המכללה העברית
HEBREW COLLEGE

FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

HEBREW COLLEGE

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June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Trustees of
Hebrew College:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hebrew College (a Massachusetts corporation, not for profit) (the College) which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hebrew College as of June 30, 2022 and 2021, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the College 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 the 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 College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 College'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 College'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.

AAFCPAs, Inc.

Boston, Massachusetts
December 14, 2022

HEBREW COLLEGE

Statements of Financial Position
June 30, 2022 and 2021

	2022			2021		
Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Current Assets:						
Cash	$ -	$ 6,563,308	$ 6,563,308	$ 2,911,013	$ 3,621,198	$ 6,532,211
Accounts receivable, net of allowances for doubtful accounts of approximately $8,300 and $9,500 at June 30, 2022 and 2021, respectively	37,843	-	37,843	51,799	-	51,799
Current portion of pledges and grants receivable	-	621,508	621,508	-	1,462,899	1,462,899
Current portion of mortgage receivable	1,600,000	-	1,600,000	1,600,000	-	1,600,000
Current portion of prepaid rent	214,260	-	214,260	428,580	-	428,580
Prepaid expenses and other	28,438	-	28,438	7,579	-	7,579
Total current assets	1,880,541	7,184,816	9,065,357	4,998,971	5,084,097	10,083,068
Investments	-	3,174,058	3,174,058	-	3,523,849	3,523,849
Pledges and Grants Receivable, net of current portion and discount	-	2,153,030	2,153,030	-	1,812,208	1,812,208
Mortgage Receivable, net of current portion	400,000	-	400,000	2,000,000	-	2,000,000
Prepaid Rent, net of current portion	-	-	-	214,260	-	214,260
Property and Equipment, net	11,325,100	-	11,325,100	837,542	-	837,542
Due (To) From - project under development	(3,529,461)	3,529,461	-			
Due (To) From	(3,150,000)	3,150,000	-	(3,150,000)	3,150,000	-
Total assets	$ 6,926,180	$ 19,191,365	$ 26,117,545	$ 4,900,773	$ 13,570,154	$ 18,470,927
Liabilities and Net Assets						
Current Liabilities:						
Current portion of annuity payable	$ 35,004	$ -	$ 35,004	$ 35,004	$ -	$ 35,004
Current portion of long-term debt	2,274,000	-	2,274,000	1,624,400	-	1,624,400
Current portion of accrued settlement costs	50,406	-	50,406	50,406	-	50,406
Accounts payable	1,108,190	-	1,108,190	711,443	-	711,443
Accrued expenses	678,864	-	678,864	144,295	-	144,295
Deferred revenue	311,469	-	311,469	342,319	-	342,319
Total current liabilities	4,457,933	-	4,457,933	2,907,867	-	2,907,867
Annuity Payable, net of current portion	183,490	-	183,490	218,490	-	218,490
Long-Term Debt, net of current portion	3,223,555	-	3,223,555	2,097,555	-	2,097,555
Accrued Settlement Costs, net of current portion	261,494	-	261,494	324,501	-	324,501
Total liabilities	8,126,472	-	8,126,472	5,548,413	-	5,548,413
Net Assets:						
Without donor restrictions	(1,200,292)	-	(1,200,292)	(647,640)	-	(647,640)
With donor restrictions	-	19,191,365	19,191,365	-	13,570,154	13,570,154
Total net assets	(1,200,292)	19,191,365	17,991,073	(647,640)	13,570,154	12,922,514
Total liabilities and net assets	$ 6,926,180	$ 19,191,365	$ 26,117,545	$ 4,900,773	$ 13,570,154	$ 18,470,927

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Operating Revenue:						
Tuition	$ 2,708,915	$ -	$ 2,708,915	$ 2,973,081	$ -	$ 2,973,081
Participant fees	1,618,347	-	1,618,347	1,559,896	-	1,559,896
Less - scholarships and grants	(1,261,863)	-	(1,261,863)	(1,313,254)	-	(1,313,254)
Tuition and fees, net	3,065,399	-	3,065,399	3,219,723	-	3,219,723
Grants	2,049,632	164,291	2,213,923	2,037,430	373,765	2,411,195
Contributions	1,453,075	178,145	1,631,220	1,642,582	156,164	1,798,746
Facilities rental, conferences and events	223,980	-	223,980	186,178	-	186,178
Consulting and other income	176,699	-	176,699	184,405	-	184,405
Investment return designated for current operations	130,276	-	130,276	126,058	-	126,058
Net assets released from restrictions:						
Purpose restrictions	599,138	(599,138)	-	534,297	(534,297)	-
Time restrictions	15,000	(15,000)	-	215,000	(215,000)	-
Total operating revenue	7,713,199	(271,702)	7,441,497	8,145,673	(219,368)	7,926,305
Operating Expenses:						
Instruction	5,295,537	-	5,295,537	5,309,723	-	5,309,723
Academic support	458,697	-	458,697	477,226	-	477,226
Student services	333,730	-	333,730	342,019	-	342,019
Institutional support	1,771,978	-	1,771,978	1,760,404	-	1,760,404
Development	405,909	-	405,909	314,371	-	314,371
Total operating expenses	8,265,851	-	8,265,851	8,203,743	-	8,203,743
Changes in net assets from operations	(552,652)	(271,702)	(824,354)	(58,070)	(219,368)	(277,438)
Non-Operating Activities:						
Capital contributions	-	6,233,816	6,233,816	-	4,857,081	4,857,081
Endowment contributions	-	20,075	20,075	-	21,331	21,331
Investment return, net	-	(230,702)	(230,702)	-	722,324	722,324
Investment return designated for current operations	-	(130,276)	(130,276)	-	(126,058)	(126,058)
Net non-operating activities	-	5,892,913	5,892,913	-	5,474,678	5,474,678
Changes in net assets	(552,652)	5,621,211	5,068,559	(58,070)	5,255,310	5,197,240
Net Assets:						
Beginning of year	(647,640)	13,570,154	12,922,514	(589,570)	8,314,844	7,725,274
End of year	$ (1,200,292)	$ 19,191,365	$ 17,991,073	$ (647,640)	$ 13,570,154	$ 12,922,514

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Changes in net assets	$ 5,068,559	$ 5,197,240
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	73,223	61,904
Bad debts	1,543	12,929
Non-cash rent	428,580	428,580
Change in discount on pledges receivable	(25,163)	53,685
Endowment contributions	(20,075)	(21,331)
Capital contributions	(6,233,816)	(4,857,081)
Realized and unrealized (gains) losses	228,454	(720,786)
Change in annuity payable present value	-	8
Changes in operating assets and liabilities:		
Accounts receivable	12,413	(45,395)
Pledges and grants receivable	1,508,000	1,281,693
Prepaid expenses and other	(20,859)	13,835
Annuity payable	(35,000)	(34,992)
Accounts payable	(459,903)	590,404
Accrued expenses	307,740	(220,052)
Conditional advance	-	(158,845)
Deferred revenue	(30,850)	(91)
Net cash provided by operating activities	802,846	1,581,705
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	130,146	126,058
Mortgage receivable principal collected	1,600,000	1,600,000
Property and equipment additions	(9,477,302)	(503,416)
Purchase of investments	(8,809)	(325,406)
Net cash provided by (used in) investing activities	(7,755,965)	897,236
Cash Flows from Financing Activities:		
Endowment contributions	20,075	21,331
Capital contributions	5,251,548	1,581,974
Payments on accrued settlement costs	(63,007)	(50,405)
Proceeds on long-term debt	3,500,000	-
Principal payments on long-term debt	(1,724,400)	(1,624,400)
Net cash provided by (used in) financing activities	6,984,216	(71,500)
Net Change in Cash	31,097	2,407,441
Cash:		
Beginning of year	6,532,211	4,124,770
End of year	$ 6,563,308	$ 6,532,211
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gains (losses) on investments	$ (344,442)	$ 434,987
Property and equipment additions included in accounts payable	$ 856,650	$ 162,533
Property and equipment additions included in accrued expenses	$ 226,829	$ -

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	2022							2021
	Program							
	Instruction	Academic Support	Student Services	Total Program	Institutional Support	Develop- ment	Total	Total
Personnel and Related:								
Salaries and wages	$ 3,259,776	$ 207,368	$ 226,055	$ 3,693,199	$ 866,273	$ 319,158	$ 4,878,630	$ 5,054,379
Payroll taxes and benefits	328,006	17,290	30,490	375,786	104,319	26,588	506,693	568,764
Total personnel and related	3,587,782	224,658	256,545	4,068,985	970,592	345,746	5,385,323	5,623,143
Occupancy:								
Rent	342,864	21,429	21,429	385,722	21,429	21,429	428,580	428,580
Utilities	-	40,066	-	40,066	314,400	-	354,466	333,021
Facilities maintenance and repairs	-	-	-	-	58,326	-	58,326	70,287
Security	-	493	-	493	45,495	-	45,988	11,103
Total occupancy	342,864	61,988	21,429	426,281	439,650	21,429	887,360	842,991
Other:								
Professional services	634,093	10,090	898	645,081	127,328	13,980	786,389	727,858
Program	549,458	-	28,645	578,103	638	617	579,358	465,628
Equipment and software	5,782	129,091	-	134,873	56,860	-	191,733	203,660
Office expenses	98,373	587	22,393	121,353	17,102	7,876	146,331	131,520
Event expenses	-	-	-	-	63,372	11,644	75,016	3,912
Depreciation	58,578	3,661	3,661	65,900	3,662	3,661	73,223	61,904
Marketing	16,535	-	-	16,535	41,621	-	58,156	50,875
Corporate	420	84	159	663	46,815	54	47,532	40,114
Library	315	28,538	-	28,853	-	-	28,853	30,106
Travel and meetings	1,337	-	-	1,337	2,795	902	5,034	9,103
Bad debts	-	-	-	-	1,543	-	1,543	12,929
Total other	1,364,891	172,051	55,756	1,592,698	361,736	38,734	1,993,168	1,737,609
Total expenses	$ 5,295,537	$ 458,697	$ 333,730	$ 6,087,964	$ 1,771,978	$ 405,909	$ 8,265,851	$ 8,203,743

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program						
	Instruction	Academic Support	Student Services	Total Program	Institutional Support	Develop-ment	Total
Personnel and Related:							
Salaries and wages	$ 3,430,317	$ 210,238	$ 224,077	$ 3,864,632	$ 958,934	$ 230,813	$ 5,054,379
Payroll taxes and benefits	338,647	22,448	28,846	389,941	156,542	22,281	568,764
Total personnel and related	3,768,964	232,686	252,923	4,254,573	1,115,476	253,094	5,623,143
Occupancy:							
Rent	342,864	21,429	21,429	385,722	21,429	21,429	428,580
Utilities	651	44,888	-	45,539	287,482	-	333,021
Facilities maintenance and repairs	1,500	-	-	1,500	68,787	-	70,287
Security	-	218	-	218	10,885	-	11,103
Total occupancy	345,015	66,535	21,429	432,979	388,583	21,429	842,991
Other:							
Professional services	621,509	13,410	2,781	637,700	89,688	470	727,858
Program	421,426	-	37,828	459,254	5,799	575	465,628
Equipment and software	8,120	132,371	-	140,491	63,042	127	203,660
Office expenses	80,862	385	23,912	105,159	15,439	10,922	131,520
Event expenses	-	-	-	-	1,956	1,956	3,912
Depreciation	49,524	3,095	3,095	55,714	3,095	3,095	61,904
Marketing	11,385	-	-	11,385	20,995	18,495	50,875
Corporate	415	-	-	415	39,393	306	40,114
Library	797	28,744	-	29,541	318	247	30,106
Travel and meetings	1,706	-	51	1,757	3,691	3,655	9,103
Bad debts	-	-	-	-	12,929	-	12,929
Total other	1,195,744	178,005	67,667	1,441,416	256,345	39,848	1,737,609
Total expenses	$ 5,309,723	$ 477,226	$ 342,019	$ 6,128,968	$ 1,760,404	$ 314,371	$ 8,203,743

1. OPERATIONS AND NONPROFIT STATUS

Hebrew College (the College) is a private, Massachusetts nonprofit corporation established in 1921. The College is an accredited, nonsectarian institution of Judaic studies. The College has programs in graduate and undergraduate studies, high school, Hebrew language, adult studies, and cultural events. The College is a constituent agency of the Combined Jewish Philanthropies of Greater Boston, Inc. (CJP) and is accredited by the New England Commission of Higher Education, Inc. (NECHE). The next comprehensive review by NECHE is scheduled for the Fall of 2028.

The College is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The College is also exempt from state income taxes. Donors may deduct contributions made to the College within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

The College prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the Accounting Standards Codification (ASC).

Cash

The College considers all highly liquid investments with an initial maturity of three months or less to be cash.

Revenue Recognition

The College generally measures revenue for qualifying exchange transactions based on the amount of consideration the College expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the College satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The College evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

The College recognizes revenue from student tuition and fees during the year in which the related services are provided to students. The performance obligation of delivering educational services is satisfied through academic instruction delivered continually throughout the academic year; therefore, the revenue is recognized ratably over the course of the academic year. All amounts received prior to the commencement of the academic year, including enrollment deposits, are deferred to the applicable period. Scholarships provided to students are recorded as a reduction from the posted tuition and room and board rates at the time revenue is recognized. Fees and deposits received in advance of services provided are recorded as deferred revenue.

Participant fees are recognized in accordance with Topic 606 where the performance obligation is delivery of the Bishvil Ha-Ivrit program (the Program). The College receives reimbursement for overhead incurred as part of delivery of the Program. Reimbursement is set by the Program and has not been allocated as the Program is considered to be one performance obligation.

Consulting revenue consists of fees to deliver the Program. The College recognizes fees during the year in which related services are provided. The performance obligation of providing the Program is satisfied continually over the academic year; therefore, the revenue is recognized ratably over the course of the academic year. Any amounts received prior to the academic year are deferred to the applicable period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The College occasionally leases certain facilities for events. Facility rental income is recognized when the events occur.

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the College must determine whether a grant or contribution (or a promise) is conditional or unconditional for transactions deemed to be a grant or contribution. A contribution is considered to be conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the College should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. See Note 15 for disclosure of the College's conditional grant at June 30, 2022.

Grants and contributions are recorded as revenue when unconditionally received or pledged. Grants and contributions with donor restrictions are recorded as revenue with donor restrictions and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Annual Fund contributions include those funds raised in a yearly appeal to alumni and other constituent supporters of the College and are classified based on the presence or absence of donor restrictions.

Estimates

The preparation of financial statements in accordance with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts and Notes Receivable and Allowance for Doubtful Accounts

Accounts and notes receivable (see Note 13) are stated at the amount the College expects to collect from outstanding balances. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in accounts and notes receivable. The allowance is based upon specific identification of probable losses and an estimate of additional losses based on historical experience. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, payroll taxes, occupancy, and depreciation, which are allocated based on an estimate of time and level of effort spent on the College's program and supporting functions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The net assets of the College consist of the following:

Net Assets Without Donor Restrictions represent those net resources that bear no external restrictions and are generally available for use by the College.

Net Assets With Donor Restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted), amounts for use in future periods (time restricted), and amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent. In accordance with Massachusetts law, all earnings and appreciation of a donor restricted endowment are restricted until appropriated by the Board of Trustees.

Net assets with donor restrictions are restricted as follows at June 30:

	2022	2021
Subject to expenditure for specific purpose:		
Capital Projects	$ 11,340,897	$ 5,107,081
Scholarships	373,401	532,924
Instructors, fellowships, conferences and other programs	261,056	117,767
Miller Center	206,625	292,519
Graduate studies: Rabbinical/Cantorial	163,654	424,775
Rabbinical School Projects	18,562	32,504
	12,364,195	6,507,570
Subject to the passage of time	305,000	199,511
Subject to the College's endowment spending policy and appropriation:		
Investment in perpetuity	6,964,072	6,943,997
Accumulated depreciation	(441,902)	(80,924)
	6,522,170	6,863,073
Total net assets with donor restrictions	$ 19,191,365	$ 13,570,154

A reconciliation of endowment activity for fiscal years 2022 and 2021 is as follows:

	2022	2021
Endowment net assets, beginning of year	$ 6,863,073	$ 6,245,476
Investment return, net	(230,702)	722,324
Contributions	20,075	21,331
Appropriation of endowment net assets for current operations	(130,276)	(126,058)
Endowment net assets, end of year	$ 6,522,170	$ 6,863,073

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds intended for perpetual duration may fall below the original gift value. The deficiencies result from unfavorable market conditions and continued appropriation for expenditure in accordance with donor intentions and the spending policies that were deemed prudent by the Board of Trustees. The College is guided by Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) in establishing spending rates. The College appropriated $130,276 and $126,058 of net assets to be used for operations in accordance with its investment spending policy for the years ended June 30, 2022 and 2021, respectively.

Capital Campaign

During fiscal year 2021 and continuing in fiscal year 2022, the College launched a capital campaign to finance the construction, development, and related costs associated with the relocation to a new shared campus in Auburndale, Massachusetts (the Project). The Project began in November/December 2021. As of June 30, 2022, the College has raised approximately $11,341,000 as part of the capital campaign (see page 9). The Project is expected to be completed in December 2022 and cost approximately $14,500,000 (see Note 6).

Investment Return Objectives and Risk Parameters

The investment portfolio is managed to provide for the long-term support of the College. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. The College benchmarks its portfolio performance against a number of commonly used indices.

Investment Spending Policy

Massachusetts law allows appropriation of a donor-restricted endowment based on the prudent practices of the Board of Trustees. The Board of Trustees has voted to allow for the use of a portion of total investment return for operations each year up to 5% of the previous twelve quarter average of the investment balance at quarter end. Additional appropriation is allowed at the discretion of the Board of Trustees. Transfers to net assets without donor restrictions, in accordance with this policy, are reflected in the accompanying statements of activities and changes in net assets as investment return designated for current operations.

Advertising Costs

The College expenses advertising costs as incurred. Total advertising costs for the years ended June 30, 2022 and 2021, were $47,688 and $44,549, respectively, and are included in marketing in the accompanying statements of functional expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. Donated property and equipment are recorded at fair value at the time of donation.

Depreciation is computed using the straight-line method and the half-year convention for additions over the following estimated useful lives:

Furniture, fixtures and equipment	3 - 7 years
Data equipment and software	3 - 5 years

Fair Value Measurements

The College follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the College would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The College uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the College. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

The majority of the College's investments are held in the Jewish Community Endowment Pool (JCEP), a limited partnership under the managerial control of CJP (see Note 1). Investment return consists of interest, dividends, and realized and unrealized gains and losses on investments. Interest and dividend income is recorded as earned. Realized gains and losses on investment transactions are recognized as changes in net assets in the period in which they occur.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments (Continued)

Investments are recorded in the financial statements at fair value. If an investment is directly held by the College and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The College's interests in the JCEP limited partnership are reported at the net asset value (NAV) reported by the fund manager, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2022 and 2021, the College had no plans to sell investments at amounts different from NAV.

A summary of inputs used in valuing the College's investments as of June 30, 2022 and 2021, is included in Note 4.

Collections

The College does not capitalize collections which have been acquired through purchase or donation. Purchases of collections are expensed in the year in which the items are acquired.

Income Taxes

The College accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The College has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2022 and 2021. The College's tax returns are subject to examination by Federal and state jurisdictions.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and expenses in the accompanying statements of activities and changes in net assets. Non-operating activities include primarily endowment, capital and investment related activity.

Subsequent Events

Subsequent events have been evaluated through December 14, 2022, which is the date the financial statements were available to be issued. No events met the criteria for disclosure or recognition in the financial statements.

3. RELATED PARTY TRANSACTIONS

The College employed two individuals that were related to senior management of the College. The total earnings of the two individuals in fiscal years 2022 and 2021 was $24,606 and $35,953, respectively.

The College received a loan from a member of the Board of Trustees during fiscal year 2022 (see Note 7).

4. INVESTMENTS

Fair value measurement was determined using the following inputs at June 30:

2022	Level 1	Level 2	Level 3	Total
Pooled investment fund*	$ -	$ -	$ -	$ 2,937,704
State of Israel bonds	-	4,538	-	4,538
Bond and stock index funds	231,816	-	-	231,816
Total investments	$ 231,816	$ 4,538	$ -	$ 3,174,058

2021	Level 1	Level 2	Level 3	Total
Pooled investment fund*	$ -	$ -	$ -	$ 3,250,704
State of Israel bonds	-	4,538	-	4,538
Bond and stock index funds	268,607	-	-	268,607
Total investments	$ 268,607	$ 4,538	$ -	$ 3,523,849

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net assets value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

Investments include primarily donor restricted endowment. Accordingly, investments have been classified as non-current assets in the accompanying statements of financial position regardless of maturity or liquidity. Investments are not insured and are subject to ongoing market fluctuations.

The pooled investment fund consists of the following categories of assets as of June 30:

	2022	2021
Money market funds	2.1%	7.2%
Domestic equity	4.0	3.5
Subtotal	6.1	10.7
Alternative investments:		
Absolute return	38.3	38.6
International equity	17.3	19.9
Domestic equity	5.3	6.7
Fixed income	14.5	10.3
Private equity/venture capital	9.0	7.9
Credit related	4.0	3.8
Real assets	5.5	2.1
Total alternative investments	93.9	89.3
Total	100.0%	100.0%

5. PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are recorded at their net present value when unconditionally committed. An allowance for potentially uncollectible pledges and grants receivable is recorded based upon management's assessment of potential defaults. There was no allowance deemed necessary as of June 30, 2022 or 2021.

Pledges and grants receivable are due as follows as of June 30:

	2022	2021
Due in one year	$ 621,508	$ 1,462,899
Due in one to five years	2,088,356	1,737,698
Due in five to ten years	150,000	184,999
	2,859,864	3,385,596
Less - discount	85,326	110,489
	2,774,538	3,275,107
Less - current portion	621,508	1,462,899
Long-term pledges and grants receivable, net	$ 2,153,030	$ 1,812,208

The College discounted long-term pledges using a 2% discount rate at June 30, 2022 and 2021.

6. PROPERTY AND EQUIPMENT AND PREPAID RENT

Property and Equipment

Property and equipment consist of the following at June 30:

	2022	2021
Project under development	$ 11,088,086	$ 646,384
Furniture, fixtures and equipment	2,253,399	2,134,320
Data equipment and software	1,316,233	1,316,233
	14,657,718	4,096,937
Less - accumulated depreciation	3,332,618	3,259,395
Property and equipment, net	$ 11,325,100	$ 837,542

Project under development is made up of the Project (see page 10). These amounts are not depreciated until they are placed into service.

Prepaid Rent

The College sold a building and land (the Property) in a prior fiscal year, a transaction which generated $2,000,000 of free rent to be utilized by the College over a four-year period commencing in 2019. In fiscal years 2022 and 2021, $428,580 of free rent was utilized. The remaining $214,260 and $642,840 is included in prepaid rent in the accompanying statements of financial position as of June 30, 2022 and 2021, respectively.

7. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	2022	2021
Non-interest bearing note payable to Temple Reyim comprised of a $1,000,000 mortgage payable and a $1,500,000 capital reserve obligation. There are annual installments of $500,000 on the mortgage payable through November 2023. Beginning November 2022 there is an annual back-up payment of $50,000 due on the capital reserve obligation through maturity of November 2051. This note is secured by the Project.	$ 2,500,000	$ -
Non-interest bearing note payable to CJP, due in quarterly installments of $400,000 starting in July 2020 through July 2023. The note is secured by a note receivable (see Note 13).	2,000,000	3,600,000
Non-interest bearing $1,000,000 note payable to a related party that is due in annual installments of $100,000 through maturity of November 2030. The note is unsecured.	900,000	-
Non-interest bearing note payable to CJP, due in annual installments of $24,400 through December 2025. CJP may loan an additional $111,000 under this agreement. In the event of any default in payment, CJP may declare the entire outstanding note balance due on demand with interest at 10%. The note is unsecured.	97,555	121,955
	5,497,555	3,721,955
Less - current portion	2,274,000	1,624,400
	$ 3,223,555	$ 2,097,555

Future principal payments over the next five years are as follows:

2023	$ 2,274,400
2024	$ 1,074,400
2025	$ 174,400
2026	$ 174,355
2027	$ 150,000
Thereafter	$ 1,650,400

The College owes a bond insurance company for fees related to a 2012 bond refinancing in the original amount of $568,000. The College is required to make quarterly payments of approximately $12,600 through July 1, 2028. The outstanding balances of this agreement ($311,900 and $374,907 at June 30, 2022 and 2021, respectively) is presented as accrued settlement costs in the accompanying statements of financial position.

8. LEASES

The College leases space to the Newton Centre Minyan, Inc. (a Massachusetts nonprofit corporation) (the Minyan) and Winthrop Park School, Inc. (a Massachusetts nonprofit corporation) (Winthrop) under tenant-at-will agreements. The School and the Minyan paid the College a total of $65,000 and $62,867 during the years ended June 30, 2022 respectively. The Minyan paid the College a total of $90,083 during the year ended June 30, 2021. The annual fees are included in facilities rental, conferences and events in the accompanying statements of activities and changes in net assets.

9. EMPLOYEE BENEFIT PLAN

The College has a discretionary employer contribution retirement plan under IRC Section 403(b) for qualified employees. Employees are eligible to participate upon hire. Employees contribute to the plan each year within the limits of the IRC, through salary reduction agreements. Only those employees who have completed six months of service are eligible to receive a portion of the employer's discretionary matching contribution, if any. Contributions vest upon attainment of normal retirement age of 65, upon retirement due to disability, upon death, or upon termination of the plan. The College did not contribute to this plan in fiscal years 2022 and 2021.

10. RETIREMENT AGREEMENT

The College has a retirement agreement with a former President of the College (former President). The retirement agreement outlines future retirement annuity payments to the former President, which began in fiscal year 2017, at $2,917 per month. Fair value, which is measured using Level 3 inputs (life expectancy and present value factors using a 1.49% discount rate), was $218,494 and $253,494 as of June 30, 2022 and 2021, respectively, which is presented as annuity payable in the accompanying statements of financial position. Future payments under this agreement will be approximately $35,000 per year.

A reconciliation of the agreement activity is as follows:

	2022	2021
Annuity payable, beginning of year	$ 253,494	$ 288,486
Payments made	(35,000)	(34,992)
Annuity payable, end of year	$ 218,494	$ 253,494

11. CONCENTRATIONS

Approximately 19% and 20% of total operating revenue for the years ended June 30, 2022 and 2021, respectively, is from CJP.

Approximately 78% and 60% of gross pledges receivable at June 30, 2022 and 2021, respectively, are due from five and four donors, respectively.

12. DUE (TO) FROM

Due (To)/From

Due (to) from in the accompanying statements of financial position consists of:

- The Massachusetts Supreme Judicial Court, with the support and approval of the Attorney General of the Commonwealth of Massachusetts, has authorized the College to borrow up to $2,900,000 of net assets with donor restrictions and/or appreciation on these net assets with donor restrictions for operating purposes. As of June 30, 2022 and 2021, the College had borrowed $2,900,000 under this agreement.

- A $250,000 contribution made in 2005, which was recorded as net assets without donor restrictions, was actually net assets with donor restrictions.

Due (to)/from – project under development

Due (to) from – project under development in the accompanying statements of financial position consists of:

- As of June 30, 2022, the College had utilized $3,529,461 of net assets with donor restrictions to fund the Project, which will be released from restrictions when the Project is placed in service in accordance with current financial reporting requirements.

13. MORTGAGE NOTE RECEIVABLE

As part of the sale of the Property (see Note 6), the College entered into an $8,000,000, non-interest bearing note receivable with the buyer of the Property. Of the future payments under this mortgage note receivable, $5,200,000 is to be paid directly to CJP to satisfy the non-interest bearing note payable reflected in Note 8, with the balance being payable to the College. Note receivable balance is $2,000,000 as of June 30, 2022.

Future receipts over the next three years are as follows:

2023	$ 1,600,000
2024	$ 400,000

The above amounts have not been discounted to their net present value, as all amounts are either expected to be collected in fiscal year 2023 or are offset by the non-interest bearing note payable to CJP.

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for use by the College within one year from the statements of financial position date are as follows as of June 30:

	2022	2021
Cash	$ 6,563,308	$ 6,532,211
Accounts receivable, net	37,843	51,799
Current portion of pledges and grants receivable	621,508	1,462,899
	7,222,659	8,046,909
Less - pledges and grants with purpose restrictions	(437,347)	(1,437,899)
Less - cash with purpose restrictions	(6,563,308)	(3,621,198)
Financial assets available to meet cash needs for general expenditures within one year	$ 222,004	$ 2,987,812

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

As part of the College's liquidity management, the College has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation become due. As of June 30, 2022 and 2021, the College has financial assets equal to approximately half a month and four and a half months of operating expenses, respectively.

15. CONDITIONAL GRANT

During fiscal year 2020, the College applied for and was awarded a loan of $1,120,000 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds were used to pay certain payroll costs, including benefits during a covered period as defined in the CARES Act. The loan was forgiven in full in fiscal year 2021 and was included in contributions on the June 30, 2021 statement of activities and changes in net assets

During fiscal year 2021, the College received a four year $500,000 conditional grant for the capital campaign. The donor reserves the right to stop payment at any point over the next three years. During fiscal year 2022 and 2021, the College received and recognized $100,000 and $172,000 of the donation, respectively. The remaining $228,000 is considered conditional and has appropriately not been recorded in the accompanying financial statements and will be recorded as received as the College would have met the criteria for recognition.