

# **Jewish Federation of Metropolitan Chicago**

Consolidated Financial Report  
June 30, 2023

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RSM US LLP

## 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 and its subsidiaries (the Federation), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and 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, 2023 and 2022, 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, a consolidated affiliate, whose statements reflect total assets constituting 6.5% and 6.7%, respectively, of consolidated total assets at June 30, 2023 and 2022, and total revenues constituting 2.9% and 0.0%, 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 Michael Reese Health 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 14, 2023

**Jewish Federation of Metropolitan Chicago**  
**(In Thousands)**  
**Consolidated Statement of Financial Position**  
**June 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Custodian	Total 2023
<b>Assets</b>				
Cash and cash equivalents	\$ 131,953	\$ 11,885	\$ 3,614	\$ 147,452
Investments	1,899,641	221,629	5,662	2,126,932
Pledges and other receivables, net	38,593	13,662	285	52,540
Due from JFMC Facilities Corporation, net	20,473	-	-	20,473
Loans receivable—affiliated agencies and others	3,248	-	-	3,248
Other assets	11,544	-	-	11,544
Due from broker	55	-	-	55
Redemptions receivable from underlying funds	2,856	-	-	2,856
Advanced contributions to underlying funds	17,420	-	-	17,420
Amount due from participating employers for pension benefits	20,375	-	-	20,375
Beneficial interest in charitable trusts	-	42,804	-	42,804
Interfund accounts	(12,033)	12,062	(29)	-
	<u>\$ 2,134,125</u>	<u>\$ 302,042</u>	<u>\$ 9,532</u>	<u>\$ 2,445,699</u>

(Continued)

**Jewish Federation of Metropolitan Chicago**  
**(In Thousands)**  
**Consolidated Statement of Financial Position (Continued)**  
**June 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Custodian	Total 2023
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 19,119	\$ -	\$ 1,131	\$ 20,250
Appropriations payable	6,216	-	-	6,216
Grants payable	20,445	333	-	20,778
Liability for pension benefits	41,737	-	-	41,737
Funds invested on behalf of unitholders	189,383	-	-	189,383
Other liabilities	24,479	3	-	24,482
Support foundations distributions payable	35,427	-	-	35,427
Interest rate swap liability	1,328	-	-	1,328
Loan payable	6,000	-	-	6,000
Tax exempt debt	4,723	-	-	4,723
Funds held for others	5,761	7,790	8,401	21,952
	<u>354,618</u>	<u>8,126</u>	<u>9,532</u>	<u>372,276</u>
Net assets:				
Without donor restrictions:				
Undesignated	21,383	-	-	21,383
Noncontrolling interest in investments	31,987	-	-	31,987
Designated by the governing board for the following:				
Donor-advised funds	285,565	-	-	285,565
Long-term investments	1,440,572	-	-	1,440,572
With donor restrictions	-	293,916	-	293,916
	<u>1,779,507</u>	<u>293,916</u>	<u>-</u>	<u>2,073,423</u>
	<u>\$ 2,134,125</u>	<u>\$ 302,042</u>	<u>\$ 9,532</u>	<u>\$ 2,445,699</u>

See notes to consolidated financial statements.

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

	Without Donor Restrictions	With Donor Restrictions	Custodian	Total 2022
<b>Assets</b>				
Cash and cash equivalents	\$ 156,995	\$ 17,817	\$ 6,548	\$ 181,360
Investments	1,787,763	215,727	5,160	2,008,650
Pledges and other receivables, net	46,476	12,146	465	59,087
Due from JFMC Facilities Corporation, net	20,651	-	-	20,651
Loans receivable—affiliated agencies and others	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)	-
	<u>\$ 2,054,762</u>	<u>\$ 296,511</u>	<u>\$ 12,118</u>	<u>\$ 2,363,391</u>

(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 2022
<b>Liabilities and Net Assets</b>				
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	17,759	3	-	17,762
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	5,505	9,761	11,077	26,343
	<u>334,255</u>	<u>9,764</u>	<u>12,118</u>	<u>356,137</u>
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
	<u>1,720,507</u>	<u>286,747</u>	<u>-</u>	<u>2,007,254</u>
	<u>\$ 2,054,762</u>	<u>\$ 296,511</u>	<u>\$ 12,118</u>	<u>\$ 2,363,391</u>

See notes to consolidated financial statements.



**Jewish Federation of Metropolitan Chicago  
(In Thousands)  
Consolidated Statement of Activities  
Year Ended June 30, 2023**

	Without Donor Restrictions				Total Without Donor Restrictions	With Donor Restrictions	Total 2023
	Undesignated	Noncontrolling Interest in Investments	Designated Donor-Advised Funds	Long-Term Investments			
Revenue:							
Public support:							
Direct public support:							
Contributions	\$ 114,438	\$ -	\$ -	\$ 39,668	\$ 154,106	\$ 23,684	\$ 177,790
Contributions to donor-advised funds	-	-	55,731	-	55,731	-	55,731
Distributions from beneficial interest in charitable trusts to support operations	894	-	-	-	894	-	894
<b>Total received directly</b>	<b>115,332</b>	<b>-</b>	<b>55,731</b>	<b>39,668</b>	<b>210,731</b>	<b>23,684</b>	<b>234,415</b>
Indirect public support:							
United Way allocation (includes Chicago and Suburban)	501	-	-	-	501	-	501
<b>Total received indirectly</b>	<b>501</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>501</b>	<b>-</b>	<b>501</b>
<b>Total public support</b>	<b>115,833</b>	<b>-</b>	<b>55,731</b>	<b>39,668</b>	<b>211,232</b>	<b>23,684</b>	<b>234,916</b>
Grants from government agencies	6,932	-	-	-	6,932	-	6,932
Revenue from missions, events, and other activities	8,639	-	22	193	8,854	21	8,875
	15,571	-	22	193	15,786	21	15,807
Other revenue:							
Investment income (net of related fees of \$2,832)	142	-	4,394	9,906	14,442	1,498	15,940
Gain on investments (net)	-	-	22,441	127,692	150,133	15,735	165,868
Unrealized gain on beneficial interest in charitable trusts	-	-	-	-	-	2,524	2,524
Unrealized gain on fair value of swap arrangements	-	-	-	2,339	2,339	-	2,339
	142	-	26,835	139,937	166,914	19,757	186,671
Transfer of net assets released from restrictions:							
Satisfaction of restrictions	38,566	-	-	(3,331)	35,235	(35,235)	-
<b>Total revenue</b>	<b>170,112</b>	<b>-</b>	<b>82,588</b>	<b>176,467</b>	<b>429,167</b>	<b>8,227</b>	<b>437,394</b>

(Continued)

**Jewish Federation of Metropolitan Chicago**  
**(In Thousands)**  
**Consolidated Statement of Activities (Continued)**  
**Year Ended June 30, 2023**

	Without Donor Restrictions				Total Without Donor Restrictions	With Donor Restrictions	Total 2023
	Undesignated	Noncontrolling Interest in Investments	Designated Donor-Advised Funds	Long-Term Investments			
<b>Expenses:</b>							
Program expenses:							
Appropriations	\$ 59,794	\$ -	\$ -	\$ -	\$ 59,794	\$ -	\$ 59,794
Grants	87,966	-	49,326	109,087	246,379	-	246,379
Other	31,759	-	-	5,325	37,084	-	37,084
<b>Total program expenses</b>	<b>179,519</b>	<b>-</b>	<b>49,326</b>	<b>114,412</b>	<b>343,257</b>	<b>-</b>	<b>343,257</b>
Supporting expenses:							
Management and administration	16,179	-	-	3,384	19,563	-	19,563
Fundraising	8,871	-	-	-	8,871	-	8,871
<b>Total supporting expenses</b>	<b>25,050</b>	<b>-</b>	<b>-</b>	<b>3,384</b>	<b>28,434</b>	<b>-</b>	<b>28,434</b>
<b>Total expenses</b>	<b>204,569</b>	<b>-</b>	<b>49,326</b>	<b>117,796</b>	<b>371,691</b>	<b>-</b>	<b>371,691</b>
<b>Revenue (under) over expenses</b>	<b>(34,457)</b>	<b>-</b>	<b>33,262</b>	<b>58,671</b>	<b>57,476</b>	<b>8,227</b>	<b>65,703</b>
Other changes in net assets:							
Pension-related changes other than pension expense	3,020	-	-	-	3,020	-	3,020
Transfer between funds	17,844	-	8,000	(25,658)	186	(186)	-
Transfer from endowment funds to support operations	5,940	-	-	(5,068)	872	(872)	-
<b>Increase (decrease in net assets)—JFMC</b>	<b>(7,653)</b>	<b>-</b>	<b>41,262</b>	<b>27,945</b>	<b>61,554</b>	<b>7,169</b>	<b>68,723</b>
Noncontrolling interest in investments	-	(2,554)	-	-	(2,554)	-	(2,554)
<b>Increase (decrease) in net assets</b>	<b>(7,653)</b>	<b>(2,554)</b>	<b>41,262</b>	<b>27,945</b>	<b>59,000</b>	<b>7,169</b>	<b>66,169</b>
Net assets:							
Beginning of year	29,036	34,541	244,303	1,412,627	1,720,507	286,747	2,007,254
End of year	\$ 21,383	\$ 31,987	\$ 285,565	\$ 1,440,572	\$ 1,779,507	\$ 293,916	\$ 2,073,423

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 Without Donor Restrictions	With Donor Restrictions	Total 2022
	Undesignated	Noncontrolling Interest in Investments	Designated Donor-Advised Funds	Long-Term Investments			
Revenue:							
Public support:							
Direct public support:							
Contributions	\$ 113,368	\$ -	\$ -	\$ 30,384	\$ 143,752	\$ 41,585	\$ 185,337
Contributions to donor advised funds	-	-	51,890	-	51,890	-	51,890
Distributions from beneficial interest in charitable trusts to support operations	900	-	-	-	900	-	900
<b>Total received directly</b>	<b>114,268</b>	<b>-</b>	<b>51,890</b>	<b>30,384</b>	<b>196,542</b>	<b>41,585</b>	<b>238,127</b>
Indirect public support:							
United Way allocation (includes Chicago and Suburban)	502	-	-	-	502	-	502
<b>Total received indirectly</b>	<b>502</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>502</b>	<b>-</b>	<b>502</b>
<b>Total public support</b>	<b>114,770</b>	<b>-</b>	<b>51,890</b>	<b>30,384</b>	<b>197,044</b>	<b>41,585</b>	<b>238,629</b>
Grants from government agencies	5,123	-	-	-	5,123	-	5,123
Revenue from missions, events, and other activities	5,617	-	60	291	5,968	32	6,000
	<b>10,740</b>	<b>-</b>	<b>60</b>	<b>291</b>	<b>11,091</b>	<b>32</b>	<b>11,123</b>
Other revenue:							
Investment income (net of related fees of \$3,225)	60	-	4,188	7,574	11,822	325	12,147
Loss on investments (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
	<b>60</b>	<b>-</b>	<b>(29,064)</b>	<b>(152,303)</b>	<b>(181,307)</b>	<b>(28,093)</b>	<b>(209,400)</b>
Transfer of net assets released from restrictions:							
Satisfaction of restrictions	23,536	-	-	269	23,805	(23,805)	-
<b>Total revenue</b>	<b>149,106</b>	<b>-</b>	<b>22,886</b>	<b>(121,359)</b>	<b>50,633</b>	<b>(10,281)</b>	<b>40,352</b>

(Continued)

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

	Without Donor Restrictions				Total Without Donor Restrictions	With Donor Restrictions	Total 2022
	Undesignated	Noncontrolling Interest in Investments	Designated Donor-Advised Funds	Long-Term Investments			
<b>Expenses:</b>							
Program expenses:							
Appropriations	\$ 62,509	\$ -	\$ -	\$ -	\$ 62,509	\$ -	\$ 62,509
Grants	63,481	-	60,896	100,160	224,537	-	224,537
Other	24,936	-	-	4,681	29,617	-	29,617
<b>Total program expenses</b>	<b>150,926</b>	<b>-</b>	<b>60,896</b>	<b>104,841</b>	<b>316,663</b>	<b>-</b>	<b>316,663</b>
Supporting expenses:							
Management and administration	14,902	-	-	3,038	17,940	-	17,940
Fundraising	7,452	-	-	-	7,452	-	7,452
<b>Total supporting expenses</b>	<b>22,354</b>	<b>-</b>	<b>-</b>	<b>3,038</b>	<b>25,392</b>	<b>-</b>	<b>25,392</b>
<b>Total expenses</b>	<b>173,280</b>	<b>-</b>	<b>60,896</b>	<b>107,879</b>	<b>342,055</b>	<b>-</b>	<b>342,055</b>
<b>Expenses over revenue</b>	<b>(24,174)</b>	<b>-</b>	<b>(38,010)</b>	<b>(229,238)</b>	<b>(291,422)</b>	<b>(10,281)</b>	<b>(301,703)</b>
Other changes in net assets:							
Pension-related changes other than pension expense	7,354	-	-	-	7,354	-	7,354
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)	-
<b>Decrease in net assets—JFMC</b>	<b>(5,401)</b>	<b>-</b>	<b>(30,010)</b>	<b>(249,170)</b>	<b>(284,581)</b>	<b>(9,768)</b>	<b>(294,349)</b>
Noncontrolling interest in investments	-	(27,864)	-	-	(27,864)	-	(27,864)
<b>Decrease in net assets</b>	<b>(5,401)</b>	<b>(27,864)</b>	<b>(30,010)</b>	<b>(249,170)</b>	<b>(312,445)</b>	<b>(9,768)</b>	<b>(322,213)</b>
Net assets:							
Beginning of year	34,437	62,405	274,313	1,661,797	2,032,952	296,515	2,329,467
End of 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 Functional Expenses**  
**Year Ended June 30, 2023**

	Program Services	Management and Administration	Fundraising	Total 2023
Functional expenses:				
Salaries	\$ 15,004	\$ 9,708	\$ 4,299	\$ 29,011
Fringe benefits	2,879	1,792	952	5,623
	<u>17,883</u>	<u>11,500</u>	<u>5,251</u>	<u>34,634</u>
Appropriations	59,794	-	-	59,794
Grants	246,379	-	-	246,379
Professional fees	2,877	1,589	146	4,612
Occupancy	3,327	1,589	539	5,455
Insurance	27	483	-	510
Conferences, events, meetings and major trips	8,421	257	1,911	10,589
Advertising	372	-	201	573
Information technology	463	1,738	97	2,298
Outside printing and design	239	9	217	465
Supplies	670	15	43	728
Postage and shipping	150	57	127	334
Membership dues	17	-	-	17
Bank and credit card fees	328	228	-	556
Interest expense	47	395	-	442
Miscellaneous	2,263	1,703	339	4,305
	<u>343,257</u>	<u>19,563</u>	<u>8,871</u>	<u>371,691</u>
<b>Total functional expenses</b>	<b>\$ 343,257</b>	<b>\$ 19,563</b>	<b>\$ 8,871</b>	<b>\$ 371,691</b>

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 2022
Functional expenses:				
Salaries	\$ 13,823	\$ 9,082	\$ 4,039	\$ 26,944
Fringe benefits	2,669	1,672	870	5,211
	<u>16,492</u>	<u>10,754</u>	<u>4,909</u>	<u>32,155</u>
Appropriations	62,509	-	-	62,509
Grants	224,537	-	-	224,537
Professional fees	3,007	1,115	47	4,169
Occupancy	2,635	1,570	517	4,722
Insurance	26	435	-	461
Conferences, events, meetings and major trips	3,051	178	1,083	4,312
Advertising	275	-	63	338
Information technology	635	1,763	197	2,595
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	2,073	1,525	260	3,858
	<u>316,663</u>	<u>17,940</u>	<u>7,452</u>	<u>342,055</u>
<b>Total functional expenses</b>	<b>\$ 316,663</b>	<b>\$ 17,940</b>	<b>\$ 7,452</b>	<b>\$ 342,055</b>

See notes to consolidated financial statements.

**Jewish Federation of Metropolitan Chicago**  
**(In Thousands)**  
**Consolidated Statement of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
increase (decrease) in net assets—JFMC	\$ 68,723	\$ (294,349)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Change in allowance for uncollectible pledges	(73)	(360)
Net realized and unrealized (gain) loss on investments	(170,324)	213,447
Net change in unrealized (gain) loss on beneficial interests in charitable trusts	(2,524)	7,715
Net change in unrealized loss on charitable gift annuities	407	3,082
Additions to beneficial interests in charitable trusts	(947)	-
Change in amount due from participating employers for pension benefits due to actuarial gains/losses and change in assumptions	4,366	7,451
Change in pension liability due to actuarial gains/losses and change in assumptions	(7,386)	(14,805)
Change in unrealized gain on fair value of swap arrangements	(2,339)	(9,120)
Contributions in perpetuity	(13)	(7)
Changes in:		
Pledges and other receivables	6,264	2,230
Due from affiliates	178	2,651
Other assets	4,061	(6,187)
Amount due from participating employer's for pension benefits	(149)	625
Accounts payable, accrued expenses and other liabilities	7,519	5,159
Appropriations payable	(523)	1,209
Grants payable	4,628	6,152
Liability for pension benefits	1,335	427
Support foundations—distributions payable	9,485	2,786
Funds held for others	(4,391)	(3,956)
<b>Net cash used in operating activities</b>	<b>(81,703)</b>	<b>(75,850)</b>
Cash flows from investing activities:		
Proceeds from sales of investments	625,203	538,636
Purchases of investments	(572,274)	(514,454)
Additions to charitable gift annuities	(1,140)	(2,694)
Liquidations of charitable gift annuities	2,859	2,407
Collections of loans receivable from affiliated agencies and others	300	298
Changes in:		
Advanced contributions to underlying funds	(16,230)	50,376
Redemptions receivable from underlying funds	6,464	8,934
<b>Net cash provided by investing activities</b>	<b>45,182</b>	<b>83,503</b>
Cash flows from financing activities:		
Contributions in perpetuity	13	7
Proceeds on loans payable	3,000	-
Payments on loans payable	-	(2,750)
Proceeds on tax-exempt debt	-	5,123
Payments on tax-exempt debt	(400)	(5,430)
<b>Net cash provided by (used in) financing activities</b>	<b>2,613</b>	<b>(3,050)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(33,908)</b>	<b>4,603</b>
Cash and cash equivalents:		
Beginning of year	181,360	176,757
End of year	\$ 147,452	\$ 181,360
Supplemental disclosure of cash flow information:		
Interest paid	\$ 364	\$ 197
Supplemental schedule of noncash investing and financing activities:		
Change in tracking unit and noncontrolling interest investments	\$ 3,013	\$ (41,293)

See notes to consolidated financial statements.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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

The Jewish Federation of Metropolitan Chicago (Federation) is a nonprofit 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. Activities are conducted from offices in Chicago, Illinois.

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 the Federation 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, healthcare, 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):** The Federation holds a portion of its investments in the JFMC Pooled Endowment Portfolio, LLC (see Note 2). The Federation is the manager and administrator of the PEP and is also the majority owner of the PEP. As manager, the Federation owned 85.3% and 85.7% of the PEP's ownership interest as of June 30, 2023 and 2022, respectively. For the fiscal years ended June 30, 2023 and 2022, Federation owned an additional 11.9% and 11.3%, respectively, of the PEP through its subsidiary, Michael Reese Health Trust.

**Michael Reese Health Trust (Trust):** The Michael Reese Health Trust is operating as a public grant-making foundation under a five-year evaluation period with the Internal Revenue Service (IRS), which expired June 30, 2023. The Trust has filed for reclassification of foundation status, which is pending approval from the IRS. Its mission is to support and encourage charitable, educational and research activities related to healthcare in the Chicago metropolitan area. The Federation is the sole member of the Trust and appoints the majority of the board of directors.

**Support Foundations:** Support Foundations are separate, nonprofit corporations which are funded by various donors to support the broad charitable purpose of the Federation (see Note 3). The Federation has both control of the respective board of directors and an economic interest in each of the Support Foundations and, accordingly, the Support Foundations have been consolidated into the Federation's consolidated financial statements.

**The Covenant Foundation:** The Covenant Foundation is a nonprofit 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. The Federation 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 the Federation 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 (U.S. GAAP) as applicable to nonprofit organizations.



**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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

**Principles of consolidation:** In accordance with the accounting guidance on reporting of related entities by nonprofit organizations, the Federation's consolidated financial statements consolidate the activities of the Jewish United Fund, PEP, the Trust, Support Foundations and the Covenant Foundation. All inter-organizational balances and transactions have been eliminated in consolidation. The Federation as used herein refers to Jewish Federation of Metropolitan Chicago individually or collectively with its consolidated affiliated entities, as the context may require.

**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, miscellaneous 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 nonprofit organizations not affiliated with the Federation. As of both June 30, 2023 and 2022, there were two such other organizations. 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' 2.8% and 3.0% share of the PEP at June 30, 2023 and 2022, 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, which are recorded as received.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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

**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.

**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 investments. 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 specifically 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 2024. 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 expenses charged are determined based on the annual occupancy budget and reflect the estimated operating costs for the space. Occupancy expense paid by the Federation to Facilities for the years ended June 30, 2023 and 2022, was \$4,045 and \$4,004, 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.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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

**Beneficial interest in charitable trusts:** The Federation has recorded as an asset its beneficial interest in several irrevocable charitable trusts. These perpetual trusts provide for the distribution of the net income of the trusts to the Federation; however, the Federation will never receive the assets of the trusts. At the date the Federation receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statements of activities, and a beneficial interest in charitable trust is recorded in the consolidated statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the consolidated statements of financial position, with changes in fair value recognized as revenue with donor restrictions in the consolidated statements of activities. 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 actions taken by the Board of Directors.

**Charitable remainder trust obligations:** The Federation has entered into various 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. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to the Federation, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. All of the Federation's interests in these trusts are considered irrevocable. The trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. This liability is included in the funds held for others on the consolidated statements of financial position. The excess of contributed assets over the trust liability is recorded as a contribution, on the date the trust is effective, with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the fiscal year. Upon termination of the trust, the remaining liability is removed and recognized as revenue. These charitable remainder trusts, received for the benefit of third-party beneficiaries, are recorded in the Custodian funds.

**Charitable gift annuities:** The Federation has entered into various charitable gift annuity agreements with its donors. Under these charitable gift annuity contracts, the Federation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. This liability is included in the funds held for others on the consolidated statements of financial position. The excess of contributed assets over the annuity liability is recorded as a contribution, on the date of the agreement, without donor restrictions. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the fiscal year. Upon termination of the annuity contract, the remaining liability is removed and recognized as revenue. These charitable gift annuities, received for the benefit of third-party beneficiaries, are recorded in the Custodian funds.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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

**Donated services:** The Federation receives donated services from volunteers and others. No amounts have been reflected herein for donated services because they do not meet the defined requirements for inclusion in the consolidated financial statements.

**Refugee and Immigrant Social Service Program:** The Federation administers grants from government agencies allocated for specified services to refugees and immigrants. 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 these agencies, are reflected as program services expenses and grant revenue on the consolidated statements of activities.

**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:** The Federation, Jewish United Fund, the Trust, the Federation's Support Foundations and the Covenant Foundation are Illinois nonprofit 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. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods covered by these consolidated financial statements.

The Federation, 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 990s and the Trust files Form 990-PF in the U.S. federal jurisdiction and the state of Illinois.

**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.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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

**Management estimates:** In preparing the consolidated financial statements in conformity with U.S. GAAP, 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.

**Reclassifications:** Certain fiscal year 2022 balances have been reclassified to conform to the current year presentation, including reclassification of various accounts at financial institutions from investments to cash and cash equivalents, without any effect on previously reported total net assets or total changes in net assets.

**Adopted accounting pronouncement:** The Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* supersedes the leasing guidance in Topic 840, *Leases*. Under this new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statements 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 consolidated statements of activities. The implementation of this standard did not have a significant impact on the Federation's consolidated financial statements for the fiscal year ended June 30, 2023.

**Pending accounting pronouncement:** In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. ASU 2022-03 also clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. In addition, ASU 2022-03 requires additional disclosures for equity securities subject to contractual restriction. This ASU is effective for the Federation beginning on January 1, 2025. The adoption of ASU 2022-03 is not expected to have a significant impact on the Federation's consolidated financial statements.

**Subsequent events:** The Federation has evaluated subsequent events for potential recognition and/or disclosure through December 14, 2023, the date the consolidated financial statements were available to be issued.

**Note 2. JFMC Pooled Endowment Portfolio, LLC**

The PEP is a Delaware limited liability company that was organized by the Federation 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.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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

Each member of the PEP has a direct ownership interest in the PEP and is required to be a nonprofit 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 and the minimum additional investment required of members is \$100. 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. At this time, the Manager is only accepting new members from Jewish charities located in the Chicagoland area.

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 \$31,987 and \$34,541 as of June 30, 2023 and 2022, respectively, which is reflected as noncontrolling interest in investments on the consolidated statements of financial position.

The Federation 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 nonprofit 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 Federation'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 \$189,383 and \$183,816 of the Federation's investment in the PEP as of June 30, 2023 and 2022, 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 and the minimum additional investment required is \$100. 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.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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

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<sup>th</sup> 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.

**Note 3. Support Foundations**

Various Support Foundations are 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 balances and activities of these Support Foundations as of and for the years ended June 30, 2023 and 2022:

	2023	2022
Assets:		
Investments and other assets	\$ 1,065,099	\$ 994,921
Liabilities:		
Distributions payable	\$ 35,427	\$ 25,942
Net assets	1,029,672	968,979
	<u>\$ 1,065,099</u>	<u>\$ 994,921</u>
Revenues:		
Contributions	\$ 37,241	\$ 40,601
Investment income	10,000	8,540
Gain (loss) on investment activity, net	55,797	(157,981)
Other income	17	819
	<u>103,055</u>	<u>(108,021)</u>
Expenses:		
Distributions	40,813	45,720
Other expenses	1,549	1,480
	<u>42,362</u>	<u>47,200</u>
Increase (decrease) in net assets	<u>\$ 60,693</u>	<u>\$ (155,221)</u>

**Note 4. Appropriations**

Appropriations to the Federation's affiliated agencies and other beneficiaries, which are approved by the Board of Directors, totaled \$59,794 and \$62,509 for fiscal years ended June 30, 2023 and 2022, respectively.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

**Note 4. Appropriations (Continued)**

The following table presents changes in the appropriation payable accounts for the fiscal years ended June 30, 2023 and 2022:

	2023	2022
Changes during fiscal year:		
Appropriations and adjustments:		
Affiliated agencies	\$ 23,473	\$ 24,241
Others	36,321	38,268
	<u>59,794</u>	<u>62,509</u>
Payments	(60,317)	(61,300)
Net changes	<u>\$ (523)</u>	<u>\$ 1,209</u>
Balance at June 30:		
Appropriations payable	<u>\$ 6,216</u>	<u>\$ 6,739</u>

In accordance with the Principles of Affiliation Agreements between the Federation and its affiliated agencies, the affiliated agencies may not negotiate any merger or material transfer of their assets without approval of the Federation 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 the Federation.

**Note 5. Pledges and Other Receivables**

Pledges receivable with donor restrictions 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, Live Secure – Security Initiative, Solomon Schechter Day School Capital Campaign and Jewish Women’s Foundation. All pledges expected to be collected after June 30, 2024, are discounted using rates ranging from 1.2% to 6.2%. Pledges are receivable at June 30, 2023 and 2022, as follows:

	2023	2022
Amounts expected to be collected in:		
Less than one year	\$ 6,971	\$ 6,130
One to five years	7,377	8,093
More than five years	1,648	398
Total pledges receivable	<u>15,996</u>	<u>14,621</u>
Less:		
Allowance for uncollectible pledges	(1,845)	(1,772)
Discount to present value	(489)	(703)
	<u>\$ 13,662</u>	<u>\$ 12,146</u>

The Jewish United Fund also had \$28,867 and \$32,574 of pledges outstanding at June 30, 2023 and 2022, respectively, that are included in pledges and other receivables without donor restrictions. These pledges were received in connection with the 2023 and 2022 annual campaigns and are due for collection. An allowance for uncollectible pledges of \$4,913 and \$5,059 at June 30, 2023 and 2022, respectively, has been applied to these balances.

Other receivables (without donor restrictions and custodian) of \$9,726 and \$13,902, are primarily comprised of grants receivable from the Illinois Department of Human Service and private funders.



**Jewish Federation of Metropolitan Chicago**  
**(In Thousands)**

**Notes to Consolidated Financial Statements**

**Note 6. Loans Receivable—Affiliated Agencies and Others**

Loans receivable from affiliated agencies and others 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, 2023 and 2022.

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

	2023	2022
Jewish Child and Family Services:		
(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.	\$ 478	\$ 553
JFMC Facilities Corp.:		
(a) Noninterest bearing loan to finance accumulated operating deficits of the Goldie Bachman Luftig Building. Annual principal payments of \$162 are due through fiscal year 2036.	2,106	2,268
(b) Loan to fund project at Migdal Oaz Home, bearing interest at 5.5%, maturing in 2037.	64	67
(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.	62	67
(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, respectively.	211	230
(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.	103	118
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.	13	17
(b) Others	211	228
	\$ 3,248	\$ 3,548

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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**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. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. 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.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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

For the fiscal years ended June 30, 2023 and 2022, 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, various equity and credit assets and registered investment companies, which include exchange-traded funds, all of which are 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 corporate bonds and notes and government securities 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 private equity funds, hedged credit funds, private core 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 \$43,000 and \$45,000 as of June 30, 2023 and 2022, 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.

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(In Thousands)**

**Notes to Consolidated Financial Statements**

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

**Derivative instruments:** The Federation uses interest rate swaps to manage interest rate risk (see Note 10). 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, 2023 and 2022, was 5.22% and 1.79%, respectively. The interest rate swaps are classified as Level 2. In July 2023, the secured overnight financing rate (SOFR) replaced LIBOR as the floating rate on the Federation's swaps.

**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 3.78% 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.

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(In Thousands)**

**Notes to Consolidated Financial Statements**

**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, 2023 and 2022:

	2023				Total
	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 <sup>(1)</sup>	
<b>Assets:</b>					
Investments:					
Money market funds	\$ 43,640	\$ -	\$ -	\$ -	\$ 43,640
Corporate bonds and notes	-	667	-	-	667
Government securities	-	1,711	-	-	1,711
Common stocks	441,945	-	-	-	441,945
State of Israel bonds	-	8,488	-	-	8,488
Exchange-traded funds	324,326	-	-	-	324,326
Investment in underlying funds:					
Equity:					
U.S. large cap equity	91,069	-	-	73,902	164,971
U.S. small cap equity	377	-	-	54,194	54,571
Emerging markets equity	-	-	-	15,003	15,003
Developed international equity	6,145	-	-	265,558	271,703
Hedged equity	-	-	-	98,558	98,558
Private equity and fund of funds	-	-	88,616	423,027	511,643
Credit:					
Hedged credit	-	-	-	9,473	9,473
Core credit	6,617	-	-	14,158	20,775
Private credit	-	-	-	54,386	54,386
Real assets	-	-	-	66,748	66,748
Real estate	-	-	-	33,329	33,329
Other	-	-	2,185	-	2,185
	<u>\$ 914,119</u>	<u>\$ 10,866</u>	<u>\$ 90,801</u>	<u>\$ 1,108,336</u>	<u>2,124,122</u>
Certificates of deposit					2,810
Total					<u>\$ 2,126,932</u>
Beneficial interest in charitable trusts	\$ -	\$ -	\$ 42,804	\$ -	\$ 42,804
<b>Liabilities:</b>					
Interest rate swaps	\$ -	\$ 1,328	\$ -	\$ -	\$ 1,328
Charitable remainder and annuity trusts	-	-	14,691	-	14,691
	<u>\$ -</u>	<u>\$ 1,328</u>	<u>\$ 14,691</u>	<u>\$ -</u>	<u>\$ 16,019</u>

**Jewish Federation of Metropolitan Chicago**  
**(In Thousands)**

**Notes to Consolidated Financial Statements**

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

	2022					Total
	Quoted Prices	Significant		Significant	Valued Using	
	for Identical	Other		Unobservable		
	Assets in	Observable		Inputs		
Active Markets	Inputs		Level 3	Net Asset		
	Level 1	Level 2		Level 3	Value <sup>(1)</sup>	
<b>Assets:</b>						
Investments:						
Money market funds	\$ 43,317	\$ -	\$ -	\$ -	\$ -	\$ 43,317
Corporate bonds and notes	-	155	-	-	-	155
Government securities	-	228	-	-	-	228
Common stocks	385,469	-	-	-	-	385,469
State of Israel bonds	-	8,451	-	-	-	8,451
Exchange-traded funds	203,448	-	-	-	-	203,448
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	7,003	-	-	-	16,105	23,108
Private credit	-	-	-	-	56,233	56,233
Real assets	-	-	-	-	83,034	83,034
Real estate	-	-	-	-	44,084	44,084
Other	-	-	-	2,890	-	2,890
	<u>\$ 722,822</u>	<u>\$ 8,834</u>	<u>\$ 85,851</u>	<u>\$ 1,188,343</u>		<u>2,005,850</u>
Certificates of deposit						2,800
Total						<u>\$ 2,008,650</u>
Beneficial interest in charitable trusts	\$ -	\$ -	\$ 39,333	\$ -	\$ -	\$ 39,333
<b>Liabilities:</b>						
Interest rate swaps	\$ -	\$ 4,024	\$ -	\$ -	\$ -	\$ 4,024
Charitable remainder and annuity trusts	-	-	-	16,553	-	16,553
	<u>\$ -</u>	<u>\$ 4,024</u>	<u>\$ 16,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,577</u>

(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.

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**(In Thousands)**

**Notes to Consolidated Financial Statements**

**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, 2023 and 2022, 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, 2023 and 2022:

	June 30, 2023		
	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity:			
U.S. large cap equity (a)	\$ 73,902	Various	Less than or equal to 60 days
U.S. small cap equity (a)	54,194	Semi-annual	90 days
Emerging markets equity (b)	15,003	Various	Less than or equal to 90 days/N/A
Developed international equity (c)	265,558	Various	Less than or equal to 1 year/N/A
Hedged equity (d)	98,558	Various	Less than or equal to 90 days/N/A
Private equity and fund of funds (e)	423,027	Various	N/A
Credit:			
Hedged credit (f)	9,473	Various	60-90 days/N/A
Core credit (g)	14,158	Various	45 days-1 year
Private credit (h)	54,386	Various	65 days/N/A
Real assets (i)	66,748	Illiquid	N/A
Real estate (j)	33,329	Illiquid	N/A
	<u>\$ 1,108,336</u>		

	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
	<u>\$ 1,188,343</u>		

(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.

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**Notes to Consolidated Financial Statements**

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**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 lockups.
- (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 lockups.
- (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 lockups.
- (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. Redemptions are allowed quarterly or the 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 lockups.
- (g) This class represents investments in funds whose investments include U.S. investment grade debt and non-dollar sovereign debt. Redemptions range from monthly to annually and may be subject to lockups.
- (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.



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**Notes to Consolidated Financial Statements**

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**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 recorded as assets.

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 for the reporting periods covered by these financial statements. 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.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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

**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.

As of June 30, 2023 and 2022, the Federation had approximately \$156,000 and \$144,000, 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 five to twelve years.

**Note 8. Loan Payable**

Loan payable consisted of \$6,000 and \$3,000 at June 30, 2023 and 2022, respectively, in connection with 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 2023, the line of credit was amended to change the floating rate from the one-month LIBOR to the monthly adjusted term SOFR, plus 0.65%. The interest rates on June 30, 2023 and 2022, were 5.91% and 2.30%, respectively. In August 2023, the line of credit was renewed and amended with an interest rate of the adjusted term SOFR, plus 0.60%, and a maturity date of August 24, 2024. Interest expense related to the above borrowings for the fiscal years ended June 30, 2023 and 2022, were approximately \$281 and \$70, respectively.

**Note 9. Tax-Exempt Debt**

Tax-exempt debt consisted of Colorado Educational and Cultural Facilities Authority – Series J3A debt in the amount of \$4,723 and \$5,123 at June 30, 2023 and 2022, respectively. Pursuant to an agreement dated June 1, 2022, with the Colorado Educational and Cultural Facilities Authority (the 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 in the amount of \$5,123 to refinance previously existing tax-exempt debt. The previously existing tax-exempt debt was with the Authority and Wells Fargo Bank, N.A and the Authority and JP Morgan Chase Bank, N.A. (effective interest rates of 0.90% and 1.07%) for fiscal year 2022.

The loan matures in 2038 and bears interest at a variable rate of 80% of monthly adjusted term 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 fiscal years 2023 and 2022 was approximately 3.68% and 1.42%, respectively.

Future principal maturities on tax-exempt debt are:

Years ending June 30:	
2024	\$ 304
2025	309
2026	324
2027	334
2028	349
Thereafter	3,103
	<u>\$ 4,723</u>

**Jewish Federation of Metropolitan Chicago  
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**Notes to Consolidated Financial Statements**

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**Note 10. Derivative Financial Instruments**

To minimize the effect of changes in interest rates on tax-exempt debt held by affiliated agencies, the Federation has entered into various interest rate swap arrangements. As of June 30, 2023, the Federation had five interest rate swap arrangements, with various financial institutions for notional amounts ranging from approximately \$2,480 to \$38,900, totaling approximately \$91,000 of notional value.

In connection with three of the five swap arrangements, the Federation has agreed to pay fixed rates of interest equal to a blended average of 3.46%, with the counterparty paying a floating rate based on a range of 68% to 74% of LIBOR. One of the swaps includes a knockout 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 4.01% and 0.91% as of June 30, 2023 and 2022, respectively. The swap arrangements expire on various dates through 2038 matching the maturities of the underlying tax-exempt debt. In July 2023, the floating rate on the swaps changed from LIBOR to SOFR.

A portion of the swap payments hedge interest expense for capital projects financed by Facilities. The Federation allocates to Facilities its portion of the swap payment as interest expense based on the tax-exempt loan that financed the purchase or renovation of certain properties owned by Facilities.

One of the Federation's swaps was entered into on behalf of CJE SeniorLife to hedge its exposure to floating interest rates on certain Series G3 Bonds. The outstanding notional amount of the swap was \$7,598 and \$8,642 at June 30, 2023 and 2022, 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. In July 2023, the floating rate was changed to one-month SOFR. The Federation has recorded a receivable from CJE SeniorLife and an offsetting liability for the fair value of the swap agreement. At June 30, 2023 and 2022, the fair value of the interest rate swap is a liability of \$275 and \$631, respectively. Corresponding receivables for these amounts are recorded within pledges and other receivables at June 30, 2023 and 2022. 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 statements of activities. The interest rate swap agreement expires in 2035.

At June 30, 2023 and 2022, the estimated fair value of these swap arrangements were a liability totaling \$1,328 and \$4,024, respectively.

**Jewish Federation of Metropolitan Chicago  
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**Notes to Consolidated Financial Statements**

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**Note 10. Derivative Financial Instruments (Continued)**

The interest rate swap agreements as of and for the years ended June 30, 2023 and 2022, consist of:

	2023	2022
Liability derivatives:		
Interest rate contracts at fair value:		
Consolidated statements of financial position:		
Interest rate swap liability	\$ 1,328	\$ 4,024
Effective portion of gain:		
Other changes in net assets:		
Consolidated statements of activities position:		
Unrealized gain on swap agreement	\$ (2,696)	\$ (9,905)
Less amount of loss allocated to CJE SeniorLife	357	786
	\$ (2,339)	\$ (9,119)

**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 (long-term investments) on the consolidated statements of activities. As required by 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 board of directors of the Federation has interpreted Illinois Uniform Prudent Management of Institutional Funds Act (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.

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**Note 11. Endowment (Continued)**

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
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, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 192,271	\$ 192,271
Board-designated	358,135	-	358,135
	<u>\$ 358,135</u>	<u>\$ 192,271</u>	<u>\$ 550,406</u>

  

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 199,812	\$ 199,812
Board-designated	374,548	-	374,548
	<u>\$ 374,548</u>	<u>\$ 199,812</u>	<u>\$ 574,360</u>

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**Notes to Consolidated Financial Statements**

**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, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of fiscal year	\$ 374,548	\$ 199,812	\$ 574,360
Investment gains:			
Net gain on investment activity (realized and unrealized)	27,610	13,635	41,245
Contributions	7,257	17,487	24,744
	<u>34,867</u>	<u>31,122</u>	<u>65,989</u>
Other changes:			
Appropriations for expenditure	-	(38,663)	(38,663)
Distributions	(51,280)	-	(51,280)
	<u>(51,280)</u>	<u>(38,663)</u>	<u>(89,943)</u>
Endowment net assets, end of fiscal year	<u>\$ 358,135</u>	<u>\$ 192,271</u>	<u>\$ 550,406</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of fiscal year	\$ 441,909	\$ 211,134	\$ 653,043
Investment losses:			
Net loss on investment activity (realized and unrealized)	(34,194)	(15,568)	(49,762)
Contributions	14,019	26,732	40,751
	<u>(20,175)</u>	<u>11,164</u>	<u>(9,011)</u>
Other changes:			
Appropriations for expenditure	-	(22,486)	(22,486)
Distributions	(47,186)	-	(47,186)
	<u>(47,186)</u>	<u>(22,486)</u>	<u>(69,672)</u>
Endowment net assets, end of fiscal year	<u>\$ 374,548</u>	<u>\$ 199,812</u>	<u>\$ 574,360</u>

**Funds with deficiencies:** From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Federation to retain as a fund of perpetual duration. Certain funds with original gift values totaling \$40,266 and \$40,445 at June 30, 2023 and 2022, respectively, had deficiencies of \$13,989 and \$14,575 at June 30, 2023 and 2022, 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.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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**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, 2023 and 2022, were \$47,772 and \$44,012 more than the original gift amounts of \$44,242 and \$56,229, 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:** In fiscal year 2019, the Federation adopted a new spending policy that uses a 4% spending rate for all newly established endowment funds. For existing endowment funds, distributions are computed using a 4% spending rate, based on the rolling 16-quarter average balance of each fund.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

**Note 12. Net Assets with Donor Restrictions**

The following is a summary of net assets with time- and purpose-related restrictions at June 30, 2023 and 2022:

	2023	2022
Abe and Ida Cooper Center	\$ -	\$ 5,996
The ARK	53	49
CJE SeniorLife	349	283
Arie Crown Hebrew Day School—capital project	4,197	16,418
Center for Jewish Genetics	6,030	5,810
Charitable remainder trusts	6,263	4,610
Chicago Jewish Day School capital project	2,487	1,452
Children with Special Needs	1,083	1,056
Covenant Foundation—time restricted	3,282	503
COVID-19 Initiative	15	15
Crown Family Foundation—tuition accessibility	24,856	16,088
Delighter West Rogers Park Campus Project Fund	2,000	-
Disaster Relief Fund	61	57
Fiedler Hillel	140	137
Financial Assistance for the Homeless	486	471
Financial Assistance for Students	10,958	9,872
Fund for the Future	4,594	4,659
Fund for the Jewish Aged	1,687	1,644
Hebrew Theological College	220	213
Hillels of Illinois	2,154	1,987
Holocaust Community Services	88	159
IsraelNow Teen Fund	17,861	17,965
Jewish Agency for Israel	3,872	3,895
Jewish Child and Family Services	1,310	1,333
Jewish Community Centers of Chicago—capital projects	326	1,358
Jewish Community Centers of Chicago programming	-	2,288
Jewish Community Fund for adults with disabilities	4,705	4,154
Jewish Day School Guaranty Trust Fund	22,319	21,629
Jewish Education	51	50
Jewish United Fund Campaign Endowment	655	429
Jewish United Fund Learning Centers in Israel	3,525	3,427
JFMC Facilities Corporation—Hillman Ballfield at the Horwich Building	76	74
JUF—Uptown Cafe	878	850
LiveSecure - Security Initiative	8,834	2,814
Michael Reese Health Trust—educational and research purposes	12,367	11,555
Moriah Congregation Endowment Fund	413	-
Scholarships to Israel	669	722
Solomon Schechter Day School	1,585	3,662
Spertus Institute for Jewish Learning and Leadership	1,882	1,843
Summer Camp Program	3,317	3,193
Time restricted	4,086	4,278
Ukraine Relief	1,164	1,969
Various other charities	5,446	3,706
Young Leadership Award	257	243
	<u>\$ 166,601</u>	<u>\$ 162,916</u>



**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

**Note 12. Net Assets with Donor Restrictions (Continued)**

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

	2023	2022
Principal to be held in perpetuity, used for the following purposes:		
The ARK	\$ 92	\$ 92
Beneficial interest in charitable trusts	42,804	39,333
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
JUF Community Legal Services	3,899	3,899
Local social welfare agencies	2,385	2,385
Programs for the elderly	1,844	1,836
Programs for the youth	779	779
Scholarships and financial assistance	13,155	13,150
Spertus Institute for Jewish Learning and Leadership	1,036	1,036
Various other charities	2,247	2,247
Young adult engagement program	1,501	1,501
	<u>127,315</u>	<u>123,831</u>
Total net assets with donor restrictions	<u>\$ 293,916</u>	<u>\$ 286,747</u>

Net assets released from restrictions, consisting of expenditure from the above funds, were for various purposes, including satisfaction of restrictions through recurring annual distributions as well as releases related to satisfaction of time restrictions, which totaled \$35,235 and \$23,805 for fiscal years 2023 and 2022, respectively.

**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, 2023 and 2022, amounted to \$2,415 and \$1,985, respectively. All self-insurance programs of the Federation and its affiliated agencies include specific and aggregate stop loss insurance policies.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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**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 the organizations' exempt employees who were hired prior to July 1, 2021, and have performed one year of service. Participating employers in FERIP include: JFMC Facilities Corporation, Chicago Board of Rabbis, CJE Senior Life, Jewish Child and 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, are eligible to participate in a 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, 2023 and 2022, this asset totaled \$20,375 and \$24,592, respectively.

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, 2023. The measurement period was the 12 months from July 1, 2022 to June 30, 2023.

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

Obligations and funded status at June 30, 2023 and 2022:

	2023	2022
Fair value of plan assets	\$ 96,060	\$ 92,353
Projected benefit obligation	(137,797)	(140,140)
Unfunded status (of which \$20,375 and \$24,592 pertains to the participating employers)	<u>\$ (41,737)</u>	<u>\$ (47,787)</u>

**Jewish Federation of Metropolitan Chicago**  
**(In Thousands)**

**Notes to Consolidated Financial Statements**

**Note 14. Defined Benefit Plan (Continued)**

Amounts reported on the consolidated statements of financial position at June 30, 2023 and 2022, consist of:

	2023	2022
Amounts due from participating employers for pension benefits	\$ 20,375	\$ 24,592
Liability for pension benefits	(41,737)	(47,787)
Net liability	<u>\$ (21,362)</u>	<u>\$ (23,195)</u>

Amounts recognized on the consolidated statements of activities, for the year ended June 30, 2023 and 2022, as changes in net assets without donor restrictions consist of:

	2023	2022
Pension expense included in program and supporting expenses	\$ 2,737	\$ 3,124
Other changes in net assets:		
Pension-related changes other than pension expense	(3,020)	(7,354)
	(283)	(4,230)
Less net amount pertaining to participating employers	(1,972)	(5,075)
	<u>\$ (2,255)</u>	<u>\$ (9,305)</u>

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

	2023	2022
Net loss	\$ 6,948	\$ 9,968
Add net amount pertaining to participating employers	8,490	12,856
	<u>\$ 15,438</u>	<u>\$ 22,824</u>

Amounts recognized for the plan year:

	2023	2022
Employer contributions	\$ 1,550	\$ 2,072
Add net amount pertaining to participating employers	2,245	3,001
Total FERIP contributions	<u>\$ 3,795</u>	<u>\$ 5,073</u>
Benefits paid	\$ 2,296	\$ 2,239
Add net amount pertaining to participating employers	4,566	4,356
Total FERIP benefits paid	<u>\$ 6,862</u>	<u>\$ 6,595</u>

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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**Note 14. Defined Benefit Plan (Continued)**

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

	2023		2022
Benefit obligations:			
Discount rate	5.18	%	4.82 %
Rate of compensation increases	3.92		3.99
Net periodic benefit cost:			
Discount rate	4.82		3.09
Rate of compensation increases	3.99		4.00
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 represent 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, 2023, a discount rate on benefit obligations of 5.18% was used.

For the year ended June 30, 2023, 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.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

**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. The following summarizes actual allocations by major asset categories at June 30, 2023 and 2022:

	2023	2022
Asset category:		
Domestic fixed income	37 %	36 %
Domestic equity	27	26
International equity	28	25
Real estate	5	8
Money market funds	3	5
	100 %	100 %

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

2024	\$ 7,778
2025	8,021
2026	8,260
2027	8,491
2028	8,681
2029-2033	45,391
	\$ 86,622

The fair values of FERIP's assets at June 30, 2023 and 2022, by asset category, are as follows:

Asset Category	2023					Total
	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		
Money market fund	\$ 2,144	\$ -	\$ -	\$ -	\$ 2,144	
Domestic fixed income	-	-	-	35,957	35,957	
Domestic equity	-	-	-	25,746	25,746	
International equity	-	-	-	26,701	26,701	
Real estate	-	-	-	5,222	5,222	
Absolute return hedge funds	-	-	-	290	290	
Total	\$ 2,144	\$ -	\$ -	\$ 93,916	\$ 96,060	

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

**Note 14. Defined Benefit Plan (Continued)**

Asset Category	2022				Total
	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	
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

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 (including real estate and absolute return hedge funds) 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. 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, 2023 and 2022, were approximately \$145 and \$142, 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 for fiscal years ended June 30, 2023 and 2022, were \$60 and \$11, respectively.

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

**Note 16. Loan Guarantees, Commitments and Contingencies**

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. There were no such obligations at June 30, 2023 and 2022. 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, 2023 and 2022:

	2023	2022
Akiba-Schechter Jewish Day School	\$ 1,181	\$ 1,321
Associated Talmud Torahs	-	13
CJE SeniorLife	6,345	10,061
JFMC Facilities Corporation	61,141	73,158
Ida Crown Jewish Academy	32,555	33,620
Jewish Community Centers of Chicago	1,640	1,740
Joan Dachs Bais Yaakov Day School	1,776	2,479
Mt. Sinai Hospital	850	2,850
Rochelle Zell Jewish High School	2,215	3,090
Spertus Institute for Jewish Learning and Leadership	3,200	35,000
	<u>\$ 110,903</u>	<u>\$ 163,332</u>

As of June 30, 2023 and 2022, the guarantees include \$72,560 and \$84,671, respectively, of tax-exempt debt and \$38,343 and \$78,661, 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. The Federation and one of its beneficiary organizations, have entered into a keepwell arrangement whereby the Federation has agreed to make a debt service payment on a loan if the borrower is unable to. As of June 30, 2023 and 2022, the outstanding balances on the loan were \$7,558 and \$6,188, respectively.

In addition, from time to time, the Federation is named in various lawsuits arising in the ordinary course of business. Despite the inherent uncertainties around litigation, the Federation is not aware of any litigatory matters that may have a material adverse impact on the financial condition of the Federation.

**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:

	2023	2022
Charitable remainder and annuity trusts	\$ 2,154	\$ 2,094
Send A Kid to Israel Program reserve fund	2,345	2,345
Health, dental and vision insurance fund	3,770	3,484
Unemployment compensation reserve fund	8	8
Bar/Bat Mitzvah Registry	264	256
Funds held on behalf of outside organizations	991	3,931
	<u>\$ 9,532</u>	<u>\$ 12,118</u>

**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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**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 \$1,966 and \$1,967 as of June 30, 2023 and 2022, 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 \$237 and \$219 during the years ended June 30, 2023 and 2022, respectively.

**Note 19. Liquidity and Availability**

The Federation regularly monitors liquidity required to meet its operating needs and commitments. As of June 30, 2023 and 2022, financial assets available within one year to meet general operating needs are as follows:

	2023	2022
Cash and cash equivalents	\$ 24,402	\$ 19,694
Investments	138,901	125,344
Pledges and other receivables	35,838	38,704
Total	199,141	183,742
Other:		
Available line of credit	24,000	27,000
Total	<u>\$ 223,141</u>	<u>\$ 210,742</u>

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.

The Federation has various board-designated funds that function as endowments (see Note 11). 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 \$285,000 and \$1,065,000 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.



**Jewish Federation of Metropolitan Chicago  
(In Thousands)**

**Notes to Consolidated Financial Statements**

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**Note 20. Israel Emergency Fund**

Subsequent to year-end, and in response to the October 7, 2023 terror attacks on Israel and their aftermath, Jewish United Fund opened an Emergency Fund campaign and has raised approximately \$46,000 for victim assistance, relief efforts and related needs in connection with the war. This includes emergency funds for injured Israelis and the families of those who were killed or kidnapped, support for first responders, housing for those who have lost or been evacuated from their homes, trauma therapy, respite services for children living in the line of fire and various other needs on the ground.