

**FOUNDATION FOR JEWISH PHILANTHROPIES, INC.
AND SUBSIDIARIES**

**Consolidated Financial Statements as of
December 31, 2022
Together with
Independent Auditor's Report**

FOUNDATION FOR JEWISH PHILANTHROPIES, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

July 27, 2023

To the Board of Trustees of the
Foundation for Jewish Philanthropies, Inc. and Subsidiaries:

Opinion

We have audited the accompanying consolidated financial statements of the Foundation for Jewish Philanthropies, Inc. and Subsidiaries, (New York organizations), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation for Jewish Philanthropies, Inc. and Subsidiaries as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Foundation for Jewish Philanthropies, Inc. and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation for Jewish Philanthropies, Inc. and Subsidiaries' 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.

Report on Summarized Comparative Information

We have previously audited the Foundation for Jewish Philanthropies, Inc. and Subsidiaries' December 31, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the consolidated audited financial statements from which it has been derived.

FOUNDATION FOR JEWISH PHILANTHROPIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Operating assets:		
Cash and cash equivalents	\$ 12,303,816	\$ 25,862,478
Endowments and pledges receivable, net of allowance of \$16,357 in 2022 and 2021	2,910,638	3,096,104
Loans and notes receivable, net of allowance of \$769,959 in 2022 and 2021	7,683,526	7,275,841
Other assets	2,204,015	1,340,226
Fixed assets, net	<u>17,246</u>	<u>84,212</u>
Total operating assets	<u>25,119,241</u>	<u>37,658,861</u>
Assets held for investment:		
Investments	158,443,020	152,539,036
Beneficial interest in net assets held by the Community Foundation for Greater Buffalo	25,765,272	29,713,168
Buildings owned by LLCs (see Note 16)	16,274,413	16,764,942
Life settlement contracts	11,383,270	10,307,620
Cash surrender value of life insurance policies	<u>3,003,324</u>	<u>2,914,585</u>
Total assets held for investment	<u>214,869,299</u>	<u>212,239,351</u>
	<u>\$ 239,988,540</u>	<u>\$ 249,898,212</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Line of credit	\$ 300,000	\$ 300,000
Accounts payable and accrued liabilities	20,846,057	1,996,237
Funds held on behalf of other organizations	89,219,787	77,074,686
Liabilities to beneficiaries	<u>22,781,283</u>	<u>24,978,695</u>
Total liabilities	<u>133,147,127</u>	<u>104,349,618</u>
NET ASSETS:		
Without donor restrictions-		
Undesignated	70,532,432	109,796,395
Board designated	<u>1,952,894</u>	<u>1,915,833</u>
Without donor restrictions	72,485,326	111,712,228
With donor restrictions	<u>34,356,087</u>	<u>33,836,366</u>
Total net assets	<u>106,841,413</u>	<u>145,548,594</u>
	<u>\$ 239,988,540</u>	<u>\$ 249,898,212</u>

The accompanying notes are an integral part of these statements.

FOUNDATION FOR JEWISH PHILANTHROPIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

(With Comparative Totals for 2021)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2022 <u>Total</u>	2021 <u>Total</u>
SUPPORT AND REVENUE:				
Investment (loss) income, net	\$ (7,031,175)	\$ (2,849,454)	\$ (9,880,629)	\$ 11,918,848
Fund management fees	437,711	-	437,711	315,191
Contributions	3,368,241	5,265,680	8,633,921	21,767,769
Change in value of split interest agreements	-	(360,169)	(360,169)	2,270,847
Change in cash surrender value of life insurance policies	84,657	-	84,657	21,756
Present value adjustment on pledges	7,753	(2,561)	5,192	(4,775)
Net assets released from restrictions	<u>1,533,775</u>	<u>(1,533,775)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>(1,599,038)</u>	<u>519,721</u>	<u>(1,079,317)</u>	<u>36,289,636</u>
EXPENSES:				
Program services	37,174,639	-	37,174,639	31,927,184
General and administrative	311,822	-	311,822	309,623
Fundraising	<u>141,403</u>	<u>-</u>	<u>141,403</u>	<u>14,748</u>
Total expenses	<u>37,627,864</u>	<u>-</u>	<u>37,627,864</u>	<u>32,251,555</u>
CHANGE IN NET ASSETS	(39,226,902)	519,721	(38,707,181)	4,038,081
NET ASSETS - beginning of year	<u>111,712,228</u>	<u>33,836,366</u>	<u>145,548,594</u>	<u>141,510,513</u>
NET ASSETS - end of year	<u>\$ 72,485,326</u>	<u>\$ 34,356,087</u>	<u>\$ 106,841,413</u>	<u>\$ 145,548,594</u>

The accompanying notes are an integral part of these statements.

FOUNDATION FOR JEWISH PHILANTHROPIES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

(With Comparative Totals for 2021)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
Salaries and wages	\$ 248,853	\$ 250,997	\$ 114,834	\$ 614,684	\$ 607,356
Payroll taxes	20,014	20,186	9,235	49,435	52,033
Grants to beneficiaries	34,898,255	-	-	34,898,255	29,786,554
Life insurance premiums	1,597,332	-	-	1,597,332	1,418,362
Computer services	86,000	2,688	896	89,584	57,997
Professional services	76,769	2,399	800	79,968	65,301
Employee benefits	27,899	28,692	13,353	69,944	64,573
Occupancy	55,537	1,736	579	57,852	55,777
Advertising and publicity	55,245	1,726	575	57,546	41,870
Insurance	48,235	1,507	502	50,244	39,682
Conferences, conventions, and meetings	16,185	506	169	16,860	5,603
Equipment rental and maintenance	15,115	472	157	15,744	18,707
Depreciation	7,628	238	79	7,945	14,676
Postage and shipping	7,327	229	76	7,632	5,034
Internet services	2,277	71	24	2,372	768
Continuing education	1,650	52	17	1,719	1,503
Subscriptions	1,267	40	13	1,320	380
Telephone	1,254	39	13	1,306	2,696
Program expenses	-	-	-	-	1,901
Miscellaneous	7,797	244	81	8,122	10,782
	<u>\$ 37,174,639</u>	<u>\$ 311,822</u>	<u>\$ 141,403</u>	<u>\$ 37,627,864</u>	<u>\$ 32,251,555</u>
Total expenses					

The accompanying notes are an integral part of these statements.

FOUNDATION FOR JEWISH PHILANTHROPIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

DECEMBER 31, 2022

(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (38,707,181)	\$ 4,038,081
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation on fixed assets	7,945	14,676
Depreciation on buildings owned by LLCs	490,529	477,033
Loss on disposal of fixed assets	59,021	43,948
Gain on disposal of LLC	-	(491,361)
Increase in cash value and receivables relating to life insurance policies	(88,739)	(92,332)
Unrealized (loss) gain on investments	24,918,169	(14,288,016)
Donated stock	(1,158,964)	(1,951,603)
Change in liabilities to beneficiaries	(2,197,412)	3,223,653
Changes in other operating assets and liabilities:		
Endowments and pledges receivable	185,466	66,444
Other assets	(863,789)	(232,588)
Accounts payable and accrued liabilities	18,846,796	449,335
Funds held on behalf of other organizations	<u>12,145,101</u>	<u>9,297,808</u>
Net cash flow from operating activities	<u>13,636,942</u>	<u>555,078</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of investments	(75,887,672)	(65,007,135)
Proceeds from sale of investments	50,172,380	84,737,331
Purchase of fixed assets	-	(5,500)
Proceeds from life insurance loans	3,023	1,203
Premiums paid on life settlement contracts	(1,075,650)	(1,666,601)
Payments from (advances on) loans receivable	<u>(407,685)</u>	<u>330,153</u>
Net cash flow from investing activities	<u>(27,195,604)</u>	<u>18,389,451</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(13,558,662)	18,944,529
CASH AND CASH EQUIVALENTS - beginning of year	<u>25,862,478</u>	<u>6,917,949</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 12,303,816</u>	<u>\$ 25,862,478</u>

The accompanying notes are an integral part of these statements.

FOUNDATION FOR JEWISH PHILANTHROPIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. THE ORGANIZATION

The Foundation for Jewish Philanthropies, Inc. and Subsidiaries (collectively the Foundation) is a not-for-profit organization operating as a public foundation for the purpose of securing, administering, and distributing certain charitable funds for the principal benefit of the Jewish community of Western New York. The Foundation develops and manages endowment funds for Jewish social service agencies, community organizations, temples, and synagogues. It also offers a variety of planned giving services to donors and conducts an extensive grant-making program for the distribution of its funds for broad charitable purposes. During 2016, the Foundation received a contribution from a donor giving the Foundation 100% ownership interest in three Limited Liability Companies (LLCs) holding real estate. The Foundation is the sole member of each of these LLCs and therefore they are included in the consolidated financial statements (see principles of consolidation). The LLCs engage in the management and rental of single tenant commercial office buildings located in Illinois, Indiana and New York.

The Foundation maintains separate funds which each perform an important role in supporting and promoting the mission of the Foundation. The following summarizes the roles of each fund:

General Fund

The general fund accounts for all gifts made to the Foundation for use to support operations and all general and administrative expenses related to the operation of the Foundation.

General Restricted Fund

The general restricted fund accounts for all endowment gifts made to the Foundation for various purposes as indicated by donor-imposed restrictions, either on income, principal, or both.

Custodial Fund

The custodial fund accounts for all gifts received at the Foundation for the benefit of other Jewish agencies and organizations.

Donor Advised Fund

The donor advised fund accounts for gifts made to the Foundation whereby the donor retains the right to make advisory recommendations to the Foundation as to distribution of principal and/or income from the fund; however, the Foundation retains the ultimate right to determine and approve all distributions from the funds.

Charitable Trust Fund

The charitable trust fund accounts for gifts in trust whereby a contribution is made to the Foundation on the condition that the Foundation agrees to make periodic stipulated payments to the donor, or other income beneficiary, that will terminate at the death of a beneficiary or at a specified time.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and two limited liability companies: 570 Associates X, LLC and 93 ILRPT, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Recently Adopted Accounting Guidance - Leases

The Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASUs) codified as Accounting Standards Codification (ASC) 842, *Leases*, ASC 842 requires lessors to classify leases as a sales-type, direct financing, or operating lease. Right-of-use (ROU) assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, additional disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the standard effective January 1, 2022 using the modified retrospective approach and comparative financial information has not been restated. In addition, lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Foundation elected the available practical expedients to not reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. Adoption of the standard did not have a material effect on the statement of financial position, or on the statement of activities and change in net assets, functional expense, or cash flows.

The Foundation adopted the standard effective January 1, 2022 using the modified retrospective approach and comparative financial information has not been restated. The standard did not have a material effect on the statement of financial position, or on the statement of activities and change in net assets, functional expense, or cash flows.

Recently Adopted Accounting Guidance – Nonfinancial Assets

During the year ended December 31, 2022, the Foundation adopted ASU 2020-07 *Not-for Profit Entities (Topic 958): Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*, which changed the presentation and disclosures regarding contributed nonfinancial assets.

The Foundation records contributed services if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of unpaid volunteers, who serve in the capacity of board members and various other volunteers, have made significant contributions of their time in the furtherance of the Foundation's mission. The value of this contributed time is not reflected in these financial statements since it does not meet the recognition criteria and as such, the adoption of this guidance had no effect on total net assets or change in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Foundation reports its support and revenue included in the consolidated statement of activities and change in net assets as follows:

- **Fund Management Fees**

The Foundation recognizes fund management fees as revenue in the period in which they satisfy the performance obligations under contracts by transferring services to the customers they serve. The Foundation's performance obligation is to provide management services of the fund for donor established funds held with the Foundation.

Fund management fees are recognized using the output method at the amount to which the Foundation expects to be entitled, based on established fees charged to the donors. The performance obligation is satisfied daily as the benefit of the services are consumed by the donors served. Because performance obligations are met daily, there are no fees allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

- **Other Support and Revenue**

All other support and revenue, which consists primarily of contributions by donors, are recognized as revenue when the support becomes unconditional. Contributions received, including unconditional promises to give, are recognized as revenue in the period received. Unconditional promises to give that are expected to be collected in the future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. If the gifts are designated by the donor for purpose or time, they are reported as donor restricted support depending on the donor restriction. The Foundation records a liability concurrent with the recognition of an asset for contributions received by the Foundation if the donor specifies that the assets are to be used on behalf of or transferred to a beneficiary organization. An allowance for uncollectible pledges receivable is recorded as deemed necessary by management.

Cash and Cash Equivalents

The Foundation considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include checking accounts and money market accounts. Certain cash balances held at banking institutions may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit. Although the cash accounts exceed the FDIC limit, management does not anticipate nonperformance by the financial institutions.

Investments

All investments are reported at fair value in the consolidated statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Donated investments are recorded at fair value at date of donation. The cost or book value of specific investments sold is used to compute realized gains or losses on sales. The Foundation classifies its investments as trading securities and includes unrealized gains and losses on investments as a component of investment income. Investment income also includes interest, dividends, and realized gains and losses on investment transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment income from donor restricted assets is recorded as revenue without donor restrictions when no external restrictions are specified by the donor, and as an addition to net assets with donor restrictions when restrictions by the donor exist.

On a fund-by-fund basis, cumulative investment losses in excess of retained cumulative investment earnings are reclassified to net assets without donor restrictions and are included as a component of investment income.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risks associated with investment securities and the uncertainty related to change in the fair market value of investment securities, it is at least reasonably possible that changes in the value of investments in the near term could materially affect the net assets of the Foundation.

Beneficial Interest in Assets

The Foundation holds an agreement with the Community Foundation for Greater Buffalo (CFGB) for assets held in CFGB's investment pool as well as their strategic asset allocation and investment opportunities (see Notes 4 and 5).

Life Insurance Policies and Life Settlement Contracts

The Foundation holds various life insurance policies which are recorded at their respective cash surrender values. The Foundation also holds life settlement contracts and accounts for these at either an investment cost basis or fair value on an instrument-by-instrument basis. The Foundation has elected to record using the investment value method. Under the investment value method, the initial investment is recorded at the transaction price plus initial direct external costs, and continuing costs (premiums and direct external costs) are capitalized. No income is recognized until the insured dies, at which time the difference between the carrying value of a life settlement contract and the life insurance proceeds of the underlying life insurance policy is recognized. The Foundation maintains these life insurance policies and life settlement contracts in the General Restricted, Custodial, and Donor Advised Funds (see Note 8).

Loans and Notes Receivable

Loans and notes receivable are made primarily to other organizations and individuals within the community to support capital projects, education, and other projects. Loans receivable bear interest at various rates ranging from zero to 6%. Interest income is accrued on outstanding balances and recognized as income when earned. Management considers the collectability of each receivable on an individual basis. An allowance account is estimated to reserve for the potential collectability of certain loans receivable (see Note 9).

Other Assets

Other assets are comprised of contributions receivable from donors, interest receivable related to loans and notes receivable, and prepaid expenses.

Fixed Assets

Fixed assets are recorded at cost or, if donated, at the fair value at date of donation. Individual expenditures for fixed assets of less than two hundred dollars are expensed. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets, which are five to forty years.

GAAP requires that long-lived assets held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Foundation has no impairment for the years ended December 31, 2022 and 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

As further described in Note 16, the Foundation leases commercial office space to two tenants for varying terms, for which they receive minimum annual rents. The Foundation determines if an arrangement is a lease at inception and reassesses the determination of whether an arrangement is a lease if the terms and conditions of the contract are changed.

The Foundation recognizes revenue on a straight-line basis over the lease term and elected for all classes of underlying assets to not separate the lease and non-lease components of a contract and to account for as a single lease component. The single lease component is accounted for under ASC 606.

At lease commencement, the Foundation estimates the residual value of the leased asset at the end of the lease term, considering the asset's remaining useful life, expected market condition, and expected use (e.g., sell or lease). The Foundation's ability to realize the residual value at the end of the lease term could be adversely affected by the condition of the unit at lease termination. This risk is managed through periodic inspection and general renovation of units at lease termination. In addition, the Foundation monitors the market for obsolescence or market value decline, which also assists the estimation process for future leases.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies as a public foundation by continuing to satisfy the support test under Section 509(a)(1).

Donated Services

A number of volunteers contribute significant time to the activities of the Foundation. The Foundation records contribution revenue and expenses at the fair value of the services rendered only for those specialized contributed services that it would otherwise be required to purchase had they not been contributed in accordance with GAAP. Donated services amounted to approximately \$20,000 for the years ended December 31, 2022 and 2021, respectively and are included in contributions in the consolidated statement of activities and change in net assets.

Expense Allocations

The consolidated financial statements report certain categories of expenses that are attributable to program or supporting functions. Those expenses include payroll and related taxes and benefits, depreciation, insurance, occupancy, and other related costs. Payroll and related taxes and benefits are allocated based on time spent in accordance with time reports completed by employees. Certain expenses are considered to be direct and allocated 100% based on their specific identified purpose. Depreciation, insurance, occupancy, and other related costs are allocated based on the allocation of payroll.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and such differences may be significant.

3. LIQUIDITY

Financial assets available for general expenditure subject to donor retained advisory rights, that are without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date at December 31 are:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 12,303,816	\$ 25,862,478
Endowment and pledges receivable, net	2,910,638	3,096,104
Loans and notes receivable, net	7,683,526	7,275,841
Other assets	2,204,015	1,340,226
Investments	158,443,020	152,539,036
Beneficial interest in assets held by		
Community Foundation for Greater Buffalo	25,765,272	29,713,168
Life settlement contracts	11,383,270	10,307,620
Cash surrender value of life insurance policies	<u>3,003,324</u>	<u>2,914,585</u>
	223,696,881	233,049,058
Less financial assets held to meet donor-imposed restrictions:		
Charitable projects and programs	(16,556,361)	(14,618,302)
Split-interest agreements	(10,425,461)	(10,711,749)
Scholarships and academic loans	(4,659,770)	(5,717,939)
Beneficial interest in trust	(2,223,210)	(2,297,091)
Other	<u>(491,285)</u>	<u>(491,285)</u>
	(34,356,087)	(33,836,366)
Less financial assets not available within one year:		
Non-financial assets included in other assets	(201,772)	(195,144)
Endowment and pledges receivable, net	(3,593,021)	(3,747,708)
Loan and notes receivable	(7,044,926)	(8,175,953)
Funds held on behalf of other organizations	(89,219,787)	(77,074,686)
Liabilities to beneficiaries	(22,781,283)	(24,978,695)
Life settlement contracts	-	(10,307,620)
Cash surrender value of life insurance policies	<u>(3,003,324)</u>	<u>(2,914,585)</u>
	<u>(125,844,113)</u>	<u>(127,394,391)</u>
	<u>\$ 63,496,681</u>	<u>\$ 71,818,301</u>

The Foundation's endowment funds consist of donor restricted endowment funds. Certain income from donor endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The donor restricted endowments have a spending rate of 4% and approximately \$844,000 of appropriations from the endowment funds will be available within the next twelve months. Net assets and endowment disclosures provide more information about those funds and about the spending policies for all endowment funds.

To help manage unanticipated liquidity needs, the Foundation has two lines of credit with a financial institution. The first line of credit is for general operating funds in the amount of \$1 million. The second line of credit is for providing short-term demand loans to the custodial agencies in the amount of \$7.5 million (see Note 12).

4. FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 820: Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). The three levels of fair value hierarchy are described as follows:

Level I: Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level II: Valuations based on quoted prices in active markets for similar assets or liabilities, quoted price in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level III: Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market-based inputs. Level III assets would include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant investment management judgment or estimation.

The asset 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the years ending December 31, 2022 and 2021.

U.S. Treasury Securities, Government Securities, and Marketable Equity Securities

These securities are valued at the closing price reported on the active market on which the individual securities are traded. U.S. treasury securities, government securities and marketable equity securities are classified as Level I investments.

Mutual Equity and Bond Funds

These investments are valued at the NAV of shares held by the Foundation at year-end. The NAV is the closing price reported on the active market on which the securities are traded. Mutual equity and bond funds are classified as Level I investments.

Mortgage and Municipal Bonds and Other Notes

Mortgage bonds are valued at their recent bid prices (sales prices if the principal market is an exchange) in the principal market in which such securities are normally traded, as determined by recognized dealers in such securities, or securities are valued on the basis of information provided by a pricing service. Mortgage bonds are classified as Level II investments.

Municipal bonds are valued at prices calculated daily by municipal bond pricing services. Through the municipal bond community, the pricing services obtain information such as market conditions, interest rates, payment schedules, ratings, insurance status, and call and put schedules to determine the fair market value. Municipal bonds are categorized as Level II investments.

4. FAIR VALUE MEASUREMENTS (Continued)

Mortgage and Municipal Bonds and Other Notes (Continued)

Other notes are valued at consideration paid which management feels approximates fair value. Other notes are classified as Level II investments.

Israel Bonds

Israel bonds are valued at consideration paid which management feels approximates fair value. Israel bonds are classified as Level II investments.

Units in the CFGB's Pool

The investments held by the CFGB are invested in a pooled investment portfolio valued by the CFGB based on the prices of the underlying funds. The unit value of the pooled accounts is calculated by dividing the total value of the assets of the account by the number of units in the account. Distribution requests that are more than the normal spending policy are distributed up to the first \$5 million as soon as possible and generally distributed within 30 days from the request date. The next \$5 million will be processed as soon as possible and generally distributed within 60 days from the request date.

Investment in Real Property

Valued at fair market value based on an independent external appraisal at the date of donation. Management evaluates periodically for significant changes in values based on comparable real property with similar attributes in the market it is located.

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

Investments and beneficial interest in assets held by Community Foundation for Greater Buffalo, which are included in the statement of financial position at fair value, consist of the following:

	<u>Level I</u>	<u>As of December 31, 2022</u>		<u>Total</u>
		<u>Level II</u>	<u>Level III</u>	
U.S. treasury securities	\$ 3,649,964	\$ -	\$ -	\$ 3,649,964
Government securities	967,728	-	-	967,728
Marketable equity securities	92,370,504	-	-	92,370,504
Mutual equity and bond funds	45,920,891	-	-	45,920,891
Mortgage and municipal bonds, and other notes	-	14,579,933	-	14,579,933
Units in CFGB pool	-	-	25,765,272	25,765,272
Israel bonds		<u>611,000</u>		<u>611,000</u>
Total investments at fair value	<u>\$ 142,909,087</u>	<u>\$ 15,190,933</u>	<u>\$ 25,765,272</u>	183,865,292
Investments in real property				<u>343,000</u>
				<u>\$184,208,292</u>

4. FAIR VALUE MEASUREMENTS (Continued)

	<u>As of December 31, 2021</u>			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
U.S. treasury securities	\$ 5,026,735	\$ -	\$ -	\$ 5,026,735
Government securities	896,494	-	-	896,494
Marketable equity securities	85,648,692	-	-	85,648,692
Mutual equity and bond funds	43,162,720	-	-	43,162,720
Mortgage and municipal bonds, and other notes	-	16,951,395	-	16,951,395
Units in CFGB pool	-	-	29,713,168	29,713,168
Israel bonds	-	510,000	-	510,000
Total investments at fair value	<u>\$ 134,734,641</u>	<u>\$ 17,461,395</u>	<u>\$ 29,713,168</u>	181,909,204
Investments in real property				<u>343,000</u>
				<u>\$ 182,252,204</u>

The table below sets forth a summary of changes in the fair value of the Foundations' Level III investments for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 29,713,168	\$ 28,308,215
Deposits	739,794	51,000
Investment (loss) gain	(3,945,727)	4,748,447
Withdrawals	<u>(741,963)</u>	<u>(3,394,494)</u>
Ending balance	<u>\$ 25,765,272</u>	<u>\$ 29,713,168</u>

The following table represents the Level III financial instruments, the valuation techniques used to measure the fair value of those financial instruments as of December 31, and the significant unobservable inputs and the ranges of values for those inputs.

<u>Instrument</u>	<u>Fair Value</u>	<u>December 31, 2022</u>		
		<u>Principal Valuation Techniques</u>	<u>Significant Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Units in CFGB pool	\$ 25,765,272	Fair value based on the fair value of the underlying investments multiplied by the ownership percentage of the Foundation	Investment agreement with the CFGB and underlying investments in the CFGB pool	N/A

4. FAIR VALUE MEASUREMENTS (Continued)

<u>December 31, 2021</u>				
<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Techniques</u>	<u>Significant Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Units in CFGB pool	\$ 29,713,168	Fair value based on the fair value of the underlying investments multiplied by the ownership percentage of the Foundation	Investment agreement with the CFGB and underlying investments in the CFGB pool	N/A

There are no unfunded commitments related the investment in the units of CFGB. See Note 5 for details regarding the liquidity of the investment.

5. BENEFICIAL INTEREST IN ASSETS

The assets held at the CFGB are invested under the following conditions:

- (1) Assets transferred to the CFGB are for investment purposes only and may be withdrawn at any time without penalty but are subject to certain notification restrictions on large disbursements exceeding \$2,500,000 in a 12-month period.
- (2) The investments are for the sole benefit of the Foundation and all individual funds remain under the management of the Foundation and subject to the terms of the investments' gift agreements; and
- (3) Each component fund investment transferred, and any additional transfers made in the future will benefit from the discounted fee schedule extended to the Foundation by the CFGB.

6. SPLIT INTEREST AGREEMENTS

The Foundation's split interest agreements with donors consist of charitable remainder unitrusts and charitable remainder annuity trusts. Assets held under these agreements are included in investments. Generally, contribution revenues are recognized on the dates of donation to the unitrusts or annuities and are established after recording liabilities for the present value of the estimated future payments to be made to the donor or other income beneficiary, using both the discount rate and mortality tables as issued by the IRS. This liability is adjusted on an annual basis for the term of the unitrusts and annuities for changes in the value of the assets and estimates of future benefits. The discount rate utilized, as published by the IRS, was 5.2% and 1.6% at December 31, 2022 and 2021, respectively and the life expectancy of the donor is based on IRS mortality tables. The contribution is recorded as a liability in the year it is received if it is designated for a specific beneficiary organization, besides the Foundation, at the termination of the trust. The contribution is recorded as donor restricted in the year it is given if it will be available for distribution to the general purposes of the Foundation at the termination of the trust or if it has been established by the donor as an endowment fund for the benefit of the Foundation.

7. ENDOWMENTS AND PLEDGES RECEIVABLE

Endowments and pledges receivable are recorded at their estimated net present value based upon the expected year of payment, or in the case of irrevocable bequests, upon the life expectancies of the donors and discount factors of 1.2% - 5.25%.

Estimated collections on outstanding pledges receivable at December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Expected to be collected in:		
Less than one year	\$ 187,837	\$ 201,956
One to five years	1,157,869	1,172,569
Thereafter	<u>2,435,152</u>	<u>2,575,139</u>
	3,780,858	3,949,664
Less: Discount to net present value	(853,863)	(837,203)
Less: Allowance for uncollectible receivables	<u>(16,357)</u>	<u>(16,357)</u>
Net endowments and pledges receivable	<u>\$ 2,910,638</u>	<u>\$ 3,096,104</u>

The allowance for uncollectible receivables of \$16,357 as of December 31, 2022 and 2021 is based upon management's assessment of historical and expected net collections considering historical business and economic conditions and other collection indicators.

8. LIFE INSURANCE POLICIES AND LIFE SETTLEMENT CONTRACTS

The Foundation hold life insurance policies in the General Restricted, Donor Advised and Custodial Funds as follows:

The General Restricted Fund maintains one fund named the Life Insurance Endowment Fund for acquisition of insurance policies on the lives of Foundation donors and donors of other not-for-profit agencies through gifts, by purchase of new policies and purchase of existing policies under life settlement contracts. Policy death benefits are used to create permanent endowment funds at the Foundation. The Life Insurance Endowment Fund held 23 policies on both December 31, 2022 and 2021, with total benefits on December 31, 2022 and 2021 aggregated to \$8,228,164.

The cash surrender values of the General Restricted Fund policies on December 31, 2022 and 2021 were \$1,844,124 and \$1,755,036, respectively. Income from these endowments will be distributed for charitable purposes as designated by the donors.

The Donor Advised Fund has three funds that hold 10 life insurance policies with the Foundation named as the sole owner and beneficiary of the death benefit with total benefits on December 31, 2022 and 2021 aggregated to \$36,550,000.

The cash surrender values of these Donor Advised Fund policies on December 31, 2022 and 2021 were \$1,079,815 and \$1,081,224, respectively. Income from these endowments will be distributed for charitable purposes as designated by the donors.

8. LIFE INSURANCE POLICIES AND LIFE SETTLEMENT CONTRACTS (Continued)

The Custodial Fund has two funds that hold four life insurance policies, whereby the Foundation acts as custodian for the Jewish Community Center (JCC). Three life insurance policies have the JCC named as the owner and beneficiary of death benefits. These death benefits will remain with the Jewish Community Center's funds. On December 31, 2022 and 2021, the death benefits aggregated to \$4,496 and 7,090, respectively, and the cash surrender value was \$3,539 and \$5,984 respectively.

In addition, JCC holds one policy under the executive's deferred compensation arrangement, whereas JCC is the owner, and the estate of the executive is the beneficiary of death benefits. The death benefit of this policy at both December 31, 2022 and 2021 is \$100,000, and the cash surrender value was \$75,846 and \$72,339, respectively.

Life Settlement Contracts

The Foundation had acquired existing, in force life insurance policies by entering into life settlement contracts. Consideration paid for such policies is negotiated based on the market value of the policies. Under the terms of these agreements, the Foundation becomes the owner and sole beneficiary of these policies.

At December 31, 2022 and 2021, life settlement contracts had a carrying value of \$11,383,270 and \$10,307,620, respectively, and death benefits on these contracts amounted to \$27,000,000.

Life insurance premiums estimated to be paid on life settlement contracts (subject to annual review), for the five years subsequent to December 31, 2022 are as follows:

2023	\$ 1,311,000
2024	1,161,000
2025	1,161,000
2026	1,161,000
2027	<u>1,161,000</u>
	<u>\$ 5,955,000</u>

Premiums paid for life settlement contracts for the years ended December 31, 2022 and 2021 amounted to \$2,127,150 and \$2,290,401, respectively.

9. LOANS AND NOTES RECEIVABLE

The following represents the loans and notes receivable as of December 31:

	<u>2022</u>	<u>2021</u>
Secured working capital credit line to a custodial agency with a maximum borrowing capacity of up to \$4,700,000. The credit line is collateralized by property held by the agency and bears interest at a rate of prime plus 2.5% with a floor of 5% and a cap of 6% annum. Effective January 1, 2017, the credit line agreement was amended to capitalize interest into the principal balance of the loan.	\$ 3,917,535	\$ 3,722,872
Secured credit loan to a custodial agency with original borrowing of \$2,100,000. The note requires interest only payments at the prime rate of interest plus 4% per annum with principal due January 1, 2023. The loans are collateralized by property held by the Foundation.	2,985,928	2,799,577
Promissory note to a custodial agency. The note requires interest only payments at 5% per annum with principal due January 1, 2023.	550,000	550,000
Secured credit loan to a custodial agency in an amount not to exceed \$200,000. The note requires interest only payments at the prime rate of interest plus 4% per annum with principal due January 1, 2023. The loans are collateralized by property held by the Foundation.	48,595	45,536
Secured note receivable to a custodial agency with interest only through November 1, 2022 at a rate of one month LIBOR plus 1.75% through December 31, 2022; SOFR plus 1.75% after December 31, 2022. Thereafter, amortized over 15 years with maturity on November 1, 2027.	300,000	300,000
Various educational loans and loans receivable to various custodial agencies with interest rates ranging from interest-free to 5%.	<u>651,427</u>	<u>627,815</u>
	8,453,485	8,045,800
Less: Allowance for uncollectible loans	<u>(769,959)</u>	<u>(769,959)</u>
	<u>\$ 7,683,526</u>	<u>\$ 7,275,841</u>

The allowance for uncollectible loans receivable is based upon management's assessment of historical and expected net collections considering historical business and economic conditions. Certain loans are collateralized by assets received and held by the Foundation related to the loan.

9. LOANS AND NOTES RECEIVABLE (Continued)

Estimated collections on loans receivable for the years ending December 31 are as follows:

2023	\$	638,600
2024		6,258,284
2025		52,052
2026		46,870
2027		40,532
Thereafter		<u>647,188</u>
	\$	<u>7,683,526</u>

10. FIXED ASSETS

Fixed assets and accumulated depreciation for the year ended December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Office furniture and equipment	\$ 414,626	\$ 506,504
Less: Accumulated depreciation	<u>(397,380)</u>	<u>(422,292)</u>
	<u>\$ 17,246</u>	<u>\$ 84,212</u>

Depreciation expense for the years ended December 31, 2022 and 2021 amounted \$7,945 and \$14,676, respectively.

11. FUNDS HELD ON BEHALF OF OTHER ORGANIZATIONS

The Foundation for Jewish Philanthropies manages endowment and quasi-endowment funds for various other social service agencies, community organizations, temples, and synagogues. The Foundation provides investment and other fund management services to these organizations, under agreements, which specify charges and fees, where applicable. Since these funds remain under the control of the agencies, they are shown as funds held on behalf of other organizations.

The *Custodial fund* maintains approximately 380 funds for 23 agencies in the amount of \$34,800,963 and \$42,822,857 as of December 31, 2022 and 2021, respectively.

The *General Restricted fund* maintains over 210 funds in the amount of \$54,418,824 and \$34,219,187 as of December 31, 2022 and 2021, respectively.

The *Charitable Trust fund* maintained one fund in the amount of \$32,642 as of December 31, 2021. There were no *Charitable Trust funds* maintained on behalf of other organizations as of December 31, 2022.

12. LINES OF CREDIT

The Foundation has two lines of credit with a financial institution. The first line of credit is for general operating funds in the amount of \$1,000,000. The second line of credit for agency borrowing in the amount of \$7,500,000 was entered into during 2020, the purpose of which is to provide short term demand loans to the custodial agencies. Both lines are collateralized by a first security interest in all business assets of the Foundation. There was no borrowing on the general line of credit and there was \$300,000 outstanding on the agency borrowing line of credit for the years ending December 31, 2022, and 2021. The interest rate of the agency borrowing line of credit is a variable per annum rate equal to one-month LIBOR (4.40% and 0.53% as of December 31, 2022 and 2021, respectively) plus 1.25% (5.65% and 1.88% as of December 31, 2022 and 2021, respectively). When the use of LIBOR is discontinued, the interest rate will be based upon SOFR.

13. RETIREMENT PLAN

The Foundation participates in a multiple employer 401(k) which is sponsored by a professional employer organization. All employees are included as a participant upon date of hire. After reaching the eligibility requirements, the Foundation contributes to the retirement plan at 5% of annual salary for eligible employees, who may also make voluntary additional contributions. Foundation contributions were \$27,485 and \$26,053 for the years ending December 31, 2022, and 2021, respectively.

14. ENDOWMENTS

The Foundation's endowments consist of approximately 210 individual funds, established for a variety of purposes and consisting of both donor restricted endowment funds and endowment funds to be established from the remainder of terminated charitable trusts. The net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Foundation has interpreted New York Prudent Management of Institutional Funds Act (NYPMIFA) which was enacted in September 2010 as requiring the preservation of the fair value of an original, permanently restricted gift as of gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the following amounts as net assets with donor restrictions in the accompanying financial statements:

- The original value of gifts donated to the permanent endowment
- The original value of the subsequent gifts to the permanent endowment; and
- Accumulations to the permanent endowment, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund; and
- The actuarial value of charitable trust gifts donated to the permanent endowment.

The remaining portion of the donor restricted endowment fund that is not detailed above is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

14. ENDOWMENTS (Continued)

The following is a summary of changes in the Foundation's endowment net assets with donor restrictions for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of the year	\$ 33,836,366	\$ 28,423,289
Contributions	5,692,346	721,394
Investment return (loss)	(2,577,146)	2,945,801
Distributions	(1,963,002)	(524,965)
Change in value of split interest agreements	(360,169)	2,270,847
Net assets transferred - donor restriction change	<u>(272,308)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 34,356,087</u>	<u>\$ 33,836,366</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that either the donor or law requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. At December 31, 2022 and 2021, underwater endowments totaled \$522,329 and \$15, respectively, and were reported in net assets with donor restrictions.

	<u>2022</u>	<u>2021</u>
Fair value of underwater endowment funds	\$ 1,697,348	\$ 4,215
Less: Original endowment gift amount	<u>(2,219,677)</u>	<u>(4,230)</u>
	<u>\$ (522,329)</u>	<u>\$ (15)</u>

The Foundation 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. Earnings and losses on the investment funds are recorded in the net assets with donor restrictions category in compliance with the restrictions over earnings as specified by the donor or until appropriated for expenditure by the Board of Trustees.

The Foundation 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. The Foundation's policy for grant distributions is in compliance with NYPMIFA, to limit distributions to not exceed 7% 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 Foundation's objective to maintain purchasing power and to grow investments of the endowment assets held in perpetuity.

15. NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets at December 31 were restricted for the following:

	<u>2022</u>	<u>2021</u>
Charitable projects and programs	\$ 16,556,361	\$ 14,618,302
Split-interest agreements	10,425,461	10,711,749
Scholarships and academic loans	4,659,770	5,717,939
Beneficial interest in trust	2,223,210	2,297,091
Other	<u>491,285</u>	<u>491,285</u>
	<u>\$ 34,356,087</u>	<u>\$ 33,836,366</u>

Net assets released from restrictions during the years ended December 31 included the following:

	<u>2022</u>	<u>2021</u>
Charitable projects and programs	<u>\$ 1,533,775</u>	<u>\$ 524,965</u>

16. LIMITED LIABILITY COMPANIES

As of December 31, 2022 the Foundation held real estate through sole ownership interest in two limited liability companies (LLCs). As of December 31, 2021, the Foundation held real estate through sole ownership interests in three limited liability companies (LLCs). The initial contribution of the LLCs was recorded at appraised value, which approximated fair value, and amounted to \$24,750,000. The purpose of the LLCs is to generate investment income for the Foundation.

During the year ending December 31, 2021, one of the LLCs was sold, leaving two remaining LLCs. Grape Day, LLC was sold for \$6,800,000, resulting in a loss of \$491,361 and is included in investment income without donor restrictions on the consolidated statement of activities and change in net assets. The appraised value, which approximates fair value, amounted to \$19,100,000 as of December 31, 2022 and 2021.

The gross rental revenue generated by the LLCs totaled \$1,016,525 and \$1,045,743 for the years ended December 31, 2022 and 2021, respectively. The Foundation has a management agreement in place with a property management company to manage each of the properties owned under the LLC agreements. These services are donated by the property management company and the estimated value of the services is \$20,000 for the years ended December 31, 2022 and 2021, respectively.

The LLCs' fixed assets and accumulated depreciation for the year ended December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 419,543	\$ 419,543
Buildings	18,680,457	18,680,456
Less: Accumulated depreciation	<u>(2,825,587)</u>	<u>(2,335,057)</u>
	<u>\$ 16,274,413</u>	<u>\$ 16,764,942</u>

16. LIMITED LIABILITY COMPANIES (Continued)

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$490,529 and \$477,033, respectively.

The Foundation leases commercial space to two tenants for varying terms, for which they receive minimum annual rentals.

Future minimum revenues under operating leases are estimated to be as follows:

2023	\$	1,025,000
2024		1,025,200
2025		1,025,200
2026		1,025,200
Thereafter		<u>1,025,200</u>
	\$	<u>5,125,800</u>

The following represents condensed financial information for the LLCs at December 31:

	<u>2022</u>	<u>2021</u>
Net book value of properties	\$ 17,019,188	\$ 18,355,479
Liabilities	<u>236,095</u>	<u>315,614</u>
Net equity	<u>\$ 16,783,093</u>	<u>\$ 18,039,865</u>
Revenues	\$ 1,083,123	\$ 1,115,943
Costs and other expenses	<u>572,258</u>	<u>536,797</u>
Operating income	<u>\$ 510,865</u>	<u>\$ 579,146</u>
Distribution to Foundation (eliminated in consolidation)	<u>\$ 924,000</u>	<u>\$ 940,688</u>

The above information is included in the consolidated financial statements of the Foundation.

17. CONTINGENT EVENT

During 2018, the Board of Trustees became aware of certain accounting irregularities related to funds established by two donors and managed by the Foundation. As a result, the Foundation underwent formal internal and external investigations which were completed during 2019.

During 2022, the Foundation entered into a letter agreement with the New York State Attorney General settling the matter. No penalties were assessed.

The Foundation has filed a request for abatement of excise taxes assessed in connection with the irregularities and legal counsel believes that there is a reasonable position to support the abatement of any excise taxes, interest, or penalties.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 27, 2023 which is the date the consolidated financial statements were available to be issued.