המכללה העברית
HEBREW COLLEGE

FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

HEBREW COLLEGE

Contents
June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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, which 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, which 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
November 30, 2023

Statements of Financial Position
June 30, 2023 and 2022

	2023			2022		
Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Current Assets:						
Cash	$ 2,071,206	$ 611,579	$ 2,682,785	$ -	$ 6,563,308	$ 6,563,308
Accounts receivable, net of allowances for doubtful accounts of approximately $9,500 and $8,300 at June 30, 2023 and 2022, respectively	52,930	-	52,930	37,843	-	37,843
Current portion of pledges and grants receivable	-	1,009,413	1,009,413	-	621,508	621,508
Current portion of mortgage receivable	400,000	-	400,000	1,600,000	-	1,600,000
Prepaid rent	-	-	-	214,260	-	214,260
Prepaid expenses and other	144,776	-	144,776	28,438	-	28,438
Total current assets	2,668,912	1,620,992	4,289,904	1,880,541	7,184,816	9,065,357
Investments	-	3,373,932	3,373,932	-	3,174,058	3,174,058
Pledges and Grants Receivable, net of current portion and discount	-	797,557	797,557	-	2,153,030	2,153,030
Mortgage Receivable, net of current portion	-	-	-	400,000	-	400,000
Property and Equipment, net	15,517,138	-	15,517,138	11,325,100	-	11,325,100
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	$ 15,036,050	$ 8,942,481	$ 23,978,531	$ 6,926,180	$ 19,191,365	$ 26,117,545
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	1,074,400	-	1,074,400	2,274,000	-	2,274,000
Current portion of accrued settlement costs	50,406	-	50,406	50,406	-	50,406
Accounts payable	659,305	-	659,305	1,108,190	-	1,108,190
Accrued expenses	130,575	-	130,575	678,864	-	678,864
Deferred revenue	247,068	-	247,068	311,469	-	311,469
Total current liabilities	2,196,758	-	2,196,758	4,457,933	-	4,457,933
Line of Credit	1,300,000	-	1,300,000	-	-	-
Annuity Payable, net of current portion	148,490	-	148,490	183,490	-	183,490
Long-Term Debt, net of current portion	2,148,755	-	2,148,755	3,223,555	-	3,223,555
Accrued Settlement Costs, net of current portion	223,690	-	223,690	261,494	-	261,494
Total liabilities	6,017,693	-	6,017,693	8,126,472	-	8,126,472
Net Assets:						
Without donor restrictions	9,018,357	-	9,018,357	(1,200,292)	-	(1,200,292)
With donor restrictions	-	8,942,481	8,942,481	-	19,191,365	19,191,365
Total net assets	9,018,357	8,942,481	17,960,838	(1,200,292)	19,191,365	17,991,073
Total liabilities and net assets	$ 15,036,050	$ 8,942,481	$ 23,978,531	$ 6,926,180	$ 19,191,365	$ 26,117,545

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, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Tuition	$ 2,654,740	$ -	$ 2,654,740	$ 2,709,165	$ -	$ 2,709,165
Participant fees	1,688,048	-	1,688,048	1,618,347	-	1,618,347
Less - scholarships and grants	(1,184,701)	-	(1,184,701)	(1,261,863)	-	(1,261,863)
Tuition and fees, net	3,158,087	-	3,158,087	3,065,649	-	3,065,649
Grants	1,869,077	119,501	1,988,578	3,051,809	164,291	3,216,100
Contributions	1,560,617	232,459	1,793,076	450,898	178,145	629,043
Consulting and other income	323,304	-	323,304	179,449	-	179,449
Facilities rental	152,890	-	152,890	220,980	-	220,980
Investment return designated for current operations	146,647	-	146,647	130,276	-	130,276
Net assets released from restrictions:						
Time restrictions	10,000	(10,000)	-	15,000	(15,000)	-
Purpose restrictions	644,551	(644,551)	-	599,138	(599,138)	-
Total operating revenue	7,865,173	(302,591)	7,562,582	7,713,199	(271,702)	7,441,497
Operating Expenses:						
Instruction	5,415,079	-	5,415,079	5,295,537	-	5,295,537
Academic support	480,865	-	480,865	458,697	-	458,697
Student services	322,010	-	322,010	333,730	-	333,730
Institutional support	1,894,736	-	1,894,736	1,771,978	-	1,771,978
Development	432,156	-	432,156	405,909	-	405,909
Total operating expenses	8,544,846	-	8,544,846	8,265,851	-	8,265,851
Changes in net assets from operations	(679,673)	(302,591)	(982,264)	(552,652)	(271,702)	(824,354)
Non-Operating Activities:						
Capital contributions	1,038,350	18,880	1,057,230	-	6,233,816	6,233,816
Investment return, net	-	331,291	331,291	-	(230,702)	(230,702)
Endowment contributions	-	5,155	5,155	-	20,075	20,075
Net assets released from capital restrictions	9,859,972	(9,859,972)	-	-	-	-
Investment return designated for current operations	-	(146,647)	(146,647)	-	(130,276)	(130,276)
Rescinded grant	-	(295,000)	(295,000)	-	-	-
Total net non-operating activities	10,898,322	(9,946,293)	952,029	-	5,892,913	5,892,913
Changes in net assets	10,218,649	(10,248,884)	(30,235)	(552,652)	5,621,211	5,068,559
Net Assets:						
Beginning of year	(1,200,292)	19,191,365	17,991,073	(647,640)	13,570,154	12,922,514
End of year	$ 9,018,357	$ 8,942,481	$ 17,960,838	$ (1,200,292)	$ 19,191,365	$ 17,991,073

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Changes in net assets	$ (30,235)	$ 5,068,559
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	268,598	73,223
Bad debt	7,436	1,543
Non-cash rent	214,260	428,580
Change in discount on pledges receivable	(59,267)	(25,163)
Endowment contributions	(5,155)	(20,075)
Capital contributions	(1,057,230)	(6,233,816)
Realized and unrealized (gains) losses	(324,740)	228,454
Changes in operating assets and liabilities:		
Accounts receivable	(22,523)	12,413
Pledges and grants receivable	1,919,783	1,508,000
Prepaid expenses and other	(116,338)	(20,859)
Annuity payable	(35,000)	(35,000)
Accounts payable	405,515	(459,903)
Accrued expenses	(321,460)	307,740
Deferred revenue	(64,401)	(30,850)
Net cash provided by operating activities	779,243	802,846
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	135,685	130,146
Mortgage receivable principal collected	1,600,000	1,600,000
Property and equipment additions	(5,541,865)	(9,477,302)
Purchase of investments	(10,819)	(8,809)
Net cash used in investing activities	(3,816,999)	(7,755,965)
Cash Flows from Financing Activities:		
Proceeds on line of credit	1,300,000	-
Endowment contributions	5,155	20,075
Capital contributions	164,282	5,251,548
Payments on accrued settlement costs	(37,804)	(63,007)
Proceeds on long-term debt	-	3,500,000
Principal payments on long-term debt	(2,274,400)	(1,724,400)
Net cash provided by (used in) financing activities	(842,767)	6,984,216
Net Change in Cash	(3,880,523)	31,097
Cash:		
Beginning of year	6,563,308	6,532,211
End of year	$ 2,682,785	$ 6,563,308
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gains (losses) on investments	$ 256,639	$ (344,442)
Property and equipment financed by accounts payable	$ 2,250	$ 856,650
Property and equipment financed by accrued expenses	$ -	$ 226,829

HEBREW COLLEGE

Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023							2022
	Program							
	Instruction	Academic Support	Student Services	Total Program	Institutional Support	Develop-ment	Total	Total
Personnel and Related:								
Salaries and wages	$ 3,138,492	$ 218,595	$ 235,287	$ 3,592,374	$ 924,862	$ 328,714	$ 4,845,950	$ 4,878,630
Payroll taxes and benefits	313,134	18,783	33,191	365,108	146,500	27,684	539,292	506,693
Total personnel and related	3,451,626	237,378	268,478	3,957,482	1,071,362	356,398	5,385,242	5,385,323
Occupancy:								
Utilities	-	40,136	-	40,136	292,889	-	333,025	354,466
Rent	171,408	10,713	10,713	192,834	10,713	10,713	214,260	428,580
Facilities maintenance and repairs	11,401	-	-	11,401	69,917	5,700	87,018	58,326
Security	111	5,924	-	6,035	31,984	-	38,019	45,988
Total occupancy	182,920	56,773	10,713	250,406	405,503	16,413	672,322	887,360
Other:								
Program	830,866	31	5,224	836,121	2,889	3,990	843,000	579,358
Professional services	607,404	653	-	608,057	165,856	25,022	798,935	786,389
Depreciation	214,878	13,430	13,430	241,738	13,430	13,430	268,598	73,223
Equipment and software	3,637	142,208	-	145,845	32,977	-	178,822	191,733
Office expenses	93,737	1,986	24,165	119,888	15,792	8,834	144,514	146,331
Corporate	2,100	179	-	2,279	92,251	-	94,530	47,532
Marketing	22,460	-	-	22,460	34,964	186	57,610	58,156
Development	2,882	-	-	2,882	47,145	6,090	56,117	-
Library	409	28,227	-	28,636	-	-	28,636	28,853
Travel and meetings	2,160	-	-	2,160	5,131	1,793	9,084	5,034
Bad debt	-	-	-	-	7,436	-	7,436	1,543
Event expenses	-	-	-	-	-	-	-	75,016
Total other	1,780,533	186,714	42,819	2,010,066	417,871	59,345	2,487,282	1,993,168
Total expenses	$ 5,415,079	$ 480,865	$ 322,010	$ 6,217,954	$ 1,894,736	$ 432,156	$ 8,544,846	$ 8,265,851

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statement of Functional Expenses
For the Year Ended June 30, 2022

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

The accompanying notes are an integral part of these statements.

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 (U.S. GAAP) 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 16 for disclosure of the College's conditional grant at June 30, 2023 and 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 Mortgage Receivable and Allowance for Doubtful Accounts

Accounts and mortgage 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 mortgage 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:

	2023	**2022**
Subject to expenditure for specific purpose:		
Capital projects	$ 1,499,805	$ 11,340,897
Graduate studies: Rabbinical/Cantorial	246,406	163,654
Scholarships	196,465	373,401
Instructors, fellowships, conferences and other programs	146,673	261,056
Miller Center	71,456	206,625
Rabbinical School projects	4,149	18,562
	2,164,954	12,364,195
Subject to the passage of time	65,558	305,000
Subject to the College's endowment spending policy and appropriation:		
Investment in perpetuity	6,969,227	6,964,072
Accumulated depreciation	(257,258)	(441,902)
	6,711,969	6,522,170
Total net assets with donor restrictions	$ 8,942,481	$ 19,191,365

A reconciliation of endowment activity for fiscal years 2023 and 2022 is as follows:

	2023	**2022**
Endowment net assets, beginning of year	$ 6,522,170	$ 6,863,073
Investment return, net	331,291	(230,702)
Contributions	5,155	20,075
Appropriation of endowment net assets for current operations	(146,647)	(130,276)
Endowment net assets, end of year	$ 6,711,969	$ 6,522,170

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 $146,647 and $130,276 of net assets to be used for operations in accordance with its investment spending policy for the years ended June 30, 2023 and 2022, respectively.

Capital Campaign

During fiscal year 2021 and continuing through fiscal year 2023, 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, 2023, the College has raised approximately $12,372,000, as part of the capital campaign (see page 9). The Project was completed in December 2022 and cost approximately $12,090,000 (see Note 6). As of June 30, 2023, $11,925,847 of projects under development was placed in service related to the Project and new building.

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, 2023 and 2022, were $44,062 and $47,688, respectively, and are included in marketing in the accompanying statements of functional expenses.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

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

Building	40 years
Condo ownership	40 years
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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments (Continued)

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022. 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 November 30, 2023, 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 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:

2023	Level 1	Level 2	Level 3	Total
Pooled investment fund*	$ -	$ -	$ -	$ 3,109,651
Bond and stock index funds	264,281	-	-	264,281
Total investments	$ 264,281	$ -	$ -	$ 3,373,932

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

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the 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:

	2023	2022
Money market funds	2.6%	2.1%
Domestic equity	4.9	4.0
Subtotal	7.5	6.1
Alternative investments:		
Absolute return	37.0	38.3
International equity	20.6	17.3
Domestic equity	6.0	5.3
Fixed income	12.4	14.5
Private equity/venture capital	8.9	9.0
Credit related	3.8	4.0
Real assets	3.8	5.5
Total alternative investments	92.5	93.9
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, 2023 or 2022. In fiscal year 2023, the College received notice by a donor of the inability to pay their pledge balance of $295,000. This is shown as rescinded grant in the accompanying statement of activities and changes in net assets as of June 30, 2023.

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

	2023	2022
Due in one year	$ 1,009,413	$ 621,508
Due in one to five years	760,439	2,088,356
Due in five to ten years	63,177	150,000
	1,833,029	2,859,864
Less - discount	26,059	85,326
	1,806,970	2,774,538
Less - current portion	1,009,413	621,508
Long-term pledges and grants receivable, net	$ 797,557	$ 2,153,030

The College discounted long-term pledges using a 2% discount rate at June 30, 2023 and 2022.

6. PROPERTY AND EQUIPMENT AND PREPAID RENT

Property and Equipment

Property and equipment consist of the following at June 30:

	2023	2022
Building	$ 11,925,847	$ -
Condo Ownership	3,500,000	-
Furniture, fixtures and equipment	2,055,307	2,253,399
Data equipment and software	1,288,519	1,316,233
Project under development	-	11,088,086
	18,769,673	14,657,718
Less - accumulated depreciation	3,252,535	3,332,618
Property and equipment, net	$ 15,517,138	$ 11,325,100

Project under development as of June 30, 2022, was made up of the Project (see page 10). These amounts were not depreciated until placed into service in January 2023.

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 2023 and 2022, $214,260 and $428,580 of free rent was utilized.

7. LONG-TERM DEBT

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

	2023	2022
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 in November 2022, an annual back-up payment of $50,000 is due on the capital reserve obligation through maturity of November 2051. This note is secured by the Project.	$ 1,950,000	$ 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 mortgage receivable (see Note 14).	400,000	2,000,000
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.	800,000	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.	73,155	97,555
	3,223,155	5,497,555
Less - current portion	1,074,400	2,274,000
	$ 2,148,755	$ 3,223,555

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

2024	$ 1,074,400
2025	$ 174,400
2026	$ 174,355
2027	$ 150,000
2028	$ 150,000
Thereafter	$ 1,500,000

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 ($274,096 and $311,900 at June 30, 2023 and 2022, respectively) is presented as accrued settlement costs in the accompanying statements of financial position.

8. LINE OF CREDIT

During fiscal year 2022, the College entered into a line of credit agreement with a bank with a maximum borrowing amount of the lower of $4,000,000 or the borrowing base as outlined in the agreement. Interest on this line of credit is 3.5% and matures in May 2026. The College must comply with non-financial covenants as outlined in the agreement.

8. LINE OF CREDIT (Continued)

The line of credit is secured by pledge and security agreement and deposit account pledge agreement. Total outstanding on this line of credit is $1,300,000 as of June 30, 2023. There was no balance outstanding as of June 30, 2022.

9. LEASES AS LESSOR

The College leases space to three nonprofit organizations under tenant-at-will agreements. These nonprofit organizations paid the College a total of approximately $80,000 and $128,000 during the fiscal years ended June 30, 2023 and 2022, respectively. The annual fees are included in facilities rental, conferences and events in the accompanying statements of activities and changes in net assets.

10. 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 2023 and 2022.

11. 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 $183,494 and $218,494 as of June 30, 2023 and 2022, 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:

	2023	2022
Annuity payable, beginning of year	$ 218,494	$ 253,494
Payments made	(35,000)	(35,000)
Annuity payable, end of year	$ 183,494	$ 218,494

12. CONCENTRATIONS

Approximately 19% of total operating revenue for the years ended June 30, 2023 and 2022, is from CJP.

Approximately 71% and 78% of gross pledges and grants receivable at June 30, 2023 and 2022, respectively, are due from three and five donors, respectively.

13. 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, 2023 and 2022, 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 was released during fiscal year 2023 when the Project was placed in service, in accordance with current financial reporting requirements.

14. MORTGAGE RECEIVABLE

As part of the sale of the Property (see Note 6), the College entered into an $8,000,000, non-interest-bearing mortgage receivable with the buyer of the Property. Of the future payments under this mortgage receivable, $5,200,000 is to be paid directly to CJP to satisfy the non-interest-bearing note payable reflected in Note 7, with the balance being payable to the College. Mortgage receivable balance is $400,000 as of June 30, 2023, which is expected to be received in fiscal year 2024. The mortgage receivable balance at June 30, 2022, was $2,000,000

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.

15. 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:

	2023	2022
Cash	$ 2,682,785	$ 6,563,308
Accounts receivable, net	52,930	37,843
Current portion of pledges and grants receivable	1,009,413	621,508
	3,745,128	7,222,659
Less - pledges and grants with purpose restrictions	(912,948)	(437,347)
Less - cash with purpose restrictions	(611,579)	(6,563,308)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,220,601	$ 222,004

15. 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, 2023 and 2022, the College has financial assets equal to approximately three months and half a month of operating expenses, respectively.

16. CONDITIONAL GRANT

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 2023 and 2022, the College received and recognized $100,000 of the donation, respectively. The remaining $128,000 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.

17. RECLASSIFICATIONS

Certain amounts in the June 30, 2022 financial statements have been reclassified to conform with the June 30, 2023 presentation.