and Family Services	1,333	3,001
Jewish Community Centers of Chicago—capital projects	1,358	928
Jewish Community Centers of Chicago programming	2,288	2,615
Jewish Community Fund for adults with disabilities	4,154	3,103
Jewish Day School Guaranty Trust Fund	21,629	24,451
Jewish Education	50	56
Jewish United Fund Campaign Endowment	429	-
Jewish United Fund Learning Centers in Israel	3,427	3,768
JFMC Facilities Corporation—Hillman Ballfield at the Horwich Building	74	84
JUF—Uptown Cafe	850	970
LiveSecure - security initiative	2,814	-
Michael Reese Health Trust—educational and research purposes	11,555	15,497
Scholarships to Israel	722	1,003
Solomon Schechter Day School	3,662	2,423
Spertus Institute for Jewish Learning and Leadership	1,843	2,277
Summer Camp Program	3,193	3,110
Time restricted	4,278	5,870
Ukraine Relief	1,969	-
Various other charities	5,353	3,439
Young Leadership Award	243	267
	$ 162,919	$ 164,978

(In Thousands)

Note 12. Net Assets with Donor Restrictions (Continued)

The following is a summary of net assets held in perpetuity:

	2022	2021
Principal to be held in perpetuity, used for the following purposes:		
The ARK	$ 92	$ 92
Beneficial interest in charitable trusts	39,333	47,048
Center for Jewish Genetics	250	250
Educational and research purposes	15,060	15,060
General purposes	23,104	23,104
Hillels of Illinois	1,822	1,822
Jewish Child and Family Services	194	194
Jewish Day School Guaranty Trust	1,044	1,044
Jewish Education	120	120
Jewish United Fund Campaign Endowment	12,080	12,080
Jewish Women's Foundation	3,899	3,899
Local social welfare agencies	2,385	2,385
Programs for the elderly	1,836	1,830
Programs for the youth	779	779
Scholarships and financial assistance	13,150	13,150
Spertus Institute for Jewish Learning and Leadership	1,036	1,036
Various other charities	6,143	6,143
Young adult engagement program	1,501	1,501
	123,828	131,537
Total net assets with donor restrictions	$ 286,747	$ 296,515

Note 13. Self-Insurance Programs

The Federation participates with certain of its affiliated agencies in self-insurance programs for health, dental and vision insurance. Funds contributed by the participating employers to the programs (and related disbursements are made from) are held by custodian funds of the Federation for such self-insurance programs. Payments by the Federation to the programs for the fiscal years ended June 30, 2022 and 2021, amounted to approximately $1,985 and $2,588, respectively. The Health Maintenance Organization (HMO) health insurance plan used by the Federation and its affiliated agencies was changed to a self-insured plan in fiscal year 2021. Prior to 2021, the HMO was a fully insured plan and premiums were paid directly to an insurance carrier rather than the self-insurance program.

All self-insurance programs of the Federation and its affiliated agencies include specific and aggregate stop loss insurance policies.

(In Thousands)

Note 14. Defined Benefit Plan

Jewish United Fund is the sponsoring employer of the Federation Employees' Retirement Income Plan (FERIP), which is treated as a multi-employer plan for accounting purposes. FERIP is a noncontributory defined benefit plan which covers substantially all of the organizations' exempt employees who have performed one year of service. Participating employers in FERIP include: JFMC Facilities Corporation, Chicago Board of Rabbis, CJE Senior Life, Jewish Child & Family Services and Jewish Community Centers of Chicago (participating employers). FERIP provides defined benefits based on years of service and final average salary. The Federation and the participating employers contribute to FERIP annually as determined by the plan's actuary.

Effective June 30, 2021, FERIP was amended to close the plan to new employees so that individuals hired or transferred into a non-bargaining unit position after June 30, 2021, are not eligible to participate in or accrue credited service under the plan after such date. This amendment did not have any impact on employees already participating in FERIP, as they will continue to accrue credited service and benefits. Non-bargaining unit employees hired after June 30, 2021, will be eligible to participate in a newly established 401(k) plan that includes both an employer match and an employer non-elective contribution (see Note 15).

In accordance with the guidance on employers' accounting for defined benefit pension and other postretirement plans, the liability for pension benefits reflects the total underfunded position of FERIP (the difference between the fair value of plan assets and the projected benefit obligation). To account for the participating employers' portion of the pension liability and corresponding expense, the Federation records an asset and reduces the pension expense which is allocated to operating expenses of the various departments. As of June 30, 2022 and 2021, this asset totaled $24,592 and $32,668, respectively. In addition, the Federation previously maintained a board-designated investment for retirement benefits which was valued at $1,266 at June 30, 2021, to fund possible future liabilities of FERIP. In fiscal year 2022, this investment was liquidated and the proceeds were contributed to the FERIP.

Plan contributions and the actuarial present value of accumulated plan benefits are prepared based on certain assumptions pertaining to interest rates, inflation rates, mortality rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the consolidated financial statements. The fair value of plan assets is subject to the market volatility of the underlying investments.

The measurement date used to determine benefit obligations and fair value of plan assets was June 30, 2022. The measurement period was the 12 months between July 1, 2021 and June 30, 2022.

Information relative to the Federation's benefit obligations for FERIP (including all participating employers) are presented below:

Obligations and funded status:

	2022	2021
Fair value of plan assets	$ 92,353	$ 109,595
Projected benefit obligation	140,140	171,760
Unfunded status (of which $24,592 and $32,668 pertains to the participating employers)	$ (47,787)	$ (62,165)

(In Thousands)

Note 14. Defined Benefit Plan (Continued)

Amounts reported on the consolidated statements of financial position consist of:

	2022	2021
Amounts due from participating employers for pension benefits	$ 24,592	$ 32,668
Liability for pension benefits	(47,787)	(62,165)
Net liability	$ (23,195)	$ (29,497)

Amounts recognized on the consolidated statements of activities as a change in net assets without donor restrictions:

	2022		2021	
Pension expense recognized in operations	$ 3,124		$ 3,850	
Amounts recognized on the statement of activities as pension-related changes other than pension expense	(7,354)		(6,256)	
	(4,230)		(2,406)	
Add net amount pertaining to participating employers	(5,075)		(7,083)	
	$ (9,305)	*	$ (9,489)	*

Amounts not yet recognized as components of pension expense included in net assets without donor restrictions:

	2022		2021	
Prior service cost	$ -		$ -	
Net loss	9,968		17,322	
	9,968		17,322	
Add net amount pertaining to participating employers	12,856		20,307	
	$ 22,824	*	$ 37,629	*

Amounts recognized for the year:

	2022		2021	
Employer contributions	$ 2,072		$ 1,524	
Add net amount pertaining to participating employers	3,001		2,207	
Total FERIP contributions	$ 5,073	*	$ 3,731	*
Benefits paid	$ 2,239		$ 2,209	
Add net amount pertaining to participating employers	4,356		4,126	
Total FERIP benefits paid	$ 6,595	*	$ 6,335	*

*Amounts per actuary report

(In Thousands)

Note 14. Defined Benefit Plan (Continued)

Weighted-average assumptions used in computing obligations and net periodic pension cost:

	2022		2021	
Benefit obligations:				
Discount rate	4.82	%	3.09	%
Rate of compensation increases	3.99		4.02	
Net periodic benefit cost:				
Discount rate	3.09	%	3.04	%
Rate of compensation increases	4.00		3.00	
Expected return on plan assets	6.00		6.00	

The Federation's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive review of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical real returns, net of inflation, for the asset classes covered by the investment policy, and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

For the 12-month period ended June 30, 2022, a discount rate on benefit obligations of 4.82% was used.

For the year ended June 30, 2022, the Pri-2012 Mortality Table for Males and Females was used in the determination of the present value of accumulated plan benefits. These tables are projected forward generationally using projection scale MP-2021.

The Federation's investment policy for FERIP includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

(In Thousands)

Note 14. Defined Benefit Plan (Continued)

The Federation's investment policy for FERIP's overall investment strategy is to allocate approximately 60% of assets to a diversified equity-oriented return-seeking portfolio and 40% to a liability-hedging portfolio invested primarily in long duration fixed-income vehicles. Target allocations within the return-seeking portfolio are as follows: 70% to U.S. and international equity, 10% to global real estate, and 20% to return-seeking credit investments. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

	2022	2021
Asset category:		
Domestic fixed income	36 %	39 %
Domestic equity	26	27
International equity	25	26
Real estate	8	6
Money market funds	5	2
	100 %	100 %

The following benefit payments, which reflect future service, are expected to be paid:

2023	$ 7,610
2024	7,858
2025	8,012
2026	8,184
2027	8,372
2028-2031	44,040
	$ 84,076

The fair values of FERIP's assets at June 30, 2022 and 2021, by asset category, are as follows:

	2022				
Asset Category	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value Using Net Asset Value	Total
Money market fund	$ 4,049	$ -	$ -	$ -	$ 4,049
Domestic fixed income	-	-	-	32,942	32,942
Domestic equity	-	-	-	24,141	24,141
International equity	-	-	-	23,232	23,232
Real estate	-	-	-	7,699	7,699
Absolute return hedge funds	-	-	-	290	290
Total	$ 4,049	$ -	$ -	$ 88,304	$ 92,353

(In Thousands)

Note 14. Defined Benefit Plan (Continued)

Asset Category	2021 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value Using Net Asset Value	Total
Money market fund	$ 2,289	$ -	$ -	$ -	$ 2,289
Domestic fixed income	-	-	-	42,705	42,705
Domestic equity	-	-	-	29,103	29,103
International equity	-	-	-	28,280	28,280
Real estate	-	-	-	6,931	6,931
Absolute return hedge funds	-	-	-	287	287
Total	$ 2,289	$ -	$ -	$ 107,306	$ 109,595

Investments in money market, equity and fixed income funds are traded on national securities exchanges and are stated at the last reported sales price on the day of valuation.

Alternative investments and other investment vehicles are valued at fair value based on the applicable percentage ownership of the investment funds' net assets as of the measurement date, as determined by the Federation. In determining fair value, the Federation utilizes valuations and other information provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments substantially on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective investment fund and may not reflect amounts that ultimately may be realized. The fair value of the Federation alternative investments generally represents the amount expected to be received if the Federation were to liquidate its alternative investments, excluding any redemption charges that may apply. Accordingly, the estimated fair values of the alternative investments may differ significantly from the values that would have been used had a ready market existed for these investments.

Note 15. Defined Contribution Plan

Jewish United Fund is the plan sponsor for another employee retirement plan, Federation Employees' Retirement Savings Trust Plan of the Jewish Federation of Metropolitan Chicago and Participating Employers (FERST).

FERST is a defined contribution plan, employer contributions to which are computed on the basis of a percentage of salary. Effective January 1, 2021, employees are permitted to make employee contributions to FERST and receive employer matching contributions. FERST provides benefits to employees covered by a collective bargaining agreement.

Annual contributions paid by the Federation to FERST for fiscal years ended June 30, 2022 and 2021, were approximately $142 and $118, respectively.

The Federation Upward Track Until Retirement Plan (FUTURE) was established for non-bargaining unit employees hired after June 30, 2021. FUTURE is a defined contribution 401(k) plan which allows for both employee and employer contributions. Employer contributions paid by Federation to FUTURE were $11 for the fiscal year ended June 30, 2022.

(In Thousands)

Note 16. Loan Guarantees and Commitments

The Federation is contingently liable as the guarantor on certain indebtedness incurred by affiliated agencies and beneficiary organizations, all of whom receive allocations from Federation. The terms of these guarantees correlate with the terms of the related outstanding tax-exempt debt and bank loans payable, which mature at various dates through 2045. At any time, should any of the affiliated/beneficiary organizations be delinquent on its debt payment, the Federation would be obligated to perform under the guarantee primarily by making the required payments. The following is a summary of the loan guarantees and commitments of other organizations that the Federation is contingently liable under as of June 30, 2022 and 2021:

	2022	2021
Akiba-Schechter Jewish Day School	$ 1,321	$ 1,456
Associated Talmud Torahs	13	63
Chicago Jewish Day School	-	1,683
CJE SeniorLife	10,061	28,677
JFMC Facilities Corporation	73,158	99,188
Hebrew Theological College	-	307
Ida Crown Jewish Academy	33,620	34,655
Jewish Community Centers of Chicago	1,740	2,040
Joan Dachs Bais Yaakov Day School	2,479	3,164
Mt. Sinai Hospital	2,850	4,850
Rochelle Zell Jewish High School	3,090	3,945
Spertus Institute for Jewish Learning and Leadership	35,000	35,000
	$ 163,332	$ 215,028

As of June 30, 2022 and 2021, the guarantees include $84,671 and $123,585, respectively, of tax-exempt debt and $78,661 and $91,443, respectively, of bank loans. A majority of the debt guaranteed by the Federation was used to finance or refinance the purchase and/or renovation of real estate.

Note 17. Funds Held as Custodian

A summary of funds held on behalf of others for which the Federation acts as custodian, is as follows:

	2022	2021
Charitable remainder and annuity trusts	$ 2,094	$ 4,061
Send A Kid to Israel Program reserve fund	2,345	2,768
Health, dental and vision insurance fund	3,484	5,991
Unemployment compensation reserve fund	8	8
Bar/Bat Mitzvah Registry	256	257
Funds held on behalf of outside organizations	3,931	5,925
	$ 12,118	$ 19,010

(In Thousands)

Note 18. Deferred Compensation Agreements

The Federation has entered into agreements with certain key employees that provide for annual payments of varying amounts per year for a term ranging from 10 years to life. These key employees vested in the deferred compensation upon reaching retirement age or specified years of service. The present value of the vested amount due to employees under the provisions of the agreements totaled approximately $1,967 and $1,971 as of June 30, 2022 and 2021, respectively, and is included in accounts payable and accrued expenses on the consolidated statements of financial position. In connection with these agreements, the Federation made payments of $219 and $220 during the years ended June 30, 2022 and 2021, respectively.

Note 19. Liquidity and Availability

The Federation regularly monitors liquidity required to meet its operating needs and commitments. As of June 30, 2022 and 2021, financial assets available within one year to meet general operating needs are as follows:

	2022	2021
Cash and cash equivalents	$ 20,635	$ 21,126
Investments	125,344	128,533
Pledges and other receivables	38,704	39,759
Total	184,683	189,418
Other:		
Available line of credit	27,000	25,000
Total	$ 211,683	$ 214,418

The Federation's policy for liquidity management is to structure financial assets to be available as operating expenses and liabilities come due. The Federation's main source of revenue for operating expenses come from the annual campaign administered through the Jewish United Fund, endowment fund distributions and government grants. A line of credit for working capital purposes also helps the Federation manage seasonal fluctuations in cash balances.

As described in Note 11, the Federation has various board-designated funds that function as endowments. Other than amounts approved for expenditure, in accordance with the spending policy, the Federation does not intend to make additional withdrawals from these board-designated funds. However, the investments from these funds, which are liquid, could be made available if necessary.

Investments held in funds with donor restrictions are restricted for a specific purpose or program and are not available for general expenditure. In addition, the Federation has approximately $244 million and $995 million of investments held in donor-advised funds and support foundations, respectively, which are included in net assets without donor restrictions. These funds have been excluded from the table above because the Federation does not intend to use these funds for general operating expenses.

Note 20. Subsequent Events

The Federation has evaluated subsequent events for potential recognition and/or disclosure through December 13, 2022, the date the consolidated financial statements were available to be issued.