

**JEWISH COMMUNITY FOUNDATION
OF GREATER MERCER, INC.**

June 30, 2020



**JEWISH COMMUNITY FOUNDATION
OF GREATER MERCER, INC.**

For the Year Ended June 30, 2020

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Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

To the Board of Trustees
Jewish Community Foundation of Greater Mercer, Inc.
Lawrenceville, New Jersey

We have audited the accompanying financial statements of Jewish Community Foundation of Greater Mercer, Inc. (the Foundation) which comprise the Statement of Financial Position as of June 30, 2020, and the related Statements of Activities, 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.

Auditors' 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 auditors' 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, 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 Community Foundation of Greater Mercer, Inc. as of June 30, 2020, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Net Assets on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



BKC, CPAs, PC

March 10, 2021
Flemington, New Jersey

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.
Statement of Financial Position
June 30, 2020

ASSETS

Assets

Cash and cash equivalents	\$ 19,586
Investments	1,168,763
Investments - custodial accounts	375,816
Investments - donor advised	3,601,241
Investments - endowment funds	5,849,457
Gift annuity - custodial accounts	6,089
Gift annuity	9,738
Cash value of life insurance	57,846
Other receivable	9,160
	9,160

Total assets	\$ 11,097,696
	11,097,696

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 3,796
Accrued expenses	20,117
Custodial accounts liability	381,906
Total liabilities	405,819

Net assets

Without donor restrictions	816,261
With donor restrictions	9,875,616
Total net assets	10,691,877

Total liabilities and net assets	\$ 11,097,696
	11,097,696

See accompanying notes to the financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.

Statement of Activities

For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 21,989	\$ 1,052,520	\$ 1,074,509
Fee income	106,484	-	106,484
Net assets released from restrictions	<u>1,353,717</u>	<u>(1,353,717)</u>	<u>-</u>
Total support and revenue	<u>1,482,190</u>	<u>(301,197)</u>	<u>1,180,993</u>
Expenses			
Program services	1,539,328	-	1,539,328
Mangement and general	69,984	-	69,984
Fundraising	<u>15,821</u>	<u>-</u>	<u>15,821</u>
Total expenses	<u>1,625,133</u>	<u>-</u>	<u>1,625,133</u>
Changes in net assets from operations	(142,943)	(301,197)	(444,140)
Other income (expense)			
Investment income (loss), net	<u>3,078</u>	<u>(28,978)</u>	<u>(25,900)</u>
Changes in net assets	(139,865)	(330,175)	(470,040)
Net assets - beginning of year	449,592	8,818,000	9,267,592
Reclassifications	<u>506,534</u>	<u>1,387,791</u>	<u>1,894,325</u>
Net assets - end of year	<u>\$ 816,261</u>	<u>\$ 9,875,616</u>	<u>\$ 10,691,877</u>

See accompanying notes to the financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses				
Salaries	\$ 74,748	\$ 32,489	\$ 12,826	\$ 120,063
Payroll taxes	8,103	3,522	1,390	13,015
Total salaries and related expenses	82,851	36,011	14,216	133,078
Allocations	1,418,869	-	-	1,418,869
Conferences and meetings	2,681	1,149	-	3,830
Insurance	-	8,165	-	8,165
Office expenses	9,723	4,855	1,605	16,183
Professional fees	17,785	16,059	-	33,844
Rent	2,522	2,521	-	5,043
Website	4,897	1,224	-	6,121
Total expenses	<u>\$ 1,539,328</u>	<u>\$ 69,984</u>	<u>\$ 15,821</u>	<u>\$ 1,625,133</u>

See accompanying notes to the financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.

**Statement of Cash Flows
For the Year Ended June 30, 2020**

Cash flows from operating activities	
Changes in net assets	\$ (470,040)
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Investment loss - endowments	(5,085)
Net unrealized gain on investments	30,879
Net realized loss on investments	(16,551)
Investment fees	40,196
Donated securities for unrestricted purposes	(659,633)
(Increase) decrease in assets	
Investments - custodial accounts	(73,637)
Prepaid expense	2,381
Other receivable	19,585
Increase in liabilities	
Accounts payable and accrued expenses	8,666
Custodial accounts liability	72,960
Total adjustments	<u>(580,239)</u>
Net cash used in operating activities	<u>(1,050,279)</u>
 Cash flows from investing activities	
Transfers to investment account	(392,887)
Transfers from investment account	1,418,869
Net cash provided by investing activities	<u>1,025,982</u>
 Cash flows from financing activities	
Investment loss - endowments	<u>5,085</u>
Net cash provided by financing activities	<u>5,085</u>
 Net change in cash and cash equivalents	(19,212)
 Cash and cash equivalents - beginning of year	<u>38,798</u>
 Cash and cash equivalents - end of year	<u>\$ 19,586</u>

See accompanying notes to the financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

Nature of foundation

Jewish Community Foundation of Greater Mercer, Inc., formerly the Jewish Community Foundation of Princeton Mercer Bucks, NJ/PA (the Foundation), is located in Lawrenceville, New Jersey and is organized to provide a capital fund or funds to further the educational, religious and charitable needs of the Jewish community, including specifically the Jewish community of Mercer County and environs, New Jersey and Bucks County, Pennsylvania. In order to accomplish this, it may establish funds which provide for educational, religious, charitable and scientific needs beyond that of the Jewish community.

Basis of accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with the accounting policies generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period then ended. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include unrestricted time deposit, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

Investments

The Foundation carries investments with readily determinable fair values and all investments in debt securities at their fair values. Unrealized gains and losses are included in the change in net assets.

Custodial accounts

The Foundation holds cash and cash equivalents, investments, and gift annuities on behalf of other charitable organizations as a fiduciary agent for the purpose of investment management only.

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Public support and revenue recognition

Contributions are recognized in the period the donor makes the promise to give. The Foundation records contributions as with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as changes in net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the periods received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, that are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair values in the periods received. Volunteers have contributed significant amounts of time to the activities of the foundation, without compensation. The financial statements do not reflect the value of those contributed services.

Investment income, and gains restricted by donors, are reported as increases in net assets without donor restrictions, if the restrictions are met (which happens either when a stipulated time period ends or when a purpose restriction is accomplished) in the reporting period during which the income and gains are recognized.

Equipment

Equipment purchases in excess of \$1,000 are recorded at cost, except for donated items, which are recorded at their fair market values on the date of donation. Depreciation is provided over the estimated useful lives of the assets (five years) using the straight-line method. Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred. Equipment with a cost of \$2,477 is fully depreciated as of June 30, 2020. There was no depreciation expense for the year ended June 30, 2020.

Net asset classifications

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets are defined as follows:

Net assets without donor restrictions - net assets are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired.

Net assets with donor restrictions - net assets include assets for which donor-imposed stipulations that will be met by actions of the Foundation and/or by the passage of time.

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Functional allocation of expenses

The cost of providing the program and other activities has been summarized on a functional basis in the Statement of Functional Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Management has determined the allocation of payroll and program expenses using specific identification. Indirect expenses have been allocated based on management's estimate.

Advertising expenses

The costs of advertising are expensed as incurred. Advertising expense amounted to \$530 for the year ended June 30, 2020.

Income taxes

The Foundation has been notified by the Internal Revenue Service that they are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is further classified as an Organization that is not a supporting organization under Section 509(a)(3) of the Code. The most significant tax positions of the Foundation are its assertions that it is exempt from income taxes and its determination that no amounts are subject to unrelated business income tax (UBIT). Income generated by activities that would be considered unrelated to the Organization mission would be subject to income tax.

The Foundation follows the guidance of Accounting Standards Codification (ASC) Topic 740, *Accounting for Income Taxes*, related to uncertain income tax provisions, which prescribes a threshold of more likely than not, for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management has determined that it is more likely than not, that all tax positions would be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been recorded.

The Foundation files a Form 990 Return of Organization Exempt Form Tax, annually with the Internal Revenue Service, as well as State equivalent filings. The filings are subject to audit by the appropriate authority. The Foundation's information returns before 2016 are no longer subject to examination by Federal or New Jersey authorities due to the statute of limitations.

Note 2 - Concentration of risk

The Foundation maintains its cash and cash equivalents in bank deposit accounts, which are insured by the Federal Deposit Insurance Corporation (FDIC) and in investment accounts, which are not federally insured. From time to time deposits at an insured bank may exceed the coverage. As of June 30, 2020, there was no uninsured cash.

During the year ended June 30, 2020, the Foundation received approximately 35% of its total support and revenue from one donor.

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.
Notes to the Financial Statements

Note 3 - Investments

Investments are stated at fair value and consist primarily of stocks, bonds and other investments. Fair values and unrealized appreciation/(depreciation) as of June 30, 2020 are summarized as follows:

	<u>Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
With donor restrictions			
stocks, bonds, other	\$ 8,759,584	\$ 10,230,706	\$ 1,471,122
Without donor restrictions			
stocks, bonds, other	654,630	764,571	109,941
Total	<u>\$ 9,414,214</u>	<u>\$ 10,995,277</u>	<u>\$ 1,581,063</u>

The following schedule summarizes the investment return and its classification for the year ended June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Interest and dividends	\$ 8,792	\$ 109,962	\$ 118,754
Net realized and unrealized gains (losses)	<u>(1,150)</u>	<u>(13,326)</u>	<u>(14,476)</u>
Subtotal	7,642	96,636	104,278
Investment fees	<u>(4,564)</u>	<u>(125,614)</u>	<u>(130,178)</u>
Total	<u>\$ 3,078</u>	<u>\$ (28,978)</u>	<u>\$ (25,900)</u>

Note 4 - Fair value measurements

The Foundation applied generally accepted accounting principles for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. Generally accepted accounting principles establish 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 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.
Notes to the Financial Statements

Note 4 - Fair value measurements (continued)

The level in the fair value hierarchy within which a fair measurement in its entirety falls in based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Stock funds	\$ 6,808,279	\$ -	\$ -
Bond funds	2,345,009	-	-
Short-term reserves	1,821,156	-	-
Money market fund	20,833	-	-
Total investments	<u>\$ 10,995,277</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5 - Availability of financial assets

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

Financial assets at June 30, 2020:

Cash and cash equivalents	\$ 19,586
Investments	10,619,461
Other receivables	9,160
Total financial assets	<u>10,648,207</u>

Less those unavailable for general expenditures within one year, due to:

Restricted funds for allocations	<u>9,875,616</u>
Financial assets available to meet cash needs for general expenditures within 1 year	<u>\$ 772,591</u>

Note 6 - Gift annuities

The Foundation is the beneficiary, under a gift annuity, of a distribution upon the death of the donor of the annuity. The annuity is held by a third-party trustee.

The activity during the year ended June 30, 2020 for the annuity is as follows:

Balance - beginning of year	\$ 10,562
Unrealized depreciation in value	(824)
Balance - end of year	<u>\$ 9,738</u>

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.
Notes to the Financial Statements

Note 7 - Net assets with donor restrictions

Components of net assets with donor restrictions as of June 30, 2020 are as follows:

Foundation programs and income to support foundation programs	
Temporarily restricted and donor advised fund allocations	\$ 4,026,159
Permanently restricted funds for allocations	<u>5,849,457</u>
Total net assets with donor restrictions	<u>\$ 9,875,616</u>

Note 8 - Endowment funds

The Foundation's endowment consists of funds established for a variety of purposes. Net assets with donor restrictions, as of June 30, 2020, consists of \$1,357,388 of endowment funds. The endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity.

The following table provides information regarding the change in endowment net assets for the year ended June 30, 2020:

Endowment net assets - beginning of year	\$ 77,584
Reclassifications	1,306,035
Investment loss, net	(5,085)
Contributions	43,830
Appropriated for expenditure	<u>(64,976)</u>
Endowment net assets - end of year	<u>\$ 1,357,388</u>

Note 9 - Other transactions

During the year ended June 30, 2020, members of the Foundation's Board of Trustees and employees made contributions of approximately \$18,355 for use in operations,.

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.
Notes to the Financial Statements

Note 10 - Custodial accounts liability

As of June 30, 2020, the Foundation is holding cash and investments for other organizations as follows:

Jewish Family Children's Services	\$	15,801
Greenwood House		49,454
Temple Beth El		70,015
United Jewish Federation of Princeton Mercer Bucks, Inc.		13,716
Other		232,920
Total	\$	<u>381,906</u>

For the year ended June 30, 2020, the custodial accounts had investment income of \$4,100, net realized gains of \$522, net unrealized losses of \$2,647, and paid management fees of \$4,277.

Note 11 - Supplemental disclosures of cash flow information

Non-cash investing and financing activities for the year ended June 30, 2020 were:

Contributions of investments	\$	<u>659,633</u>
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Note 12 - Change in accounting standards

ASU 2014-09: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. This ASU, as modified by ASU 2015-14, changes the timing of recording revenue for services performed. This ASU will be effective to the Foundation in the year ending June 30, 2021. Management has not completed its assessment of the impact of this change.

Note 13 - Reclassification of net assets

As a result of the investment committee review of all funds, amounts that are restricted to use and were previously classified as custodial funds have been reclassified to permanently restricted funds.

	As Originally Reported	Change	Reclassified Amount
Cash and cash equivalents	\$ 33,797	\$ 5,001	\$ 38,798
Custodial investments	2,192,329	(1,890,150)	302,179
Investments - endowments	4,037,883	1,890,150	5,928,033
Custodial accounts liability	(2,199,096)	1,889,324	(309,772)
Net assets without donor restrictions	(449,592)	(506,534)	(956,126)
Net assets with donor restrictions	(8,818,000)	(1,387,791)	(10,205,791)

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.
Notes to the Financial Statements

Note 14 - Risks and uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (The COVID-19 outbreak) and the risks to the international community as a virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The Foundation's operations are dependent on donations from individuals. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected to depress the Foundation's contributions and affect the Foundation's ability to engage in special event fundraising during fiscal year 2021. As such, this may hinder the ability to advance their mission. As such, the Foundation's financial condition and liquidity may be negatively impacted for the fiscal year 2021.

Note 15 - Subsequent events

The Foundation's management has determined that no material events or transactions occurred subsequent to June 30, 2020 and through March 10, 2021, the date of the Foundation's financial statement issuance, which require additional disclosure in the Foundation's financial statements.

JEWISH COMMUNITY FOUNDATION OF GREATER MERCER, INC.
Supplemental Information
Schedule of Net Assets
June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Cash and cash equivalents	\$ 19,586	\$ -	\$ 19,586
Investments	811,429	357,334	1,168,763
Investments - custodial accounts	375,816	-	375,816
Investments - donor advised	-	3,601,241	3,601,241
Investments - endowment funds	-	5,849,457	5,849,457
Gift annuity	-	9,738	9,738
Custodial gift annuities	6,089	-	6,089
Cash value of life insurance	-	57,846	57,846
Other receivable	9,160	-	9,160
Accounts payable	(3,796)	-	(3,796)
Accrued expenses	(20,117)	-	(20,117)
Custodial accounts liability	(381,906)	-	(381,906)
	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u>\$ 816,261</u>	<u>\$ 9,875,616</u>	<u>\$ 10,691,877</u>

See independent auditors' report.