



REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS

**JEWISH COMMUNITY FOUNDATION
OF THE JEWISH FEDERATION COUNCIL
OF GREATER LOS ANGELES**

December 31, 2021 and 2020



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Report of Independent Auditors

The Board of Trustees
Jewish Community Foundation of the Jewish Federation Council of Greater Los Angeles

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Jewish Community Foundation of the Jewish Federation Council of Greater Los Angeles and its support foundations (the “Foundation”), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Jewish Community Foundation of the Jewish Federation Council of Greater Los Angeles and its support foundations as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Moss Adams LLP

Los Angeles, California
June 10, 2022

**Jewish Community Foundation of
The Jewish Federation Council of Greater Los Angeles**
Consolidated Statements of Financial Position
December 31, 2021 and 2020
(dollar amounts rounded to nearest thousand)

	<u>2021</u>	<u>2020</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 147,952,000	\$ 93,513,000
Investments		
Securities	821,967,000	787,346,000
Common Investment Pool	512,052,000	472,613,000
Strategic Return Fund	45,146,000	42,224,000
State of Israel bonds	6,030,000	6,479,000
Real estate and partnership interests	37,192,000	25,537,000
	<u>1,422,387,000</u>	<u>1,334,199,000</u>
Total investments		
Other assets, net	4,949,000	10,754,000
	<u>4,949,000</u>	<u>10,754,000</u>
Total assets	<u>\$ 1,575,288,000</u>	<u>\$ 1,438,466,000</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grant commitments, net	\$ 77,632,000	\$ 37,890,000
Amounts held in custody for others	180,458,000	162,219,000
Amounts held with no variance power	60,270,000	55,471,000
Other payables	2,980,000	2,596,000
	<u>321,340,000</u>	<u>258,176,000</u>
Total liabilities		
NET ASSETS		
Without donor restrictions		
Support Foundations	290,142,000	264,696,000
Donor Advised Funds	727,285,000	700,263,000
Permanent Legacy Fund (board designated)	83,137,000	76,149,000
	<u>1,100,564,000</u>	<u>1,041,108,000</u>
Total net assets without donor restrictions		
With donor restrictions	153,384,000	139,182,000
	<u>153,384,000</u>	<u>139,182,000</u>
Total net assets	<u>1,253,948,000</u>	<u>1,180,290,000</u>
Total liabilities and net assets	<u>\$ 1,575,288,000</u>	<u>\$ 1,438,466,000</u>

**Jewish Community Foundation of
The Jewish Federation Council of Greater Los Angeles**
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021
(dollar amounts rounded to nearest thousand)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and corpus gifts			
Contributions to:			
Support Foundations	\$ 4,957,000	\$ -	\$ 4,957,000
Donor Advised Funds	101,470,000	-	101,470,000
Endowment and other funds	906,000	2,000,000	2,906,000
	<u>107,333,000</u>	<u>2,000,000</u>	<u>109,333,000</u>
Revenue and gains			
Investment income, net	113,730,000	18,344,000	132,074,000
Other	1,554,000	17,000	1,571,000
	<u>115,284,000</u>	<u>18,361,000</u>	<u>133,645,000</u>
Total revenue and gains	<u>115,284,000</u>	<u>18,361,000</u>	<u>133,645,000</u>
Net assets released from restrictions	<u>6,159,000</u>	<u>(6,159,000)</u>	<u>-</u>
Total public support, corpus gifts, revenue and gains	<u>228,776,000</u>	<u>14,202,000</u>	<u>242,978,000</u>
Distributions and expenses			
Program			
Grants and distributions from:			
Support Foundations	17,647,000	-	17,647,000
Donor Advised Funds	135,426,000	-	135,426,000
Endowment and other funds	8,515,000	-	8,515,000
	<u>161,588,000</u>	<u>-</u>	<u>161,588,000</u>
Total Grants and distributions	<u>161,588,000</u>	<u>-</u>	<u>161,588,000</u>
Support services	<u>7,732,000</u>	<u>-</u>	<u>7,732,000</u>
Total distributions and expenses	<u>169,320,000</u>	<u>-</u>	<u>169,320,000</u>
Changes in net assets	59,456,000	14,202,000	73,658,000
Net assets, beginning of year	<u>1,041,108,000</u>	<u>139,182,000</u>	<u>1,180,290,000</u>
Net assets, end of year	<u>\$ 1,100,564,000</u>	<u>\$ 153,384,000</u>	<u>\$ 1,253,948,000</u>

**Jewish Community Foundation of
The Jewish Federation Council of Greater Los Angeles**
Consolidated Statement of Activities and Changes in Net Assets (Continued)
Year Ended December 31, 2020
(dollar amounts rounded to nearest thousand)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and corpus gifts			
Contributions to:			
Support Foundations	\$ 13,064,000	\$ -	\$ 13,064,000
Donor Advised Funds	77,578,000	-	77,578,000
Endowment and other funds	1,036,000	5,026,000	6,062,000
	<u>91,678,000</u>	<u>5,026,000</u>	<u>96,704,000</u>
Revenue and gains			
Investment income, net	90,863,000	16,184,000	107,047,000
Other	1,322,000	-	1,322,000
	<u>92,185,000</u>	<u>16,184,000</u>	<u>108,369,000</u>
Total revenue and gains	<u>92,185,000</u>	<u>16,184,000</u>	<u>108,369,000</u>
Net assets released from restrictions	<u>5,751,000</u>	<u>(5,751,000)</u>	<u>-</u>
Total public support, corpus gifts, revenue and gains	<u>189,614,000</u>	<u>15,459,000</u>	<u>205,073,000</u>
Distributions and expenses			
Program			
Grants and distributions from:			
Support Foundations	9,290,000	-	9,290,000
Donor Advised Funds	91,789,000	-	91,789,000
Endowment and other funds	8,332,000	-	8,332,000
	<u>109,411,000</u>	<u>-</u>	<u>109,411,000</u>
Total Grants and distributions	<u>109,411,000</u>	<u>-</u>	<u>109,411,000</u>
Support services	<u>7,635,000</u>	<u>-</u>	<u>7,635,000</u>
Total distributions and expenses	<u>117,046,000</u>	<u>-</u>	<u>117,046,000</u>
Changes in net assets	72,568,000	15,459,000	88,027,000
Net assets, beginning of year	<u>968,540,000</u>	<u>123,723,000</u>	<u>1,092,263,000</u>
Net assets, end of year	<u>\$ 1,041,108,000</u>	<u>\$ 139,182,000</u>	<u>\$ 1,180,290,000</u>

**Jewish Community Foundation of
The Jewish Federation Council of Greater Los Angeles**
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(dollar amounts rounded to nearest thousand)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 73,658,000	\$ 88,027,000
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Noncash gifts held at end of year	(1,626,000)	(1,152,000)
Contributions restricted for long-term investment	(1,404,000)	(4,384,000)
Net realized and unrealized gains on investments	(115,712,000)	(84,896,000)
Changes in operating assets and liabilities		
Other assets	5,432,000	975,000
Grant commitments	39,742,000	(4,988,000)
Amounts held in custody for others	(1,429,000)	(4,574,000)
Amounts held with no variance power	(1,857,000)	(2,709,000)
Other payables	<u>384,000</u>	<u>(52,000)</u>
Net cash used in operating activities	<u>(2,812,000)</u>	<u>(13,753,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	768,804,000	696,437,000
Purchases of investments	<u>(712,957,000)</u>	<u>(679,880,000)</u>
Net cash provided by investing activities	<u>55,847,000</u>	<u>16,557,000</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	<u>1,404,000</u>	<u>4,384,000</u>
Net cash provided by financing activities	<u>1,404,000</u>	<u>4,384,000</u>
Net change in cash and cash equivalents	54,439,000	7,188,000
Cash and cash equivalents, beginning of year	<u>93,513,000</u>	<u>86,325,000</u>
Cash and cash equivalents, end of year	<u>\$ 147,952,000</u>	<u>\$ 93,513,000</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash gifts	<u>\$ 36,156,000</u>	<u>\$ 19,744,000</u>

Jewish Community Foundation of The Jewish Federation Council of Greater Los Angeles

Notes to Consolidated Financial Statements

Note 1 – Nature of Operations

The Jewish Community Foundation of the Jewish Federation Council of Greater Los Angeles (the “Foundation”) is a California nonprofit corporation organized solely for charitable purposes. The sole member of the Foundation is the Jewish Federation Council of Greater Los Angeles (“JFC”). The accompanying consolidated financial statements do not include the accounts of JFC in as much as it is the intent of their respective Boards to operate the Foundation and JFC independently of one another.

The Foundation maintains the books and records for 34 support foundations, which are consolidated with the Foundation for financial reporting purposes. The Board of Directors of each support foundation includes a majority of Foundation-appointed members and a minority of family-appointed members. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. The Foundation and its support foundations are collectively referred to herein as the Foundation.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying consolidated financial statements are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations, subject to designations below, and not subject to donor restrictions.

The Foundation has three components within net assets without donor restrictions: Support Foundations, Donor Advised Funds, and the Permanent Legacy Fund (“PLF”).

- Support Foundations (Note 9) are separate, non-profit, charitable corporations funded and named by the donor that support the broad charitable purposes of the Foundation. All grants are approved by the Board of Directors of the respective support foundation and disbursed by the support foundation.
- Donor Advised Funds are gifts to the Foundation without donor restrictions; however, the donor retains the right to recommend grants to organizations that support the broad charitable purposes of the Foundation.
- The PLF (Note 8) is a board-designated endowment. Annually, the Board of Trustees of the Foundation appropriates the amount to be spent from the PLF using Board-adopted spending policies.

Jewish Community Foundation of The Jewish Federation Council of Greater Los Angeles

Notes to Consolidated Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Such donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and cash equivalents – Cash and cash equivalents include cash on-hand and investments with original maturities at their purchase date of three months or less. The carrying value approximates fair value because of the short maturity of those instruments.

Bequests – The Foundation has been named as a beneficiary in numerous wills. Such bequests are not recognized as public support by the Foundation until the earlier of receipt of the assets or confirmation that such bequests are irrevocable.

Grant commitments – Grant commitments are grants that have been approved by the Board of Trustees before year-end for a specific program or project and those for which the Board of Trustees, through its by-laws, has approved, but the specific program or project is yet to be determined. Grant commitments to be paid in subsequent years are reported at their net present value using a present value technique, determined using risk-free interest rates applicable for the year in which the grant commitment was first made. These rates ranged from 0.10% to 2.51% at December 31, 2021, and ranged from 0.10% to 2.63% at December 31, 2020.

Investments – Investments consist of money market funds; mutual funds (including fixed income and equity funds); U.S. and international common and preferred stock; U.S. government, municipal, corporate, and international bonds; and other holdings, comprised of non-publicly traded investments. Investments are reported at fair value under a hierarchy which prioritizes the inputs in fair value measurements (Note 3).

The Foundation's investments in mutual funds are valued at the net asset value of shares held. In general, there are no restrictions as to the redemption of these funds, nor does the Foundation have any contractual obligations to further invest in any of these funds. In addition, these funds have daily or monthly liquidity with trades settling between one and three days. Mutual funds are reported by investment asset class (e.g., equity or fixed income) in the tables of Note 3. Investments in U.S. and international common stock and preferred stock are valued using quoted market prices reported on the active market upon which the individual securities are traded. The fair value of the fixed income securities is determined based on valuations provided by independent pricing services, which use multiple valuation techniques that incorporate available market information and proprietary valuation models, which consider market characteristics, such as benchmark yield curve, credit spreads, estimated default rates, and other security features.

Jewish Community Foundation of The Jewish Federation Council of Greater Los Angeles

Notes to Consolidated Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

For the Common Investment Pool, Strategic Return Fund, and other investments (Note 3), the Foundation considers investments in asset classes other than public equity and fixed income to be alternative investment strategies (“Alternative Investments”). These investments include hedge funds, private equity investments, and other limited partnership interests such as real estate partnerships. The Foundation also considers inflation-hedging investments such as commodities and infrastructure-related investments to be Alternative Investments due to their low correlation with other investment asset classes. Investments that are not readily marketable are carried at fair value, which is determined in good faith by the Foundation, based on relevant factors such as the most recent communications with representatives of the companies that manage the investments.

The Foundation uses net asset value (NAV) as a practical expedient to determine the fair value of alternative investments which (a) do not have a readily determinable fair value, and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. If the NAV of the investment obtained from the fund manager is not as of the Foundation’s measurement date or is not calculated in a manner consistent with the specialized accounting guidance for investment companies, the Foundation considers whether an adjustment to the most recent NAV is necessary. Because of the inherent uncertainty of valuations, these amounts may differ materially from values that would be realized if the investments were sold.

Investment income is reported in the consolidated statements of activities and changes in net assets as either increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law. Net changes in unrealized gains (losses) on investments are reported in investment income, net, in the consolidated statements of activities and changes in net assets.

Investments are monitored by the Foundation’s Investment Committee and made in a manner consistent with policies and guidelines established by the Investment Committee and approved by the Board of Trustees. In addition to market risks, the Foundation is exposed to credit loss for the amount of the investments in the event of nonperformance by the other parties to the investment transactions. However, nonperformance by the counterparties is not anticipated.

Amounts held in custody for others – Amounts held in custody for others represents resources received from nonprofit organizations that desire to have the Foundation provide investment management services for those other organizations’ endowment or reserve funds. A liability is recorded at the estimated fair value of assets deposited with the Foundation by those nonprofit organizations. Resources are generally invested in the Common Investment Pool (Note 3). At December 31, 2021 and 2020, the Foundation held in custody \$114,988,000 and \$105,867,000, respectively, for JFC, a related organization.

Jewish Community Foundation of The Jewish Federation Council of Greater Los Angeles

Notes to Consolidated Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Amounts held with no variance power – Amounts held with no variance power are resources received by the Foundation in which the Foundation does not have the unilateral power to direct the use of the resources without the approval of the resource provider, such as when a donor names a specific agency as beneficiary and does not give the Foundation the ability to change the beneficiary. Resources received for which the Foundation does not have variance power are generally invested in the Common Investment Pool (Note 3) and shown as a liability in the consolidated statements of financial position.

Revenue recognition – Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized when the promise is made at fair value based on discounted cash flows. Amortization of the discounts is included in contributions. There were no receivables for unconditional promises to give at December 31, 2021 and 2020. Contributions of assets other than cash are recorded at their estimated fair value. Real estate contributed is recorded at fair value using a current appraisal on the date of the gift and is generally made available for sale as soon as practicable. Contributions of public stock are recorded at the mean of the quoted market price on the date of receipt of donation. Conditional promises to give are not recorded until the conditions are substantially met. An allowance for estimated uncollectible contributions receivable will be recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Accounts are written off against the allowance when deemed uncollectible.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States (U.S. GAAP) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes – The Foundation and its support foundations are public charities and are exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California Revenue and Taxation Code sections. The Foundation and its support foundations do not have any material uncertain tax positions. The Foundation and its support foundations file information organization returns in the United States federal jurisdiction and with the Franchise Tax Board in the State of California.

Concentration of credit risk – The Foundation maintains commercial accounts in various banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporations (FDIC) up to \$250,000. At December 31, 2021 and 2020, the Foundation had amounts that were in excess of the FDIC insurance limits. The Foundation performs ongoing evaluations of commercial banks to limit its concentration of credit risk exposure.

Jewish Community Foundation of The Jewish Federation Council of Greater Los Angeles

Notes to Consolidated Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent events – The Foundation has evaluated subsequent events through June 10, 2022, the date the consolidated financial statements were issued.

Note 3 – Investments

ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and enhances disclosure about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes how to measure fair value based on a three-level hierarchy of inputs, of which the first two are considered observable and the last unobservable.

Level I: Quoted prices in active markets for identical assets or liabilities.

Level II: Inputs other than Level I that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Some fixed income securities, such as corporate bonds, do not trade regularly and are classified as Level II securities; fair value may be estimated by independent pricing services based on the prices of similar securities. Securities measured using NAV per share (or equivalent) as a practical expedient include equity securities, hedge funds, and private equity investments. NAV amounts provided by fund managers are adjusted for receipts and disbursements of cash and securities to the most recently available NAV date.

**Jewish Community Foundation of
The Jewish Federation Council of Greater Los Angeles**
Notes to Consolidated Financial Statements

Note 3 – Investments (continued)

The following table presents the Foundation's assets measured at fair value as of December 31, 2021:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Assets Measured Using Net Asset Value (or Equivalent)</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,370,000	\$ -	\$ -	\$ -	\$ 3,370,000
Equity					
Domestic	514,547,000	-	1,465,000	60,972,000	576,984,000
International	297,494,000	-	960,000	-	298,454,000
Fixed income					
Domestic	431,276,000	17,467,000	-	10,145,000	458,888,000
International	2,996,000	731,000	-	18,127,000	21,854,000
Alternative investments					
Hedge funds	-	-	-	18,991,000	18,991,000
Private equity	-	-	-	27,066,000	27,066,000
Inflation-hedging	1,036,000	-	-	-	1,036,000
Real estate	-	-	7,497,000	2,217,000	9,714,000
State of Israel bonds	-	6,030,000	-	-	6,030,000
Total investments	<u>\$ 1,250,719,000</u>	<u>\$ 24,228,000</u>	<u>\$ 9,922,000</u>	<u>\$ 137,518,000</u>	<u>\$ 1,422,387,000</u>

The following table presents the Foundation's assets measured at fair value as of December 31, 2020:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Assets Measured Using Net Asset Value (or Equivalent)</u>	<u>Total</u>
Cash and cash equivalents	\$ 5,016,000	\$ -	\$ -	\$ -	\$ 5,016,000
Equity					
Domestic	452,711,000	-	1,395,000	44,161,000	498,267,000
International	252,452,000	-	960,000	11,100,000	264,512,000
Fixed income					
Domestic	448,054,000	16,633,000	-	24,021,000	488,708,000
International	10,322,000	1,007,000	-	13,430,000	24,759,000
Alternative investments					
Hedge funds	-	-	-	24,297,000	24,297,000
Private equity	-	-	-	13,325,000	13,325,000
Inflation-hedging	899,000	-	-	-	899,000
Real estate	-	-	7,937,000	-	7,937,000
State of Israel bonds	-	6,479,000	-	-	6,479,000
Total investments	<u>\$ 1,169,454,000</u>	<u>\$ 24,119,000</u>	<u>\$ 10,292,000</u>	<u>\$ 130,334,000</u>	<u>\$ 1,334,199,000</u>

Jewish Community Foundation of The Jewish Federation Council of Greater Los Angeles

Notes to Consolidated Financial Statements

Note 3 – Investments (continued)

The investment goals of the Foundation are to maintain or grow its asset size and spending power in real (inflation-adjusted) terms with risk at a level appropriate to the Foundation's program objectives. The Foundation diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies. As a general practice, except for certain support foundations' holdings and government obligations, nearly all financial assets of the Foundation are managed by external investment management firms selected by the Foundation. All financial assets of the Foundation are held in custody by a major commercial bank, except for assets invested with partnerships, real estate, and State of Israel bonds.

At December 31, 2021 and 2020, approximately 89% of the Foundation's investments for both years were publicly traded equities and mutual funds, which are listed on national exchanges; treasury and agency bonds of the U.S. government; and investment grade corporate bonds for which active trading markets exist.

In 2021, the Foundation had contributions, measured at fair value, of Level III domestic equities of \$3,260,000, Level III real estate partnership interests of \$273,000, and other Level III real estate assets of \$40,000. In 2020, the Foundation had no contributions of Level III assets. The Foundation had sale proceeds from Level III domestic equities of \$3,574,000 in 2021, including a realized gain of \$342,000 related to one asset. There were no significant transfers into or out of Level III of the fair value hierarchy during 2021 or 2020.

The following table includes quantitative information about Level III investments included in the preceding tables, including the range of significant unobservable inputs used in the fair value measurement:

	Fair Value as of December 31,		Valuation Techniques	Unobservable Inputs	Range
	2021	2020			
Domestic equity	\$ 1,465,000	\$ 1,395,000	Market approach	Market comparable rate Discount rate	N/A* N/A*
International equity	960,000	960,000	Company Valuation or Market Comparables	Company Financials or General Partners' Estimates	N/A*
Real estate and partnership interests	7,497,000	7,937,000	Income approach	Capitalization rate Discount rate	N/A* N/A*
	<u>\$ 9,922,000</u>	<u>\$ 10,292,000</u>			

*Not included due to the wide range of possible values given the diverse nature of underlying investments.

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Notes to Consolidated Financial Statements

Note 3 – Investments (continued)

The following table summarizes characteristics of the Foundation's investments measured using NAV at December 31, 2021:

	Strategy	Fair Value	# of Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms and Restrictions
Domestic equity	Long-short US equity fund	\$ 60,972,000	1	N/A	None	None	Annual 60 days notice 20% fund level gate
Fixed income	High-yield, credit, and multi-strategy funds	28,272,000	6	Through 2025	\$ 1,660,000	2023	Monthly to cannot redeem 30 to 90 days notice Restrictions vary by fund
Hedge funds	Long-short and multi-strategy funds	18,991,000	8	N/A	None	None	Monthly to over 1 year 30 days to 12 months notice Restrictions vary by fund
Private equity	Opportunistic real estate, US/international funds of funds, and multi-strategy funds	27,066,000	12	Through 2032	\$ 11,745,000	2025	Cannot redeem
Real estate	Commercial real estate partnership interests	2,217,000	1	N/A	\$ -	None	Monthly 2 days notice 2% fund level gate
Total		<u>\$ 137,518,000</u>	<u>28</u>		<u>\$ 13,405,000</u>		

Although the Foundation uses its best judgment in estimating the fair value of investments, there are inherent limitations in any estimation technique. Therefore, the values presented herein are not necessarily indicative of the amount that the Foundation could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the consolidated financial statements. These events could also affect the amount realized upon liquidation of the investments.

**Jewish Community Foundation of
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Notes to Consolidated Financial Statements

Note 3 – Investments (continued)

The net gain on the Foundation’s investment portfolio consists of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 16,362,000	\$ 22,151,000
Realized and unrealized gains, net	118,520,000	87,532,000
Related expenses	<u>(2,808,000)</u>	<u>(2,636,000)</u>
Net realized and unrealized gains on investments	<u>115,712,000</u>	<u>84,896,000</u>
Total Investment income, net	<u>\$ 132,074,000</u>	<u>\$ 107,047,000</u>

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Foundation’s investments and total net assets balance could fluctuate materially.

The Common Investment Pool (CIP) serves as an investment pool for endowment funds, support foundations, and funds held in custody for charitable or educational organizations. The investment pool is operated using the net asset value method. Net investment income is allocated to each participant in the pool at the end of each quarter based on each participant’s share of the investments in the pool. The Strategic Return Fund is an investment pool available for Donor Advised Funds with an investment strategy similar to the CIP but with monthly liquidity.

The investment income, net of related expenses, for the CIP, Strategic Return Fund, and other investments are presented below for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Common Investment Pool	\$ 36,450,000	\$ 31,628,000
Strategic Return Fund	4,909,000	5,410,000
Other investments	<u>90,715,000</u>	<u>70,009,000</u>
	<u>\$ 132,074,000</u>	<u>\$ 107,047,000</u>

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Notes to Consolidated Financial Statements

Note 3 – Investments (continued)

The composition of the CIP at fair value is as follows at December 31:

	<u>2021</u>	<u>2020</u>
Equity		
Domestic	\$ 219,470,000	\$ 185,606,000
International	121,672,000	117,344,000
Fixed income	147,614,000	152,284,000
Alternative investments		
Hedge funds	1,987,000	7,251,000
Private equity	<u>21,309,000</u>	<u>10,128,000</u>
 Total	 <u>\$ 512,052,000</u>	 <u>\$ 472,613,000</u>

Note 4 – Retirement Benefits (Unaudited)

Retirement benefits are provided for substantially all employees hired before January 1, 2006, through the Basic Pension Plan for Employees of the JFC (the “Plan”), a multi-employer pension plan. The risks of participating in multi-employer plans are different from single-employer plans in the following respects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multi-employer plan, the unfunded obligations of the Plan may become the responsibility of the remaining participating employers.
- If the Foundation chooses to stop participating in the multi-employer plan, the Foundation may be required to pay the Plan an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

The JFC is the plan administrator of the Basic Pension Plan (Plan number 001), a multi-employer pension plan. The Foundation is one of the participating members registered under the Employer Identification Number 95-1643388. The Plan is made up of two components: a defined benefit component and an employee contribution component. The Plan is subject to a collective bargaining agreement which expires on June 30, 2022.

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Note 4 – Retirement Benefits (Unaudited) (continued)

The actuarial value of the Plan’s assets and accrued liabilities, as reported in the annual certification submitted to the Secretary of the Treasury by the Plan’s actuary, as of December 31, 2021 and 2020, are listed below. In addition, the Plan’s funded percentage and the interest rate used in the accrued liability calculation are listed below. The plan is “not endangered” (as defined by the IRS), also known as the “green zone,” because the Plan’s funded percentages were more than 80% for the plan years beginning January 1, 2021 and 2020, and because the Plan met other funding criteria. The figures reported in the annual certification, summarized below, are not audited.

	<u>2021</u>	<u>2020</u>
Actuarial value of assets	\$ 132,362,000	\$ 124,177,000
Actuarial accrued liabilities	147,154,000	141,144,000
Funded percentage	89.90%	87.90%
Valuation interest rate	7.00%	7.50%

Charges to current year expense for the Foundation’s share of the pension contributions were \$323,000 and \$331,000 for the years ended December 31, 2021 and 2020, respectively, and are included in support services expenses in the consolidated statements of activities and changes in net assets. The Foundation provided more than 5% of the total contributions in the plan years ended December 31, 2020 and 2019, which are the latest years available.

Employees hired on or after January 1, 2006, are eligible to participate in the Foundation-sponsored defined contribution plan. The Foundation contributes 5% of eligible compensation for participants who have served more than one year of eligible service. Participants are fully vested after three years. The Foundation contributed \$124,000 and \$115,000 for the years ended December 31, 2021 and 2020, respectively, to the defined contribution plan.

**Jewish Community Foundation of
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Notes to Consolidated Financial Statements

Note 5 – Grant Commitments

Grant commitments are expected to be disbursed as follows for the years ending December 31:

2022	\$ 35,046,000
2023	17,421,000
2024	13,703,000
2025	10,462,000
2026	<u>1,980,000</u>
Total	78,612,000
Present value discount	<u>(980,000)</u>
Grant commitments, net	<u>\$ 77,632,000</u>

The Foundation has approved \$40,725,000 of conditional grants at December 31, 2021, which is not included in grants commitments. Grants are conditional upon grantees meeting certain milestones as detailed in the agreements.

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2021</u>	<u>2020</u>
Subject to spending policy and appropriation, including amounts above original gift amount of \$98,139,000 in 2021 and \$96,760,000 in 2020		
Specific grant areas or organizations	\$ 99,114,000	\$ 90,279,000
Any activities of the Foundation	<u>52,816,000</u>	<u>47,565,000</u>
	151,930,000	137,844,000
Subject to appropriation and expenditure for a specified purpose or when a specified event occurs	<u>1,454,000</u>	<u>1,338,000</u>
Total net assets with donor restrictions	<u>\$ 153,384,000</u>	<u>\$ 139,182,000</u>

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Notes to Consolidated Financial Statements

Note 7 – Spending Policy

Consistent with the policy of maintaining the purchasing power of the Permanent Legacy Fund and other endowment funds, the Board of Trustees has approved a spending rate of 5% of the average fair value of the most recent five years. If the current yield is insufficient to provide the full amount of the 5% spending rate, the balance to be expended may be appropriated from accumulated realized and unrealized gains of these assets.

Note 8 – Endowments

The Foundation's endowment consists of approximately 140 donor-restricted endowment funds in addition to the Permanent Legacy Fund, a board-designated endowment. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment funds are invested in the Common Investment Pool with the goal of meeting the Foundation's spending policy (Notes 3 and 7).

The Board of Trustees of the Foundation has determined that a portion of the Foundation's net assets meet the definition of endowment under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the state of California as requiring the preservation 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 Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purposes of the Foundation and the donor-restricted endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation and deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the organization; and
- 7) The investment policies of the Foundation.

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Notes to Consolidated Financial Statements

Note 8 – Endowments (continued)

The following table presents the Foundation’s endowment composition, changes, and net asset classifications for the years ended December 31, 2021 and 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, 12/31/2019	\$ 71,200,000	\$ 122,958,000	\$ 194,158,000
Investment income, net	9,419,000	16,024,000	25,443,000
Gifts	1,036,000	4,384,000	5,420,000
Appropriation of endowment assets for expenditure	<u>(5,506,000)</u>	<u>(5,522,000)</u>	<u>(11,028,000)</u>
Endowment net assets, 12/31/2020	76,149,000	137,844,000	213,993,000
Investment income, net	10,894,000	18,508,000	29,402,000
Gifts	906,000	1,404,000	2,310,000
Appropriation of endowment assets for expenditure	<u>(4,812,000)</u>	<u>(5,826,000)</u>	<u>(10,638,000)</u>
Endowment net assets, 12/31/2021	<u>\$ 83,137,000</u>	<u>\$ 151,930,000</u>	<u>\$ 235,067,000</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). The Foundation has interpreted UPMIFA to permit spending from endowment funds with deficits of this nature in accordance with prudent measures required under law. There were no such deficits as of December 31, 2021 and 2020.

Note 9 – Support Foundations

The Foundation has 34 support foundations. A support foundation is a separate not-for-profit corporation that exists to support the Foundation and those charitable organizations supported by the Foundation. Each foundation is a tax-exempt entity for both federal and California tax purposes, and is classified as a public charity rather than as a private foundation.

Support foundations are controlled by the Foundation as a majority of each support foundation’s Board of Directors is selected by the Foundation’s Board of Trustees. This is a requirement of the Foundation in establishing a support foundation. Accordingly, the support foundations are consolidated with the Foundation and included in net assets without donor restrictions.

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Note 9 – Support Foundations (continued)

The following is a summary of the significant financial statement components of the support foundations as of December 31, 2021 and 2020, and for the years then ended:

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 18,870,000	\$ 13,465,000
Investments		
Securities	219,087,000	201,544,000
Common Investment Pool	71,208,000	65,394,000
Strategic Return Fund	1,457,000	1,323,000
State of Israel bonds	921,000	895,000
Real estate and partnership interests	6,935,000	7,383,000
	<u>299,608,000</u>	<u>276,539,000</u>
Total investments		
Other assets	<u>1,024,000</u>	<u>1,107,000</u>
Total assets	<u>\$ 319,502,000</u>	<u>\$ 291,111,000</u>
Liabilities and Net Assets		
Total liabilities	\$ 29,360,000	\$ 26,415,000
Total net assets without donor restrictions	<u>290,142,000</u>	<u>264,696,000</u>
Total liabilities and net assets	<u>\$ 319,502,000</u>	<u>\$ 291,111,000</u>
Public Support, Corpus Gifts, and Gains		
Contributions	\$ 4,957,000	\$ 13,064,000
Investment income, net	<u>39,009,000</u>	<u>34,630,000</u>
Total public support, corpus gifts, and gains	<u>43,966,000</u>	<u>47,694,000</u>
Distributions and Expenses		
Grants and distributions	17,647,000	9,290,000
Support services	<u>873,000</u>	<u>855,000</u>
Total distributions and expenses	<u>18,520,000</u>	<u>10,145,000</u>
Change in net assets	25,446,000	37,549,000
Net assets, beginning of year	<u>264,696,000</u>	<u>227,147,000</u>
Net assets, end of year	<u>\$ 290,142,000</u>	<u>\$ 264,696,000</u>

**Jewish Community Foundation of
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Notes to Consolidated Financial Statements

Note 10 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 124,923,000	\$ 80,638,000
Investments	<u>936,552,000</u>	<u>900,786,000</u>
	<u>\$ 1,061,475,000</u>	<u>\$ 981,424,000</u>

In the calculation of financial assets available for expenditure, the Foundation includes the portion of the Permanent Legacy Fund that is available per the Foundation’s spending policy (Note 7). Assets from Donor Advised Funds and support foundations do not have donor restrictions and are available to meet the Foundation’s general expenditures, which predominantly consist of grants (Note 11). Donor-restricted endowment funds are not considered to be available for general expenditures.

The Foundation has established an operating reserve and reviews its funding level on an ongoing basis to ensure it is adequate. The Foundation invests cash in excess of daily requirements in U.S. government securities, other short-term investments, and money market funds.

Note 11 – Functional Expenses

The following table presents the Foundation’s expenses by program or supporting function for the year ended December 31, 2021:

	<u>Program</u>	<u>Support Services</u>		<u>Total Support Services</u>	<u>Total</u>
		<u>Management and General</u>	<u>Development</u>		
Grants and distributions	\$ 161,588,000	\$ -	\$ -	\$ -	\$ 161,588,000
Personnel	-	3,051,000	2,034,000	5,085,000	5,085,000
Other	-	1,912,000	735,000	2,647,000	2,647,000
	<u>\$ 161,588,000</u>	<u>\$ 4,963,000</u>	<u>\$ 2,769,000</u>	<u>\$ 7,732,000</u>	<u>\$ 169,320,000</u>

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Notes to Consolidated Financial Statements

Note 11 – Functional Expenses (continued)

The following table presents the Foundation’s expenses by program or supporting function for the year ended December 31, 2020:

	Program	Support Services		Total Support Services	Total
		Management and General	Development		
Grants and distributions	\$ 109,411,000	\$ -	\$ -	\$ -	\$ 109,411,000
Personnel	-	2,750,000	2,342,000	5,092,000	5,092,000
Other	-	1,887,000	656,000	2,543,000	2,543,000
	<u>\$ 109,411,000</u>	<u>\$ 4,637,000</u>	<u>\$ 2,998,000</u>	<u>\$ 7,635,000</u>	<u>\$ 117,046,000</u>

The consolidated financial statements report certain categories of expenses that are attributed to more than one supporting function. Therefore, some expenses are directly applied and other expenses require allocation on a reasonable basis that is consistently applied. The Foundation allocates expenses on the basis of estimates of time and effort.