

**THE JEWISH FEDERATION OF
EASTERN CONNECTICUT, INC.**

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Jewish Federation of Eastern Connecticut, Inc.
New London, Connecticut

We have audited the accompanying financial statements of The Jewish Federation of Eastern Connecticut, Inc. (the "Federation"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

Because of the inadequacy of accounting records, we were unable to form an opinion regarding the amounts at which net assets with donor restrictions and net assets without donor restrictions are recorded in the accompanying financial statements as of December 31, 2019 and for the year then ended.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Federation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut
May 17, 2021

THE JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS	
Cash	\$ 105,351
Certificate of deposit	25,326
Other receivables	23
Prepaid expense	9,451
Total current assets	140,151
 PROPERTY AND EQUIPMENT, at cost	
Land	90,000
Building and improvements	258,654
Equipment	47,265
Vehicles	61,753
	457,672
Less: accumulated depreciation	294,369
Total property and equipment	163,303
 INVESTMENTS	
Total assets	814,920
	\$ 1,118,374

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Current maturities of long-term debt	\$ 6,362
Accounts payable	54,765
Accrued expenses	22,153
Total current liabilities	83,280
 LONG-TERM DEBT, less current maturities	
Total liabilities	25,326
	108,606
 NET ASSETS	
Without donor restrictions	435,304
With donor restrictions	574,464
Total net assets	1,009,768
Total liabilities and net assets	\$ 1,118,374

The accompanying notes are an integral part of these financial statements.

THE JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions and grants	\$ 325,648	\$ 62,138	\$ 387,786
Program income	91,639	116,427	208,066
Publications income	36,109	-	36,109
Non-cash contributions	29,000	-	29,000
Investment income	157,335	-	157,335
Special event revenue	40,003	-	40,003
Less: costs of direct benefits to donors	17,157	-	17,157
	22,846	-	22,846
Net assets released from restrictions:			
Satisfaction of purpose restriction	122,911	(122,911)	-
Total operating support and revenue	785,488	55,654	841,142
EXPENSES			
Program services	722,441	-	722,441
Management and general	141,409	-	141,409
Fundraising	27,771	-	27,771
Total expenses	891,621	-	891,621
Change in net assets	(106,133)	55,654	(50,479)
NET ASSETS, beginning of year	541,437	518,810	1,060,247
NET ASSETS, end of year	\$ 435,304	\$ 574,464	\$ 1,009,768

The accompanying notes are an integral part of these financial statements.

THE JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 320,847	\$ 58,195	\$ 8,923	\$ 387,965
Payroll taxes and benefits	24,629	4,467	685	29,781
Total payroll related costs	<u>345,476</u>	<u>62,662</u>	<u>9,608</u>	<u>417,746</u>
Program expenses	180,704	-	-	180,704
Grants and allocations	100,828	-	-	100,828
Printing and publication	28,709	14,140	-	42,849
Fundraising	-	-	18,163	18,163
Insurance	15,454	7,612	-	23,066
Telephone	3,601	10,804	-	14,405
Travel and transportation	9,079	3,531	-	12,610
Senior services	11,606	-	-	11,606
Repairs and maintenance	-	14,401	-	14,401
Professional fees	-	8,416	-	8,416
Utilities	-	7,251	-	7,251
Office supplies and expenses	5,229	2,148	-	7,377
Janitorial	5,218	-	-	5,218
Dues and subscriptions	2,511	2,317	-	4,828
Bank charges	-	4,498	-	4,498
Advertising	2,453	1,208	-	3,661
Postage	2,188	1,078	-	3,266
Interest expense	-	1,343	-	1,343
Total expenses before depreciation	<u>713,056</u>	<u>141,409</u>	<u>27,771</u>	<u>882,236</u>
Depreciation	<u>9,385</u>	<u>-</u>	<u>-</u>	<u>9,385</u>
Total expenses	<u>\$ 722,441</u>	<u>\$ 141,409</u>	<u>\$ 27,771</u>	<u>\$ 891,621</u>

The accompanying notes are an integral part of these financial statements.

THE JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (50,479)
Adjustments to reconcile the change in net assets to net cash used in operating activities:	
Unrealized loss on investments	9,875
Depreciation	9,385
Non-cash contributions	(29,000)
Changes in operating assets and liabilities:	
Other receivables	646
Prepaid expenses	(9,451)
Accounts payable	25,438
Accrued expenses	13,061
Net cash used in operating activities	<u>(30,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in certificate of deposit	(374)
Proceeds from sales of investments	196,615
Purchases of investments	(116,226)
Net cash provided by investing activities	<u>80,015</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments of long-term debt	(30,065)
Net cash used in investing activities	<u>(30,065)</u>
NET INCREASE IN CASH	19,425
CASH, beginning of year	<u>85,926</u>
CASH, end of year	<u><u>\$ 105,351</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid for:	
Interest	<u>\$ 1,343</u>
Non-cash investing and financing activities:	
Land acquired through donations	\$ 29,000
Vehicles acquired through assumption of long-term debt	61,753
	<u>\$ 90,753</u>

The accompanying notes are an integral part of these financial statements.

THE JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE OF ORGANIZATION

The Jewish Federation of Eastern Connecticut, Inc. (the Federation) is a publicly supported not-for-profit agency located in New London, Connecticut. The Federation collects contributions from the public and distributes them to various agencies, individuals, and other non-profit organizations to benefit the community served. In addition, the Federation provides direct services to seniors, adults and youth, including social service, case management, and a food pantry.

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 and disclosures in the financial statements. Actual results could differ from those estimates.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Federation, the accounts of the Federation are maintained in the following net asset categories:

Without Donor Restrictions

Net assets without donor restrictions consist of available resources other than donor restricted contributions. Included in net assets without donor restrictions are grants, which may be earmarked for specific purposes. Included in net assets without donor restrictions is \$365,924 designated by the board of directors to function as an endowment.

With Donor Restrictions

Net assets with donor restrictions represent contributions and investment earnings thereon that are restricted by the donor as to purpose, time of expenditure, or with the restriction that the principal be invested in perpetuity, and that only the earnings thereon be used for support of the Federation's operations.

RECOGNITION OF SUPPORT AND REVENUE

Contributions

Contributions are defined as voluntary, non-reciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received.

THE JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RECOGNITION OF SUPPORT AND REVENUE *(Continued)*

Contributions *(Continued)*

The Federation recognizes contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Federation's policy is to present net assets with donor restrictions received during the current period whose restrictions are also met during the current period with net assets without donor restrictions. Contributions received that are contingent on the occurrence of a future event are presented as deferred support until such conditions are substantially met, at which time they are recognized as support.

Donated Assets

Donated assets (including the usage of assets such as rent) are recognized at their estimated fair market value. The Federation reports gifts of land, buildings, and equipment as unrestricted support 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 Federation reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

During the year ended December 31, 2019, the Federation received \$29,000 of donated land.

Donated Services

The Federation recognizes contributions of services received if they create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet the criteria for recognition in the financial statements. However, a substantial number of volunteers have donated significant amounts of time to the Federation's program. No donated services have been recognized in the accompanying financial statements for the year ended December 31, 2019.

CASH EQUIVALENTS

The Federation defines cash equivalents as liquid investments with an original maturity of three months or less, excluding cash investments held in the Federation's investments. The Federation had no cash equivalents as of December 31, 2019.

THE JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS

Investments in marketable equity securities with readily determined fair values and investments in debt securities are carried at fair value, as further discussed in *Note 4*. Realized and unrealized gains and losses on these investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period in which the income and gains are recognized.

PROPERTY AND EQUIPMENT

Property and equipment acquisitions and improvements are recorded at cost, if purchased, or at market or assessed value on the date of gift or bequest. Any fixed assets with a value of \$7,500 or greater are capitalized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the related assets. Repairs and maintenance are expensed as incurred.

INCOME TAXES

The Internal Revenue Service has determined that the Federation is exempt from federal income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements. The Federation did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America. The federal tax return of the Federation for the year ended December 31, 2019 is subject to examination by the Internal Revenue Service, generally for three years after it has been filed.

SUBSEQUENT EVENTS

The Federation has performed an evaluation of subsequent events through May 17, 2021, which is the date the financial statements were available to be issued. Subsequent events identified for disclosures are discussed in *Note 9*.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Federation's financial instruments that are subject to concentrations of credit risk consist primarily of cash, certificates of deposit, and investments.

- Cash and certificates of deposit – The Federation places its cash and certificates of deposit with high credit-quality financial and brokerage institutions. At December 31, 2019, the Federation's deposits were covered by federal depository insurance.
- Investments – Management considers investments to be sufficiently diversified to minimize individual investment and industry concentration risk. However, all marketable securities are subject to fluctuations in market value.

THE JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Federation's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts that could be utilized if the Board of Directors approved the use. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

Financial assets, at year-end	
Cash	\$ 105,351
Certificate of deposit	25,326
Other receivables	23
Investments	814,920
	945,620
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions (Unaudited)	574,464
Financial assets available to meet cash needs for general expenditures within one year	\$ 371,156

NOTE 4 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The 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 Federation has the ability to access.

Level 2

Inputs to the valuation method include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; 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 JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

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. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Mutual Funds (including Money Market and Bond Funds)

Mutual Funds are valued at the quoted price of shares held at year end.

Common Stocks

Common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

State of Israel Bonds

State of Israel Bonds are carried at historical cost basis, which appropriates fair value under level 2 under the fair value hierarchy.

Gold Coins

Gold coins are valued at quoted market prices at year end.

There have been no changes in the methodologies used at December 31, 2019.

The following is a summary of the source of fair value measurements for the Federation's investments which are measured on a recurring basis as of December 31, 2019.

Description	Total	Assets (Level 1)	Assets (Level 2)
Mutual Funds	\$ 345,373	\$ 345,373	\$ -
Common Stocks	424,747	424,747	-
State of Israel Bonds	2,250	-	2,250
Gold Coins	42,550	42,550	-
	<u>\$ 814,920</u>	<u>\$ 812,670</u>	<u>\$ 2,250</u>

Investment return consists of the following for the year ended December 31, 2019:

Interest and dividends	\$ 26,469
Realized gains	140,262
Unrealized losses	(9,875)
	<u>\$ 156,856</u>

THE JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 - NOTES PAYABLE

A summary of long-term debt is as follows:

Vehicle loan, due August 2023, monthly payments of \$426 including principal and interest at 11.0901%	\$ 15,282
Vehicle loan, due November 2024, monthly payments of \$346 including principal and interest at 9.090%	<u>16,406</u>
	31,688
Less: current maturities	<u>6,362</u>
	<u>\$ 25,326</u>

Future maturities of the Federation's long-term debt are as follows:

Year ending December 31,	
2020	\$ 6,362
2021	7,044
2022	7,799
2023	6,861
2024	<u>3,622</u>
	<u>\$ 31,688</u>

Total interest expense incurred on long-term debt for the year ending December 31, 2019 was \$1,343.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS (Unaudited)

Net assets with donor restrictions consist of the following:

Endowment	\$ 448,996
Encountering differences	8,697
Movie grants	18,077
Hands against hate	7,900
Hendel leadership fellows	14,330
Norwich friends of Hebrew homes	7,500
Encountering programs 2019	39,009
Miscellaneous	3,905
Mission trips	<u>26,050</u>
	<u>\$ 574,464</u>

Net assets were released from restriction by satisfying the following purpose:

Encountering differences	\$ 1,959
Movie grants	973
Encountering programs 2019	19,213
Miscellaneous	112
Mission trips	<u>100,654</u>
	<u>\$ 122,911</u>

THE JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 - ENDOWMENT

The Federation's endowment consists of funds established for a variety of purposes. It includes both donor-restricted funds and funds designated by the Board to function as an endowment. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Federation considers the Uniform Prudent Management of Institutional Funds Act (UPMIFA), for prudent stewards of charitable assets, in making a determination to appropriate or accumulate endowment funds, including the following:

1. The duration and preservation of a fund
2. The purpose of the organization and the donor designations thereto
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return of the charitable assets
6. Other resources of the organization
7. The investment policies of the organization

The Federation has not adopted a formal endowment policy for the year ended December 31, 2019.

Endowment Net Assets composition by type of fund as of December 31, 2019:

	Without Donor Restrictions (Unaudited)	With Donor Restrictions (Unaudited)	Total
Endowment Funds	\$ 365,924	\$ 448,996	\$ 814,920

Changes in Endowment Net Assets for the year ended December 31, 2019 are as follows:

	Without Donor Restrictions (Unaudited)	With Donor Restrictions (Unaudited)	Total
Endowment net assets, beginning of period	\$ 460,059	\$ 448,996	\$ 909,055
Investment return:			
Investment income	26,469	-	26,469
Net appreciation (realized and unrealized)	130,387	-	130,387
Total investment return	156,856	-	156,856
Contributions	1,528	-	1,528
Appropriation of assets for expenditures	(252,519)	-	(252,519)
Endowment net assets, end of period	\$ 365,924	\$ 448,996	\$ 814,920

THE JEWISH FEDERATION OF EASTERN CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - METHODS USED FOR ALLOCATION OF EXPENSES AMONG FUNCTIONS

The financial statements of the Federation report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of time and effort studies as well as utilities and repairs, which are allocated on a square footage basis.

NOTE 9 - SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. This situation is ongoing and dynamic.

Subsequent to the statement of financial position date, domestic and global investment markets have experienced significant volatility. This volatility is the result of numerous economic and political factors including the impact of the spread of the coronavirus. As a result, the current fair value of the Federation's investments may be materially different from the amounts recorded in the financial statements as of December 31, 2019.

In the spring of 2020, the Federation entered into a \$65,000 note agreement with Citizens Bank under the U.S. Small Business Administration Program. The note bears interest at 1% per annum and is subject to uses and potential forgiveness under the Paycheck Protection Program.