

**Jewish Federation of Greater Buffalo, Inc.**

**Financial Statements  
As of October 31, 2019  
Together With  
Independent Auditor's Report**

**Jewish Federation of Greater Buffalo, Inc.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Jewish Federation of Greater Buffalo, Inc.  
Getzville, New York

We have audited the accompanying financial statements of Jewish Federation of Greater Buffalo, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 31, 2019 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Federation of Greater Buffalo, Inc. as of October 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Report on 2018 Financial Statements**

The financial statements of Jewish Federation of Greater Buffalo, Inc. as of October 31, 2018, were audited by other auditors whose opinion dated December 30, 2019 on those statements was qualified because the auditor was unable to obtain sufficient appropriate audit evidence regarding the Organization's investment assets and related investment income. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2018 is consistent in all material respects with the audited financial statements from which it has been derived.

*Allied CPAs, P.C.*

Tonawanda, New York  
February 26, 2021

**JEWISH FEDERATION OF GREATER BUFFALO, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF OCTOBER 31, 2019 AND 2018**

<b><u>ASSETS</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 588,038	\$ 478,520
Annual campaign pledges receivable, net	2,110,641	1,966,256
Prepaid expenses and other assets	68,543	207,662
Investments, at fair value	11,154,464	14,678,158
<b>TOTAL CURRENT ASSETS</b>	13,921,686	17,330,596
<b><u>PROPERTY AND EQUIPMENT</u></b>		
Property and equipment	270,016	228,188
Less: accumulated depreciation	(144,835)	(108,674)
	<u>125,181</u>	<u>119,514</u>
<b>TOTAL ASSETS</b>	<b><u>\$14,046,867</u></b>	<b><u>\$17,450,110</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Allocations payable	\$ 2,180,307	\$ 1,803,867
Accounts payable and accrued expenses	298,740	432,195
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,479,047</u>	<u>2,236,062</u>
<b><u>NET ASSETS</u></b>		
Without donor restrictions	1,129,291	1,687,565
With donor restrictions	10,438,529	13,526,483
<b>TOTAL NET ASSETS</b>	<u>11,567,820</u>	<u>15,214,048</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$14,046,867</u></b>	<b><u>\$17,450,110</u></b>

The accompanying notes are an integral  
part of these financial statements

**JEWISH FEDERATION OF GREATER BUFFALO, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED OCTOBER 31, 2019**  
**(With Comparative Totals for the Year Ended October 31, 2018)**

	<b>2019</b>			<b>2018</b>
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND SUPPORT</b>				
Current year campaign results	\$ 2,252	\$ 2,504,969	\$ 2,507,221	\$ 2,368,616
Net assets released from restrictions	2,226,707	(2,226,707)	-	-
	<u>2,228,959</u>	<u>278,262</u>	<u>2,507,221</u>	<u>2,368,616</u>
Other revenues:				
Investment income	306,592	1,061,625	1,368,217	858,699
Contributions and bequests	15,950	-	15,950	18,364
Special events	241,846	-	241,846	(21,216)
Transfer and miscellaneous	299,051	-	299,051	409,761
Net assets released from restrictions	4,365,598	(4,365,598)	-	-
<b>TOTAL OTHER REVENUES</b>	<u>5,229,037</u>	<u>(3,303,973)</u>	<u>1,925,064</u>	<u>1,265,608</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u>7,457,996</u>	<u>(3,025,711)</u>	<u>4,432,285</u>	<u>3,634,224</u>
Allocations to beneficiaries and transfers	6,593,794	-	6,593,794	2,449,597
Bad debt provision	-	62,243	62,243	62,243
<b>NET ALLOCATIONS-BENEFICIARIES, SPECIAL ALLOCATIONS, AND BAD DEBT PROVISION</b>	<u>6,593,794</u>	<u>62,243</u>	<u>6,656,037</u>	<u>2,511,840</u>
<b>EXPENSES</b>				
Program service expense:				
Community programs	961,244	-	961,244	773,164
Total program expenses	<u>961,244</u>	<u>-</u>	<u>961,244</u>	<u>773,164</u>
Supporting service expense:				
Management and general	206,402	-	206,402	172,329
Fundraising and development	254,830	-	254,830	277,470
Total supporting service expenses	<u>461,232</u>	<u>-</u>	<u>461,232</u>	<u>449,799</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>1,422,476</u>	<u>-</u>	<u>1,422,476</u>	<u>1,222,963</u>
<b>TOTAL ALLOCATIONS, BAD DEBT PROVISION AND FUNCTIONAL EXPENSES</b>	<u>8,016,270</u>	<u>62,243</u>	<u>8,078,513</u>	<u>3,734,803</u>
<b>CHANGE IN NET ASSETS</b>	(558,274)	(3,087,954)	(3,646,228)	(100,579)
<b>NET ASSETS, BEGINNING OF YEAR,</b>	<u>1,687,565</u>	<u>13,526,483</u>	<u>15,214,048</u>	<u>15,314,627</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,129,291</u>	<u>\$ 10,438,529</u>	<u>\$ 11,567,820</u>	<u>\$ 15,214,048</u>

The accompanying notes are an integral  
part of these financial statements

**JEWISH FEDERATION OF GREATER BUFFALO, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED OCTOBER 31, 2019**  
**(with Comparative Totals for 2018)**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>2019 Total</u>	<u>2018 Total</u>
	<u>Community Programs</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total Supporting Services</u>		
<b>EXPENSES:</b>						
Salaries	\$ 625,055	\$ 86,046	\$ 167,634	\$ 253,680	\$ 878,735	\$ 752,791
Payroll taxes and benefits	136,139	18,741	36,511	55,252	191,391	173,877
Total salaries and related expenses	<u>761,194</u>	<u>104,787</u>	<u>204,145</u>	<u>308,932</u>	<u>1,070,126</u>	<u>926,668</u>
Occupancy	40,679	8,047	10,910	18,957	59,636	56,732
Equipment rental and maintenance	34,544	4,755	9,264	14,019	48,563	47,624
Professional fees	-	45,693	-	45,693	45,693	41,805
Public relations	14,724	680	4,980	5,660	20,384	35,484
Supplies	6,640	-	7,795	7,795	14,435	13,447
Postage	2,318	-	5,410	5,410	7,728	5,151
Collection expense	6,833	-	6,831	6,831	13,664	15,140
Staff expense	14,738	1,314	3,137	4,451	19,189	23,141
Conference and meetings	7,963	-	210	210	8,173	8,494
Telephone	3,898	536	1,045	1,581	5,479	3,947
Depreciation	-	36,160	-	36,160	36,160	19,774
National dues	2,985	-	-	-	2,985	2,985
Program expense	64,728	-	-	-	64,728	20,007
Miscellaneous	-	4,430	1,103	5,533	5,533	2,564
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u><u>\$ 961,244</u></u>	<u><u>\$ 206,402</u></u>	<u><u>\$ 254,830</u></u>	<u><u>\$ 461,232</u></u>	<u><u>\$ 1,422,476</u></u>	<u><u>\$ 1,222,963</u></u>

The accompanying notes are an integral  
part of these financial statements

**JEWISH FEDERATION OF GREATER BUFFALO, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$(3,646,228)	\$ (100,579)
Adjustments to reconcile changes in net assets to net cash flow from operating activities:		
Depreciation	36,160	19,774
Net realized and unrealized (gains) on investments	(570,267)	(3,537)
Decrease (Increase) in:		
Annual campaign pledges receivable, net	(144,385)	(159,976)
Prepaid expenses and other assets	139,120	(101,515)
Increase (Decrease) in:		
Allocations payable	376,440	19,732
Accounts payable and accrued expenses	(133,455)	42,559
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(3,942,615)</b>	<b>(283,542)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of property and equipment	(41,828)	(48,566)
Proceeds from sale of investments	4,093,961	75,578
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>4,052,133</b>	<b>27,012</b>
Change in cash and cash equivalents	109,518	(256,530)
Cash and cash equivalents, beginning	478,520	735,050
Cash and cash equivalents, ending	<b>\$ 588,038</b>	<b>\$ 478,520</b>

The accompanying notes are an integral  
part of these financial statements



**JEWISH FEDERATION OF GREATER BUFFALO, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2019 AND 2018**

**NOTE 1—NATURE OF ACTIVITIES**

Nature of Operations

The Jewish Federation of Greater Buffalo, Inc. (the Federation), is a nonprofit organization which serves as the central coordinating, planning and fundraising body designed to service major Jewish needs and responsibilities locally, nationally and internationally. The Federation also coordinates a variety of local services to help meet various needs of the general community.

The Federation runs an annual United Jewish Fund campaign. The campaign contributions are used for allocations to beneficiaries and services provided directly by the Federation including fundraising, management and general expenses.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Federation prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingencies as the date of the financial statements, and reported amounts of revenues and expenses recognized during the reporting period and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Federation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Federation must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Federation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At times cash may exceed federally insured limits. The Federation has not experienced any losses in such accounts and believes it is not exposed to any significant risk with regards to cash.

**JEWISH FEDERATION OF GREATER BUFFALO, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2019 AND 2018**

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Beneficial Interest in Assets

The Federation has investments in pooled funds at the Foundation for Jewish Philanthropies, Inc. (the Foundation) as described in Note 5.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Federation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Federation uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Furnishings and equipment	5–7 years
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Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period. Depreciation expenses for the year ended October 31, 2019 and 2018, was \$36,190 and \$19,774, respectively.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

**JEWISH FEDERATION OF GREATER BUFFALO, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2019 AND 2018**

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Federation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Federation in various community activities, but these services do not meet the criteria for recognition as contributed services.

Revenue Recognition

The majority of the Organization's revenue is derived from contributions. Contributions are recorded at fair value and are classified as net assets with or without donor restrictions pursuant to any donor-imposed stipulations. The Federation has not adopted a policy for implying time restrictions on contributions of long-lived assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. Contributions with donor restrictions whose stipulations are met within the same fiscal year are reflected as contributions without donor restrictions in the accompanying statements of activities.

New Accounting Pronouncements

On June 18, 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update addresses the difficulty and diversity in characterizing contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. Jewish Federation of Greater Buffalo, Inc. has incorporated the new guidance in their policies and procedures for interpreting contracts and recognizing revenue.

In May of 2014, FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606). Jewish Federation of Greater Buffalo, Inc. has adopted the new revenue recognition guidance during the year ended October 31, 2019, and has applied the standard retrospectively for the year ended October 31, 2018.

Expense Recognition and Allocation

The cost of providing the Federation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on the time devoted to each program and supporting activity
- Occupancy, depreciation, office expense, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee hours dedicated to each program and supporting activity.

When new space or programs are added or as the staff expands, the Federation will review and evaluate the bases on which costs are allocated.

Income Tax Status

The Federation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

**JEWISH FEDERATION OF GREATER BUFFALO, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2019 AND 2018**

**NOTE 3—LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of October 31, 2019 and 2018 are:

	<b>2019</b>	<b>2018</b>
Financial assets at year end:		
Cash and cash equivalents	\$ 588,038	\$ 478,520
Pledges receivable	2,110,641	1,966,256
Investments	11,154,464	14,678,158
	<b>13,853,143</b>	<b>17,122,934</b>
Less financial assets held to meet donor-imposed restrictions:		
Net assets with donor restrictions (Note 6)	(10,438,529)	(13,526,483)
Financial assets available to meet general expenditures over the next twelve months	\$ 3,414,614	\$ 3,596,451

The Federation's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$390,000). As part of a liquidity plan the Federation has a unsecured \$200,000 bank capital demand line of credit (Note 11).

**NOTE 4—PROMISES TO GIVE**

Annual campaign pledges receivable as of October 31, 2019 and October 31, 2018 were as follows, by campaign year:

	<b>2019</b>	<b>2018</b>
2022	\$ 258,977	\$ -
2021	312,381	-
2020	886,022	-
2019	733,699	946,943
2018	327,024	1,104,465
2017	80,502	215,025
2016 and prior	81,820	253,064
	<b>2,680,425</b>	<b>2,519,497</b>
Less allowance for uncollectible pledges	(569,784)	(553,241)
	<b>\$ 2,110,641</b>	<b>\$ 1,966,256</b>

**JEWISH FEDERATION OF GREATER BUFFALO, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2019 AND 2018**

**NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States of America establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described below:

- *Level 1* - Inputs to the valuation methodology that consist of unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access.
  
- *Level 2* - Inputs to the valuation methodology which include: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices or identical or similar assets or liabilities in inactive markets, (3) inputs other than quoted prices that observable for the asset or liability, and (4) inputs that are corroborated by observable market data by correlation or other means.
  
- *Level 3* Inputs to the valuation methodology that are unobservable and are significant to the overall fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value:

• *Common and Preferred stocks, corporate bonds and notes, and US government funds, except for the money market mutual fund* – are valued at the daily closing prices as reported by the fund. The mutual funds held are open-end funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. The mutual funds held are deemed to be actively traded.

• *Pooled investments held at the Foundation* - are valued at NAV as a practical expedient and are based on the quoted market prices of the underlying investments, less any fees or expenses borne by the fund.

• *State of Israel Bonds* - are valued based on their maturity. Mortgage notes and other are valued at their principal balance as of October 31, 2019 and 2018.

• *Money market mutual fund* - is valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund registered with the SEC that generally transacts purchase and sales activity at a stable \$1.00 NAV. On a daily basis the fund's NAV is calculated based on the amortized cost of the underlying investments.

The following tables set forth by level, within the fair value hierarchy, the Federation's investments that are measured at fair value as of October 31, 2019 and 2018, with the exception of the pooled investments which are measured at fair value using the NAV practical expedient. The fair value for these investments is provided below to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Financial Position.

**JEWISH FEDERATION OF GREATER BUFFALO, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2019 AND 2018**

**NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

The Federation's investments at October 31, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investments with Foundation for Jewish Philanthropies, Inc. and the Community Foundation for Greater Buffalo	\$ -	\$ -	\$ 7,854,080	\$ 7,854,080
Mortgage notes receivable, interest ranging from 6%-10%, secured by mortgages on related commercial property, varying installments of principal and interest due through 2019	-	32,355	-	32,355
Common and preferred stocks	2,288,632	-	-	2,288,632
Corporate notes and bonds	303,794	-	-	303,794
US Government funds	425,603	-	-	425,603
State of Israel Bonds	-	10,000	-	10,000
Others	-	-	240,000	240,000
	<u>\$ 3,018,029</u>	<u>\$ 42,355</u>	<u>\$ 8,094,080</u>	<u>\$ 11,154,464</u>

The Federation's investments at October 31, 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investments with Foundation for Jewish Philanthropies, Inc. and the Community Foundation for Greater Buffalo	\$ -	\$ -	\$ 10,850,141	\$ 10,850,141
Mortgage notes receivable, interest ranging from 6%-10%, secured by mortgages on related commercial property, varying installments of principal and interest due through 2019	-	28,820	-	28,820
Common and preferred stocks	2,616,424	-	-	2,616,424
Corporate notes and bonds	367,444	-	-	367,444
US Government funds	460,329	-	-	460,329
State of Israel Bonds	-	115,000	-	115,000
Others	-	-	240,000	240,000
	<u>\$ 3,444,197</u>	<u>\$ 143,820</u>	<u>\$ 11,090,141</u>	<u>\$ 14,678,158</u>

The Federation has pooled investments managed by the Philanthropies and the Community Foundation for Greater Buffalo. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the financial position of the Federation.

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**NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Investment income, net of investment management fees paid to the Foundation of \$75,121 and \$82,679 consisted of the following at October 31:

2019	Interest and dividends	Net realized and unrealized gains	Total
Without donor restrictions, net of fees	\$ (1,788)	\$ 308,380	\$ 306,592
With donor restrictions	799,738	261,887	1,061,625
	<u>\$ 797,950</u>	<u>\$ 570,267</u>	<u>\$ 1,368,217</u>

2018	Interest and dividends	Net realized and unrealized gains	Total
Without donor restrictions, net of fees	\$ 20,003	\$ 12,202	\$ 32,205
With donor restrictions	835,159	(8,665)	826,494
	<u>\$ 855,162</u>	<u>\$ 3,537</u>	<u>\$ 858,699</u>

The following is a summary of the Federation's investments as of October 31, 2019:

	Cost	Unrealized gains	Fair value
Total Investments	<u>\$ 10,459,783</u>	<u>\$ 694,681</u>	<u>\$ 11,154,464</u>

The following is a summary of the Federation's investments as of October 31, 2018:

	Cost	Unrealized gains	Fair value
Total Investments	<u>\$ 14,251,634</u>	<u>\$ 426,524</u>	<u>\$ 14,678,158</u>

**NOTE 6—NET ASSETS**

Net assets with donor restrictions were as follows at October 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Pledges receivable-time restricted	\$ 2,110,641	\$ 1,966,256
Investments in perpetuity which once appropriated are expendable to support the Federation's programs-purpose restricted	8,329,954	11,671,672
Less: unapplied payments and due from other funds	(2,066)	(111,445)
	<u>\$ 10,438,529</u>	<u>\$ 13,526,483</u>

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**NOTE 6—NET ASSETS (Continued)**

Net assets released from donor restrictions were as follows at October 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Time restrictions satisfied by collection of pledges receivable	\$ 2,226,707	\$ 2,075,448
Purpose restriction satisfied by appropriated endowment earnings	4,365,598	632,515
	<u>\$ 6,592,305</u>	<u>\$ 2,707,963</u>

**NOTE 7—ENDOWMENTS**

The Federation's endowments consist of various individual funds, established for a variety of purposes and consisting of donor-restricted endowment funds. New York Prudent Management of Institutional Funds Act (NYPMIFA or the Act), New York's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), governs the management and investment of funds held by not-for-profit corporations and other institutions; accordingly, the Federation classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions because those net assets are time restricted until the Board of Governors appropriates such amounts for expenditure.

The Board of Governors of the Federation has interpreted NYPMIFA as requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Federation considers a fund to be underwater if the fair value of the fund is less than the sum of: (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Federation has interpreted NYPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. At October 31, 2019 and 2018, the endowment funds were not under water. In accordance with the Act, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Federation and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Federation
- The investment policies of the Federation

The Federation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the assets against inflation. An additional objective is to maximize total return, in the form of income, capital appreciation or both, consistent with the level of risk taken.

The Federation has a policy for grant distributions, depending on the fiscal need for programs supported by its endowment, provided the value of the fund exceeds the historical basis of the original contribution. When net asset fair value of the fund falls below the historical basis of the original contribution, grant distribution is limited to the actual dividend and interest earned in the year prior.



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**NOTE 7—ENDOWMENTS (Continued)**

Beginning in 2011, the Federation updated its policy for grant distributions in compliance with NYPMIFA, to limit distributions to not exceed 5% of each endowment funds' fair market value (averaged over a period of not less than the preceding five years) in any year, excluding the funds which grant distributions are governed by the gift instrument. This is consistent with the Federation's objective to maintain purchasing power and to grow investments in the endowment assets held in perpetuity.

The Federation's changes in endowment net assets were as follows for the years ended October 31:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Beginning of year	\$ 11,671,672	\$ 11,517,383
Donations		-
Investment income	1,061,625	826,494
Other changes	(37,745)	(39,690)
Appropriated for expenditure	<u>(4,365,598)</u>	<u>(632,515)</u>
End of year	<b><u>\$ 8,329,954</u></b>	<b><u>\$ 11,671,672</u></b>

**NOTE 8—RELATED PARTY TRANSACTIONS**

The Federation is party to certain agreements and transactions in the normal course of business with organizations that are related to the Federation through common board members. Significant activity not disclosed elsewhere is as follows:

**Leasing Arrangement**

The Federation leases their office facility under an operating lease expiring November 1, 2019, with an option to renew on a year to year basis. Rent expense under the agreement amounted to approximately \$45,000 and \$43,000 for the years ended October 31, 2019 and 2018, respectively.

**Project Sponsor**

The Federation, as project sponsor and sole member, is committed to supporting future operations of Jewish Federation Housing. The Federation has a commitment balance of \$267,000 to the Kadimah School of Buffalo, Inc., payable from time to time, at the sole discretion of the Federation Board of Governors. Regardless of whether or not the commitment is funded or unfunded the Federation shall allocate the amount of interest income that would be earned on the pledge balance had the full amount been funded, at a rate no lower than 4%, on an annual basis.

**NOTE 9—RETIREMENT PLAN**

The Federation maintains a contributory defined contribution 401 (k) profit sharing plan. The Federation contributes 1.5 percent of covered employees' salaries to the plan. Total contributions to the plan for the year ended October 31, 2019 and 2018 were approximately \$7,000.

**NOTE 10—EMPLOYMENT AGREEMENT**

The Federation has an agreement with its executive director through July 31, 2020 with a second five year term option through July 31, 2025 calling for minimum cumulative compensation during the initial period through 2020 of approximately \$525,000, including specific benefits and expense reimbursement as described in the agreement.

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**NOTE 11—LINE OF CREDIT**

The Federation has available an unsecured \$200,00 bank capital demand line of credit, with interest payable at prime subject to annual review and renewal. There were no amounts outstanding at October 31, 2019 and 2018.

**NOTE 12—EVALUATION OF SUBSEQUENT EVENTS**

The Federation has evaluated subsequent events through February 26, 2021, the date which the financial statements were available to be issued. Subsequent to October 31, 2019 local, U.S. and world governments have encouraged self-isolation to curtail the spread of the coronavirus disease (Covid-19) pandemic, by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. In addition, global markets have seen significant declines. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial or other impacts to the Federation, there is a reasonable possibility that the impact on the Federation's financial position and results of future operations could be material.