JEWISH FAMILY SERVICE OF THE LEHIGH VALLEY

FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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Herbein
CPAs + Advisors

Herbein + Company Inc.
2763 Century Boulevard
Reading, PA 19610
www.herbein.com I 610.378.1175

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jewish Family Service of the Lehigh Valley
Allentown, Pennsylvania

Opinion

We have audited the accompanying financial statements of Jewish Family Service of the Lehigh Valley (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family Service of the Lehigh Valley as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Jewish Family Service of the Lehigh Valley and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Family Service of the Lehigh Valley's 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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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Jewish Family Service of the Lehigh Valley's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Family Service of the Lehigh Valley's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Herbein + Company, Inc.

Reading, Pennsylvania
December 19, 2023

JEWISH FAMILY SERVICE OF THE LEHIGH VALLEY

STATEMENTS OF FINANCIAL POSITION

	Note Reference Number	June 30, 2023 Without Donor Restrictions	June 30, 2023 With Donor Restrictions	June 30, 2023 Totals	June 30, 2022 Without Donor Restrictions	June 30, 2022 With Donor Restrictions	June 30, 2022 Totals
ASSETS							
CURRENT ASSETS							
Cash		$ 136,791	$ 208,720	$ 345,511	$ 149,498	$ 99,441	$ 248,939
Accounts receivable		29,914	-	29,914	27,393	-	27,393
Prepaid expenses		30,713	-	30,713	16,053	-	16,053
Other assets		760	-	760	420	-	420
TOTAL CURRENT ASSETS		198,178	208,720	406,898	193,364	99,441	292,805
NONCURRENT ASSETS							
Investments	2	5,412,291	50,000	5,462,291	4,953,398	50,000	5,003,398
Land, building, and equipment:							
Land		15,113	-	15,113	15,113	-	15,113
Building and improvements		478,323	-	478,323	478,323	-	478,323
Furniture and fixtures		44,739	-	44,739	44,739	-	44,739
Construction in progress		6,284	-	6,284	-	-	-
		544,459	-	544,459	538,175	-	538,175
Less: accumulated depreciation		(381,218)	-	(381,218)	(368,757)	-	(368,757)
Net land, building, and equipment		163,241	-	163,241	169,418	-	169,418
TOTAL NONCURRENT ASSETS		5,575,532	50,000	5,625,532	5,122,816	50,000	5,172,816
TOTAL ASSETS		$ 5,773,710	$ 258,720	$ 6,032,430	$ 5,316,180	$ 149,441	$ 5,465,621
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable		$ 3,185	$ -	$ 3,185	$ 6,875	$ -	$ 6,875
Accrued expenses		54,299	-	54,299	69,930	-	69,930
TOTAL CURRENT LIABILITIES		57,484	-	57,484	76,805	-	76,805
NET ASSETS							
Without donor restrictions:							
Board designated	3	5,521,484	-	5,521,484	5,125,150	-	5,125,150
Undesignated	3	194,742	-	194,742	114,225	-	114,225
Total without donor restrictions		5,716,226	-	5,716,226	5,239,375	-	5,239,375
With donor restrictions:							
Time or purpose	3	-	208,720	208,720	-	99,441	99,441
Perpetuity	3	-	50,000	50,000	-	50,000	50,000
Total with donor restrictions		-	258,720	258,720	-	149,441	149,441
TOTAL NET ASSETS		5,716,226	258,720	5,974,946	5,239,375	149,441	5,388,816
TOTAL LIABILITIES AND NET ASSETS		$ 5,773,710	$ 258,720	$ 6,032,430	$ 5,316,180	$ 149,441	$ 5,465,621

See accompanying notes.

JEWISH FAMILY SERVICE OF THE LEHIGH VALLEY

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	Note Reference Number	2023			2022		
		Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
PUBLIC SUPPORT AND REVENUES							
Contributions		$ 556,398	$ 58,412	$ 614,810	$ 454,297	$ 42,500	496,797
Jewish Federation of the Lehigh Valley grants		50,467	100,000	150,467	113,500	8,333	121,833
Contributed nonfinancial assets		160,411	-	160,411	145,784	-	145,784
Special events, net of expenses (2023 - $10,831 and 2022 - $10,661)		79,291	-	79,291	75,843	-	75,843
Casework and service fees		2,535	-	2,535	4,150	-	4,150
Third-party fees		41,626	-	41,626	45,137	-	45,137
Miscellaneous		4,926	-	4,926	1,778	-	1,778
Restrictions satisfied		52,010	(52,010)	-	29,241	(29,241)	-
TOTAL PUBLIC SUPPORT AND REVENUES		947,664	106,402	1,054,066	869,730	21,592	891,322
EXPENSES							
Program services		997,358	-	997,358	798,760	-	798,760
Supporting services:							
General and administrative		90,505	-	90,505	153,693	-	153,693
Fundraising		32,052	-	32,052	26,419	-	26,419
Total supporting services		122,557	-	122,557	180,112	-	180,112
TOTAL EXPENSES		1,119,915	-	1,119,915	978,872	-	978,872
NET INCOME (LOSS) FROM OPERATIONS		(172,251)	106,402	(65,849)	(109,142)	21,592	(87,550)
NONOPERATING INVESTMENT RETURN	2	649,102	2,877	651,979	(704,507)	(4,121)	(708,628)
CHANGE IN NET ASSETS		476,851	109,279	586,130	(813,649)	17,471	(796,178)
NET ASSETS AT BEGINNING OF YEAR		5,239,375	149,441	5,388,816	6,053,024	131,970	6,184,994
NET ASSETS AT END OF YEAR		$ 5,716,226	$ 258,720	$ 5,974,946	$ 5,239,375	$ 149,441	$ 5,388,816

See accompanying notes.

JEWISH FAMILY SERVICE OF THE LEHIGH VALLEY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services					Supporting Services		
	Direct Assistance	Volunteer	Mental Health Services	Development	Total Program Services	General and Administrative	Fundraising	Total
Salaries	$ 289,475	$ 24,671	$ 73,258	$ 73,892	$ 461,296	$ 61,679	$ 15,263	$ 538,238
Employee benefits	9,416	802	2,383	2,403	15,004	2,006	496	17,506
Payroll taxes	24,525	2,090	6,207	6,260	39,082	5,226	1,293	45,601
Total salaries and related expenses	323,416	27,563	81,848	82,555	515,382	68,911	17,052	601,345
Office expenses	32,012	2,728	8,101	8,171	51,012	8,509	-	59,521
Printing service	1,171	100	296	299	1,866	311	-	2,177
Staff recruitment	12	1	3	3	19	3	-	22
Professional fees	12,617	1,075	3,193	3,221	20,106	3,354	-	23,460
Occupancy expenses	11,985	1,021	3,033	3,059	19,098	3,186	-	22,284
Public relations	884	75	224	226	1,409	235	15,000	16,644
Staff transportation	2,264	193	573	578	3,608	602	-	4,210
Dues and fees	2,373	202	601	606	3,782	631	-	4,413
Conferences and training	1,274	109	322	325	2,030	339	-	2,369
Family and community services	344,533	-	2,298	5,685	352,516	-	-	352,516
Insurance	7,356	627	1,862	1,878	11,723	1,955	-	13,678
Repairs and maintenance	2,590	221	655	661	4,127	688	-	4,815
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	742,487	33,915	103,009	107,267	986,678	88,724	32,052	1,107,454
Depreciation	6,701	571	1,697	1,711	10,680	1,781	-	12,461
TOTAL EXPENSES	$ 749,188	$ 34,486	$ 104,706	$ 108,978	$ 997,358	$ 90,505	$ 32,052	$ 1,119,915

See accompanying notes.

JEWISH FAMILY SERVICE OF THE LEHIGH VALLEY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services					Supporting Services		
	Direct Assistance	Volunteer	Mental Health Services	Development	Total Program Services	General and Administrative	Fundraising	Total
Salaries	$ 153,755	$ 54,775	$ 61,426	$ 72,626	$ 342,582	$ 96,708	$ 10,083	$ 449,373
Employee benefits	5,262	1,875	2,102	2,485	11,724	3,310	345	15,379
Payroll taxes	15,110	5,383	6,036	7,137	33,666	9,503	991	44,160
Total salaries and related expenses	174,127	62,033	69,564	82,248	387,972	109,521	11,419	508,912
Office expenses	27,312	9,730	10,911	12,900	60,853	18,969	-	79,822
Printing service	675	240	270	319	1,504	469	-	1,973
Staff recruitment	75	27	30	36	168	52	-	220
Professional fees	6,687	2,382	2,671	3,158	14,898	4,644	-	19,542
Occupancy expenses	8,832	3,146	3,528	4,172	19,678	6,134	-	25,812
Public relations	6,673	2,377	2,666	3,152	14,868	4,635	15,000	34,503
Staff transportation	610	217	244	288	1,359	423	-	1,782
Dues and fees	1,484	529	593	701	3,307	1,031	-	4,338
Conferences and training	407	145	163	192	907	283	-	1,190
Family and community services	263,028	-	1,506	4,545	269,079	-	-	269,079
Insurance	4,396	1,566	1,756	2,077	9,795	3,053	-	12,848
Repairs and maintenance	1,714	610	685	809	3,818	1,190	-	5,008
Miscellaneous	205	73	81	96	455	141	-	596
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	496,225	83,075	94,668	114,693	788,661	150,545	26,419	965,625
Depreciation	4,532	1,615	1,811	2,141	10,099	3,148	-	13,247
TOTAL EXPENSES	$ 500,757	$ 84,690	$ 96,479	$ 116,834	$ 798,760	$ 153,693	$ 26,419	$ 978,872

See accompanying notes.

JEWISH FAMILY SERVICE OF THE LEHIGH VALLEY

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 586,130	$ (796,178)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,461	13,247
Net realized gains on investments	(12,269)	(43,558)
Net unrealized (gain) loss on investments	(535,612)	843,445
Changes in:		
Accounts receivable	(2,521)	475,208
Prepaid expenses	(14,660)	(9,029)
Other assets	(340)	590
Accounts payable and accrued expenses	(19,321)	12,090
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,868	495,815
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, building, and equipment	(6,284)	(4,525)
Proceeds from sale of investments	210,731	12,992
Purchase of investments	(121,743)	(630,122)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	82,704	(621,655)
NET INCREASE (DECREASE) IN CASH	96,572	(125,840)
CASH AT BEGINNING OF YEAR	248,939	374,779
CASH AT END OF YEAR	$ 345,511	$ 248,939

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities
Jewish Family Service of the Lehigh Valley (the "Organization") is a nonprofit corporation whose mission is to help meet the needs of children, adults, and families of all ages and from all walks of life who are trying to cope with life stress. Assistance and support are provided through a wide range of high-quality counseling and support services. The Organization provides the following services and programs:

Direct Assistance - provides concrete resources to clients to develop and sustain linkages to community agencies for those in need, operates a food pantry, and assists people through referral and advocacy so that they can access needed resources from other community and government agencies.

Volunteer - implements programs and workshops on issues relevant to the community and to address special needs.

Mental Health Services - provides individual, marital, parent/child, family, and group counseling for problems encountered at all stages of life.

Development - provides programs to educate community members on topics affecting various stages of life.

The Lehigh Valley Jewish Foundation - Jewish Family Service Fund, a subsidiary of Jewish Family Service of the Lehigh Valley, is also a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania. The subsidiary is inactive and therefore not reflected in the financial statements. Both organizations are exempt from federal and state income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting
The financial statements of the Organization have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

Cash
For purposes of reporting cash flows, the Organization considers all cash deposited in bank accounts and money related funds to be cash on the accompanying statements of financial position. This excludes cash held for long-term investments.

At various times during the year, the Organization had cash balances in excess of the federally insured limit in deposit accounts at one local bank.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable

Accounts receivable are stated at unpaid balances. The Organization provides for losses on accounts receivable using the direct write-off method. Receivables are considered impaired if full payment on invoices is not received. The Organization charges off uncollectible accounts receivable when management determines the receivable will not be collected.

Investments

Investments in equity securities with readily determinable fair values and investments in mutual funds, debt securities, exchange traded funds, and pooled investments are measured at fair market value in the statements of financial position. Investment return, including gains and losses of investments, interest and dividends, and investment fees are included in the statements of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or law.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position.

Land, Building, and Equipment

Purchases of land, building, and equipment are capitalized at cost. Donations of land, building, and equipment are recorded as contributions at their fair market value. The Organization's policy is to capitalize any assets in excess of $2,500 with an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Building	40 years
Building improvements	7 to 40 years
Furniture and fixtures	5 to 10 years

Maintenance and repairs of land, building, and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of land, building, and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations. Construction in progress is stated at cost and consists primarily of costs incurred for building improvement projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received, and expenses incurred in conducting the Organization's charitable mission are included in this category.

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Organization has been limited by donors to later periods of time or after specified dates, or to specified purposes.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Contribution Revenue

The Organization recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised, and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions be met before the contribution is made are not recorded until the conditions are met.

In addition to contributions, support received under grants are considered nonreciprocal transactions and follow the guidance for contributions. These grants are recorded in the appropriate fund when the conditions are met, including incurring related costs and/or meeting program requirements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Nonfinancial Assets

Contributed nonfinancial assets are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities).

Contributed nonfinancial assets are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. The amount of such donated items was $160,411 and $145,784 in the years ended June 30, 2023 and 2022, respectively, and includes donated food for the food pantry which is valued using the average cost of food, per pound, as published by a leading hunger relief organization. There are no restrictions on contributed nonfinancial assets at year end. The Organization does not sell contributed nonfinancial assets and only utilized them for the food pantry program.

A substantial number of volunteers have donated significant hours to the Organization's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Revenue Recognition

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), which applies to exchange transactions with customers that are bound by contract or similar arrangement and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statement of activities:

<u>Third-Party and Other Fees</u>

The Organization provides a full range of counseling services to individuals, couples, families, and groups. Billing of these services is based on the length of the session and the location (i.e., the Organization's office, client's home, virtual, etc.). The revenue is almost exclusively from Medicare insurance and/or the related co-pay from private insurance carriers/private pay individuals and the performance obligation is met when the service is performed. These are short duration contracts and the revenue is recognized when the insurance company approves payment for the services or the individual makes the payment, in the case of private pay, which is typically during the fiscal year of the service provided.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued

Special Events
The Organization conducts events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Organization. The fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statements of activities. The performance obligation is delivery of the event. Special event fees are received within the same fiscal year in which the event occurs.

Functional Expense Allocation
Expenses that can be identified with specific programs and support services are allocated directly to their natural expenditure classification. Expenses relating to more than one function are allocated to program and supporting services based on the Organization's estimate of time spent by key personnel between functions and related expenses incurred for the programs and supporting services benefited.

Reclassification
Certain amounts in the prior year financial statements have been reclassified for comparative purposes to confirm to the presentation of the current year financial statements.

Tax-Exempt Status
The Organization has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. The Organization files federal and state information returns as required. There is no current year provision for federal or state income taxes.

In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions relative to unrelated business income, if any, as required.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 date of the financial statements, and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Subsequent Events
In preparing these financial statements, Jewish Family Service of the Lehigh Valley has evaluated events and transactions for potential recognition or disclosure through December 19, 2023, the date the financial statements were available to be issued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events - continued
In December 2023, the Organization submitted amended Forms 941 to the Internal Revenue Service (IRS) to apply for the Employee Retention Tax Credit (ERTC), totaling $135,480. The ERTC is a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages, that was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP).

Adoption of Accounting Pronouncement
In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance (Accounting Standards Codification ("ASC") 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, 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 Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) using a modified retrospective approach. The standard had no effect on the Organization's financial statements.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments held as of June 30 are summarized as follows:

	2023	2022
Money market funds	$ 6,133	$ 99,123
Mutual funds	583,142	566,040
Debt securities	50,000	50,000
Exchange traded funds	1,786,230	1,519,495
Investments held by Jewish Federation of the Lehigh Valley	3,036,786	2,768,740
	$ 5,462,291	$ 5,003,398

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Investment return is summarized as follows:

	2023	2022
Interest and dividends	$ 116,321	$ 104,251
Realized gain on investments	12,269	43,558
Unrealized gain (loss) on investments	535,612	(843,445)
Investment fees	(12,223)	(12,992)
Total	$ 651,979	$ (708,628)

Financial accounting standards require the use of fair value measurement. Jewish Family Service of the Lehigh Valley, in accordance with generally accepted accounting principles, has applied fair value measurement.

The framework for measuring fair value 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 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Long-Term Investments
Custodians hold the investments of Jewish Family Service of the Lehigh Valley in accordance with the investment policy of the Organization. Amounts held are invested to diversify the funds to minimize the risk of large losses and preserve the capital. Investments are comprised of mutual funds, debt securities, and exchange traded funds for which fair value is based on quoted market prices in an active market. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Investments Held by the Jewish Federation of the Lehigh Valley
Jewish Family Service of the Lehigh Valley has funds held by the Jewish Federation of the Lehigh Valley which are managed by a financial institution's trust department. The financial institution holds the investments in diversified and balanced portfolios consisting of cash and cash equivalents, corporate debt securities, equity securities, and mutual funds. These investments are valued by the trust managers based on the quoted market prices for shares held. If a quoted market price is not available, fair value is estimated using quoted or market prices for similar securities.

The method described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its reliance on the valuation methods of the institution 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.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

The following tables set forth Jewish Family Service of the Lehigh Valley's assets at fair value by level within the fair value .hierarchy as of June 30:

	2023			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 583,142	$ -	$ -	$ 583,142
Debt securities	-	50,000	-	50,000
Exchange traded funds	1,786,230	-	-	1,786,230
Investments held by Jewish Federation of the Lehigh Valley	-	-	3,036,786	3,036,786
Total	$ 2,369,372	$ 50,000	$ 3,036,786	$ 5,456,158

	2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 566,040	$ -	$ -	$ 566,040
Debt securities	-	50,000	-	50,000
Exchange traded funds	1,519,495	-	-	1,519,495
Investments held by the Jewish Federation of the Lehigh Valley	-	-	2,768,740	2,768,740
Total	$ 2,085,535	$ 50,000	$ 2,768,740	$ 4,904,275

The following table sets forth a summary of changes of the Organization's Level 3 assets for the years ended June 30:

	2023	2022
Balance beginning of year	$ 2,768,740	$ 2,600,307
Interest and dividends	60,202	59,994
Contributions	-	520,596
Realized gains	6,086	32,222
Unrealized gains (losses)	311,082	(434,582)
Withdrawals	(100,000)	-
Fees	(9,324)	(9,797)
Balance at end of year	$ 3,036,786	$ 2,768,740

NOTE 3 - NET ASSETS

The Organization's net assets without donor restrictions are comprised of undesignated funds and board designated funds. From time to time, the Board may designate funds for specific purposes which would be included with net assets without donor restrictions. Board designated assets totaled $5,521,484 and $5,125,150 at June 30, 2023 and 2022, respectively. Of the board designated funds, $5,239,114 and $4,799,958 at June 30, 2023 and 2022, respectively, are held for long-term investment. At June 30, 2023 and 2022, $85,676 and $67,692, respectively, of board designated funds are held for endowment. The remaining $196,694 and $257,500 that is board designated at June 30, 2023 and 2022, are for future programs and projects as determined by the Board.

Net assets with donor restrictions consist of the following at June 30:

	2023	2022
Time or purpose:		
Lecture series	$ 27,980	$ 25,103
Disability fund	52,328	49,505
COVID relief	9,200	16,500
Older adult services	100,000	-
Emergency food and shelter	19,212	-
Other time and purpose restrictions	-	8,333
Subtotal time or purpose	208,720	99,441
Perpetuity:		
Endowment funds	50,000	50,000
Total net assets with donor restrictions	$ 258,720	$ 149,441

Net assets were released from restrictions satisfying the restricted purposes specified by donors as follows at June 30:

	2023	2022
Disability fund	$ 27,177	$ 29,241
COVID relief	16,500	-
Other time and purpose restrictions	8,333	-
	$ 52,010	$ 29,241

NOTE 4 - ENDOWMENT FUNDS

The Organization's endowment funds consist of one board designated endowment and one donor-restricted endowment fund of which the original donation is to be held in perpetuity, with the income expendable by the Organization in accordance with donor instructions. As required by generally accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's board designated endowment was established for gifts received under the Jewish Community Life and Legacy Campaign and for which it has elected to be governed by the Pennsylvania Act 141 which relates to nonprofit endowments. The Organization has elected to follow a total return investment and spending policy.

Interpretation of Relevant Law
The Board of Directors of the Organization has interpreted the laws of the Commonwealth of Pennsylvania as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions, in perpetuity (a) the original value of gift donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. In accordance with the laws of the Commonwealth of Pennsylvania, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) donor restrictions, (2) the duration and preservation of the various funds, (3) the purposes of the donor-restricted endowment fund, (4) general economic conditions, (5) the possible effect of inflation and deflation, (6) the expected total return from income and the appreciation of investments, (7) other resources of the Organization, and (8) the Organization's investment policies.

Investment Objectives
The primary objective of the Organization is to attempt to provide a predictable stream of funding to activities supported by the endowment while seeking to maintain the original value of the gift donated. The policy establishes an achievable return objective. Actual returns in any given year may vary from the objective. The Organization follows the donor recommendation to maintain the funds in a specific mutual fund to achieve its objectives within moderate risk parameters.

Spending Policy
Since all endowment funds are board designated or relate to one donor-restricted fund, the spending policy is based on the total return election noted above that requires that funds must be invested for total return, whether the return is derived from capital appreciation or earnings and a memorandum of understanding with the donor. Regarding the donor-restricted endowment, the donor only restricted the original $50,000 gift amount and specified that all earnings, including interest, dividends, and capital appreciation, both realized and unrealized, are to be spent to further the mission of the organization annually.

NOTE 4 - ENDOWMENT FUNDS - CONTINUED

Underwater Endowment Funds

The Organization 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 director of the applicable donor gift instrument. The Organization has no underwater endowment funds at June 30, 2023 or 2022.

Endowment net asset composition as of June 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 85,676	$ -	$ 85,676
Donor-restricted endowment funds	-	50,000	50,000
Totals funds	$ 85,676	$ 50,000	$ 135,676

Changes in endowment net assets for the year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 67,692	$ 50,000	$ 117,692
Investment return:			
Interest and dividends, net	1,234	1,439	2,673
Net realized and unrealized gains	7,750	9,315	17,065
Total investment return	8,984	10,754	19,738
Contributions	9,000	-	9,000
Distributions of funds	-	(10,754)	(10,754)
Endowment net assets, end of year	$ 85,676	$ 50,000	$ 135,676

NOTE 4 - ENDOWMENT FUNDS - CONTINUED

Endowment net asset composition as of June 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 67,692	$ -	$ 67,692
Donor-restricted endowment funds	-	50,000	50,000
Totals funds	$ 67,692	$ 50,000	$ 117,692

Changes in endowment net assets for the year ended June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 45,656	$ 50,000	$ 95,656
Investment return:			
Interest and dividends, net	830	1,019	1,849
Net realized and unrealized losses	(7,694)	(12,915)	(20,609)
Total investment return	(6,864)	(11,896)	(18,760)
Contributions	28,900	-	28,900
Distributions of funds	-	11,896	11,896
Endowment net assets, end of year	$ 67,692	$ 50,000	$ 117,692

NOTE 5 - DEFINED CONTRIBUTION PLAN

The Organization currently has one IRC 403(b) Qualified Employee Pension Plan with two separate contracts. One contract is an Employee Contribution Tax Deferred Annuity Plan (TDA), funded solely by employee elective deferrals and without any employer contributions. The other is an Employer Funded Defined Contribution Plan (DCP) without any employee elective deferrals. For the years ended June 30, 2023 and 2022, the Organization contributed 5% of the salaries to the DCP for all employees expected to work more than 1,000 hours per year in accordance with the Plan Document. The retirement plan contributions for the years ended June 30, 2023 and 2022 totaled $16,593 and $15,704, respectively.

NOTE 6 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use within one year because of board designated or donor-imposed restrictions. The Organization's financial assets include cash, receivables, and investments. The Organization has limitations on those assets consisting of board designated and donor restricted funds.

	2023	2022
Cash	$ 345,511	$ 248,939
Accounts receivable	29,914	27,393
Investments	5,462,291	5,003,398
Total financial assets	5,837,716	5,279,730
Less: Amounts unavailable for general expenses within one year due to:		
Donor restricted for time and purpose restrictions	(208,720)	(99,441)
Perpetuity, donor-restricted	(50,000)	(50,000)
Board designated	(5,521,484)	(5,125,150)
Financial assets available to meet cash needs for general expenses within one year	$ 57,512	$ 5,139

At June 30, 2023 and 2022, the Organization had board designated amounts totaling $5,521,484 and $5,125,150, respectively. With board approval, these amounts could be used to meet cash needs, if necessary.

NOTE 7 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848), as amended by ASU 2021-01 in January 2021, directly addressing the effects of reference rate reform on financial reporting as a result of the cessation of the publication of certain LIBOR rates beginning December 31, 2021, with complete elimination of the publication of the LIBOR rates by June 30, 2023. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform by virtue of referencing LIBOR or another reference rate expected to be discontinued. This guidance became effective on March 12, 2020 and can be adopted no later than December 31, 2024, with early adoption permitted. The Organization is evaluating the impact this guidance will have on its financial statements.

NOTE 7 - UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326) - *Measurement of Credit Losses on Financial Instruments*, which changes the way companies evaluate credit losses for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking expected loss model to evaluate impairment, potentially resulting in earlier recognition of allowances for losses. Enhanced disclosures are also required, including the requirement to disclose the information used to track credit quality by year or origination for most financing receivables. The new standard is effective for fiscal years beginning after December 15, 2022. The Organization is evaluating the impact that the guidance will have on its financial statements and related disclosures.