

**THE ASSOCIATED: JEWISH COMMUNITY
FEDERATION OF BALTIMORE, INC.,
ASSOCIATED JEWISH CHARITIES OF BALTIMORE,
JEWISH COMMUNITY INVESTMENT FUND,
AND SUPPORT FOUNDATIONS
(THE ASSOCIATED)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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**THE ASSOCIATED
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Governors
The Associated: Jewish Community Federation of Baltimore, Inc.,
Associated Jewish Charities of Baltimore,
Jewish Community Investment Fund, and
Support Foundations
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Associated: Jewish Community Federation of Baltimore, Inc., Associated Jewish Charities of Baltimore, Jewish Community Investment Fund, and Support Foundations (collectively referred to as The Associated), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Board of Governors
The Associated: Jewish Community Federation of Baltimore, Inc.,
Associated Jewish Charities of Baltimore,
Jewish Community Investment Fund, and
Support Foundations

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Associated as of June 30, 2020, and the results of their activities and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2020 consolidated financial statements as a whole. The 2020 supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
March 16, 2021

**THE ASSOCIATED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
		<i>(In Thousands)</i>	
Cash and Cash Equivalents	\$ 1,040	\$ (221)	\$ 819
Promises to Give:			
Annual Campaign, Net	-	22,872	22,872
Capital Campaign, Net	-	4,252	4,252
Centennial Campaign, Net	-	17,810	17,810
Other Campaigns, Net	-	2,804	2,804
Notes and Other Receivables	2,313	233	2,546
Other Assets	2,687	2,539	5,226
Due (to) from Other Funds	(14,360)	14,360	-
Total	(8,320)	64,649	56,329
INVESTMENTS			
Investment in Jewish Community Investment Fund	541,619	68,723	610,342
Funds on Behalf of Others	(253,706)	-	(253,706)
Equity in Jewish Community Investment Fund	287,913	68,723	356,636
Other Investments	116,394	1,548	117,942
Funds Held in Irrevocable Trusts	-	10,820	10,820
Total Investments	404,307	81,091	485,398
PROPERTY AND EQUIPMENT, NET			
	47,034	-	47,034
Total Assets	\$ 443,021	\$ 145,740	\$ 588,761
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable - Trade	\$ 3,775	\$ -	\$ 3,775
Accounts Payable - Agencies	835	-	835
Loans Payable	7,062	-	7,062
PPP Loan	2,430	-	2,430
Bonds Payable, Net	9,150	-	9,150
Other Liabilities	1,954	4,447	6,401
Total Liabilities	25,206	4,447	29,653
NET ASSETS			
	417,815	141,293	559,108
Total Liabilities and Net Assets	\$ 443,021	\$ 145,740	\$ 588,761

See accompanying Notes to Consolidated Financial Statements.

**THE ASSOCIATED
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE		<i>(In Thousands)</i>	
Campaign Promises to Give	\$ -	\$ 21,735	\$ 21,735
Centennial Promises to Give	-	3,928	3,928
Legacies and Gifts	37,837	11,652	49,489
Special Gifts	2,402	2,180	4,582
Investment Income	357	-	357
Investment Administration Fees	840	-	840
Agency Infrastructure Cost Share	3,502	-	3,502
Rent Infrastructure Income	1,851	-	1,851
Program and Other	851	1,023	1,874
Net Assets Released from Restrictions	34,792	(34,792)	-
Total Support and Revenue	<u>82,432</u>	<u>5,726</u>	<u>88,158</u>
EXPENSES AND LOSSES			
Program Services	83,340	-	83,340
General and Administrative	1,819	-	1,819
Fundraising	6,915	-	6,915
Total Expenses and Losses	<u>92,074</u>	<u>-</u>	<u>92,074</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(9,642)</u>	<u>5,726</u>	<u>(3,916)</u>
NONOPERATING INCOME (EXPENSE)			
Net Appreciation in Fair Value of Investments	9,157	(2,884)	6,273
Loss on Interest Rate Swap Contracts	(275)	-	(275)
Interest Expense	(613)	-	(613)
Other Nonoperating Revenue	1,334	25	1,359
Transfers	(961)	961	-
Total Nonoperating Income (Expense), Net	<u>8,642</u>	<u>(1,898)</u>	<u>6,744</u>
CHANGE IN NET ASSETS	<u>(1,000)</u>	<u>3,828</u>	<u>2,828</u>
Net Assets - Beginning of Year, As Previously Reported	218,175	141,764	359,939
Prior Period Adjustment	<u>200,640</u>	<u>(4,299)</u>	<u>196,341</u>
Net Assets - Beginning of Year, As Restated	<u>418,815</u>	<u>137,465</u>	<u>556,280</u>
NET ASSETS - END OF YEAR	<u>\$ 417,815</u>	<u>\$ 141,293</u>	<u>\$ 559,108</u>

See accompanying Notes to Consolidated Financial Statements.

**THE ASSOCIATED
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services	General and Administrative	Fundraising	Total
OPERATING EXPENSES				
		<i>(In Thousands)</i>		
Grants and Distributions	\$ 65,518	\$ -	\$ -	\$ 65,518
Compensation	9,931	970	2,954	13,855
Staff Related	618	50	152	820
Professional Fees	155	342	21	518
Advertising and Marketing	409	-	176	585
Missions and Campaign Events	-	-	1,022	1,022
Program Events	1,459	-	-	1,459
Building and Other Operations	1,053	389	1,182	2,624
Depreciation	2,931	-	-	2,931
Security	553	55	167	775
Operating Interest Expense	128	13	38	179
Bad Debt	-	-	1,203	1,203
Investment Consulting Fees	585	-	-	585
Total Operating Expenses	<u>\$ 83,340</u>	<u>\$ 1,819</u>	<u>\$ 6,915</u>	<u>\$ 92,074</u>

See accompanying Notes to Consolidated Financial Statements.

**THE ASSOCIATED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	<i>(In Thousands)</i>
Change in Net Assets	\$ 2,828
Adjustments to Reconcile Change in Net assets to Net Cash Used by Operating Activities:	
Depreciation	2,931
Realized/unrealized Gain on Operating Investments	(6,273)
Gain on Sale of Property and Equipment	(1,599)
Gain on Interest Rate Swap Agreement	275
Change in Beneficial Interests in Assets Held by Others	1,398
(Increase) Decrease in Assets:	
Accounts Receivable, net	358
Promises to Give, net	(2,624)
Prepaid Expenses and Other Assets	1,236
Increase (Decrease) in Liabilities:	
Accounts Payable	888
Other Liabilities	(1,051)
Net Cash Used by Operating Activities	<u>(1,633)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Distributions from Jewish Community Investment Fund	33,193
Additions to Jewish Community Investment Fund	(26,947)
Change in Other investments	573
Purchases of Property & Equipment	(996)
Net Cash Provided by Investing Activities	<u>5,823</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on interest rate swap agreements	(1,577)
Payments to beneficiaries of split-interest agreements	(463)
Net Borrowings (Repayments) Under Line of Credit	(3,748)
Proceeds from Issuance of Bonds and Notes	2,430
Principal Payments on Bonds Payable	(821)
Net Cash Used by Financing Activities	<u>(4,179)</u>
 NET CHANGE IN CASH	 11
Cash - Beginning of Year	<u>808</u>
 CASH - END OF YEAR	 <u>\$ 819</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid During the Year for Interest	\$ 791
Unrelated Business Income Taxes	59

See accompanying Notes to Consolidated Financial Statements.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Associated: Jewish Community Federation of Baltimore, Inc. (Federation), Associated Jewish Charities of Baltimore (AJCB), Jewish Community Investment Fund (JCIF), and Supporting Foundations (collectively referred to as The Associated) care for the members of the Jewish community in Baltimore, Israel and around the world. The Associated operates in Baltimore, Maryland.

JCIF, formed as a business trust, is organized and is operated exclusively for the commingled investment and reinvestment of assets of the general endowment or other funds of one or more charitable organizations, each of which is exempt from taxation under Section 501(a) of the Internal Revenue Code of 1986.

Supporting Foundations of The Associated are separate legal entities controlled by The Associated and formed to support The Associated. Distributions from these funds are determined by the board of directors of the respective foundation.

Basis of Accounting

The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Principles of Consolidation

The consolidated financial statements include the accounts of The Associated, but do not include the accounts of the constituent agencies of The Associated or of other unrelated organizations investing in the JCIF. Significant intercompany amounts have been eliminated in consolidation.

Operating Measure

All income and expense items related to the ongoing activities of The Associated in carrying out its mission are netted and shown as change in net assets from operations. Nonoperating income and expense items relates to investment and capital financing activities that are subject to external factors and/or items that are infrequent and unusual in nature.

Net Asset Classification

The consolidated financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) regarding financial statements of nonprofit organizations. Under these requirements, The Associated is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classification (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The components of net assets by entity are as follows:

	Without Donor Restriction	With Donor Restrictions <i>(In Thousands)</i>	Total
Net Assets (Deficit):			
The Associated: Jewish Community Federation of Baltimore, Inc.	\$ (14,000)	\$ 49,714	\$ 35,714
Associated Jewish Charities of Baltimore	59,822	22,856	82,678
Jewish Community Investment Fund	174,307	68,723	243,030
Support Foundations	197,686	-	197,686
Total Net Assets	<u>\$ 417,815</u>	<u>\$ 141,293</u>	<u>\$ 559,108</u>

Cash and Cash Equivalents

The Associated considers certain investments with an original maturity of three months or less to be cash equivalents. Unrestricted cash includes an unemployment escrow account for which the minimum balance is regulated by the State of Maryland Department of Labor, Licensing, and Regulation. The balance in this account at June 30, 2020 was \$459.

Credit Risk

The Associated has depository operations with various brokers. In the event this counterparty does not fulfill its obligations, The Associated may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty. The Associated attempts to minimize this credit risk by monitoring the creditworthiness of the clearing broker.

Promises to Give

The Associated records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in revenue in the consolidated statements of activities.

The Associated uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific receivables.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Assets

Other assets represent various prepaid expenses and life insurance policies.

Investments

Investments are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is reflected on the consolidated statements of activities.

Equity in Jewish Community Investment Fund

The Associated and its constituent agencies have commingled their investments in a fund known as the JCIF which is managed by the AJCB. Investments of the JCIF, other than limited partnership interests, are under custodial agreements with a financial institution. Gains and losses on sales of investments and income earned on investments are allocated monthly to each agency or entity based on the individual agency's or entity's share of fair value to the fair value of the total JCIF.

Assets held in the JCIF from nonprofit organizations like constituent agencies, Jewish day schools, synagogues and other organizations are liabilities to the JCIF and are reflected as contra-assets on the consolidated statements of financial position. Total assets held in the JCIF were \$610,342 as of June 30, 2020. The liabilities associated with these funds held on behalf of others were \$253,706 as of June 30, 2020.

The JCIF held interests in 46 limited partnerships at June 30, 2020. The majority of the limited partnerships are audited at December 31 of each year, with others audited at June 30 of each year. For the limited partnerships audited at December 31, interim valuations are prepared at June 30 of each year. The partnerships invest in a wide array of investment vehicles including common stock, restricted investments, bonds, futures contracts, foreign currency contracts, reverse repurchase agreements, written options and other investment derivatives. Certain of these investment vehicles include an inherently higher degree of risk than others. The Investment Management Committees of AJCB regularly review the progress and valuation of these interests.

Note 3 contains information on the composition and fair value measurements of the JCIF investments.

Investment Risk

The Associated invests in a professionally managed portfolio that contains common shares and bonds of publicly-traded and privately-owned companies, U.S. Government obligations, mutual funds, private equity funds, hedge funds, limited partnerships and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the schedules.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Risk (Continued)

Market risk arises primarily from changes in market value of financial instruments. Theoretically, The Associated's exposure is equal to the value of the investments purchased. Exposure to market risk is influenced by a number of factors, including the relationship between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. The Associated attempts to control its exposure to market risk through various analytically monitoring techniques.

Specifically, during the fiscal year, the World Health Organization declared the spread of Coronavirus Disease, (COVID-19), a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Because of the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Charitable Gift Annuities

Under charitable gift annuity contracts, we receive immediate and unrestricted title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income. The Associated records the present value of the remainder interest discounted at a rate of 2.8% for 2020.

Charitable Trusts

We act as trustee for various irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to us, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. The trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions, and net assets with donor restrictions that are perpetual in nature are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment additions over \$10,000 at cost, or if donated, at fair value on the date of donation are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. For buildings and improvements, the estimated useful life is 5 to 50 years, and for equipment and furniture, the estimated useful life is 3 to 20 years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Valuation of Long-Lived Assets

The Associated reviews the valuation of long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Interest Rate Swap Contracts

The Associated recognizes all derivative financial instruments in the financial statements at their fair value. The Associated participates in interest rate swap contracts that are considered derivative financial instruments. Changes in the fair value of the derivative financial instruments are recognized in the consolidated statements of activities as gain or loss on interest rate swap contracts. The fair value of liabilities related to the interest rate swap contracts are included in other liabilities in the consolidated statements of financial position.

Use of Estimates

The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Income Tax Status

The Federation, AJCB, and Supporting Foundations are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Federation, AJCB and the Supporting Foundations qualify for charitable contributions deductions under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(1). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

JCIF taxable income or loss is reported by the beneficiaries of JCIF individually and, accordingly, no income taxes have been provided for in the consolidated financial statements. JCIF files tax returns, separate from AJCB, as prescribed by the tax laws of the jurisdictions in which it operates.

The Associated follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, The Associated may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management has evaluated The Associated's tax positions and has concluded that The Associated has taken no uncertain tax positions that require disclosure. Generally, The Associated is no longer subject to income tax examinations by the U.S. federal, state or local authorities for years before 2017.

Revenue and Revenue Recognition

Revenue is recognized when earned. Investment administrative fees, infrastructure income and program and other income received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Appropriations

The Associated budgets annual appropriations to most constituent agencies, supported programs and the Jewish Federation of North America. Appropriations were \$30,293 for the year ended June 30, 2020, and are included in grants and distributions expense on the consolidated statement of functional expenses. Appropriations payable were \$835 at June 30, 2020, and are included in accounts payable – agencies on the consolidated statement of financial position.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Supporting expenses include those expenses that are not directly identifiable with any specific function, but which provide for the overall support and direction of The Associated. The costs of providing various program and supporting activities have been presented on a detailed functional basis in the statements of functional expenses. The statements of functional expenses presents expenses on a full allocation basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, certain costs have been

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

allocated among program and supporting services benefited. All other costs are charged directly to the appropriate program. Expenses that are attributed to more than one program or supporting function are allocated consistently based on the following:

Compensation, staff related, building and other operations and operating interest expense were allocated based on management's calculation of full-time employee equivalents and management's estimate of time and effort for employees within each department.

Change in Accounting Principle

In November 2016, FASB issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. It is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. This ASU requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. The Associated has implemented ASU 2016-18 and has adjusted the presentation of their consolidated financial statements accordingly. The ASU has been applied using the retrospective approach. There was no material impact to The Associated's net assets upon implementation.

Accounting Pronouncements Issued But Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, the guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of activities.

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which delays the effective dates of ASU 2016-02, *Leases (Topic 842)* for certain entities, as discussed above. The original effective date of ASU 2016-02 for The Associated was fiscal year beginning July 1, 2021 and is now July 1, 2022.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update modify the requirement of disclosures on fair value measurements in Topic 820. The amendments remove the requirement to make certain disclosures and modify certain disclosures for Level III fair value measurements. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Associated is currently evaluating the impact this update will have on the consolidated financial statements.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Associated evaluated subsequent events for potential required disclosures through March 16, 2021, which is the date the consolidated financial statements were issued.

On October 30, 2020, The Associated received \$7,773 from the sale of property, as reported as assets held for sale within property and equipment in the statement of financial position and in Note 7.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Associated is supported primarily by donor contributions through their various fundraising campaigns and through investment and endowment generated income. Additionally, The Associated has a line of credit, in which approximately \$14,025 was still available to be drawn for general use as of June 30, 2020.

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Our board-designated endowment of \$44,761 is subject to an annual spending rate of 5% as described in Note 4. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2020, are as follows:

	<i>(In Thousands)</i>
Cash and Cash Equivalents	\$ 1,040
Notes and Other Receivables	2,313
Investment in Jewish Community Investment Fund	541,619
Other Investments	116,394
Total Financial Assets	661,366
Less:	
Board-Designated Endowments	(45,656)
Investments Restricted to Liquidation	(20,276)
Funds Held on Behalf of Others	(253,706)
Donor-Advised Funds	(128,651)
Supporting Foundation Funds	(197,722)
Notes and Other Receivables Payable in More than One Year	(669)
Add:	
Approved Donor Restricted Endowment Draw	3,769
Annual Campaign Contributions Receivable for Expenditure	24,630
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 43,085

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 FAIR VALUE MEASUREMENTS

The Associated follows the Financial Accounting Standards Board (FASB) authoritative guidance regarding accounting for fair value measurements. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the guidance as assumptions that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the guidance are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Listed equities and holdings in mutual funds are the types of investments included in Level 1. Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation.

Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain real estate, corporate bonds, government obligations and over-the-counter derivatives. A significant adjustment to Level 2 input could result in a reclassification to a Level 3 measurement.

Level 3 – Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation as described below.

In some cases, the inputs used to measure the fair value might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

Certain investments previously included within level 3 were reclassified. These reclassifications included funds held in irrevocable trusts that are primarily included as level 1 investments. The irrevocable trusts were invested in various portfolios and include investments in cash and cash equivalents, equities, and fixed income securities. In addition, real estate investments managed by Regional management, Inc. included equities in privately held corporations which do not have readily determinable fair values and investments in real estate. The equities in privately held corporations were valued at net asset value (NAV) per share as a practical expedient and are not classified in the fair value hierarchy. The real estate investments are valued using a valuation methodology whose significant inputs are observable and have been included as level 2 investments.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents The Associated's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
State of Israel Bonds (Value at Maturity)	\$ -	\$ 8,193	\$ -	\$ 8,193
Domestic Equities	54,194	-	-	54,194
Fixed Income	6,946	-	-	6,946
Other Investments	1,246	-	901	2,147
Real Estate Assets	-	12,282	-	12,282
Other Investments at Fair Value	62,386	20,475	901	83,762
Cash and Cash Equivalents				5,742
Alternative Investments Measured at NAV (or Equivalent) (a)				28,438
Total Other Investments				117,942
 Funds Held in Irrevocable Trusts				
Equities	9,582	-	-	9,582
Fixed Income	1,092	-	-	1,092
Funds Held in Irrevocable Trusts at Fair Value	10,674	-	-	10,674
Cash and Cash Equivalents				146
Total Funds Held in Irrevocable Trusts				10,820
 JCIF at Fair Value:				
Money Market Funds	5,371	-	-	5,371
Mutual Funds:				
Fixed Income	43,769	-	-	43,769
Domestic Growth	40,473	-	-	40,473
Equities:				
Consumer Discretionary	2,637	-	-	2,637
Financial Services	3,770	-	-	3,770
Healthcare	868	-	-	868
Industrials	960	-	-	960
Information Technology	1,748	-	-	1,748
Communication Services	5,181	-	-	5,181
Fixed Income:				
Corporate	-	18,623	-	18,623
JCIF at Fair Value	104,777	18,623	-	123,400
Alternative Investments Measured at NAV (or Equivalent) (a)				486,942
Less: Fund Held on the Behalf of Others				(253,706)
Total Investment in the JCIF				356,636
 Total Investments	<u>\$ 167,163</u>	<u>\$ 39,098</u>	<u>\$ 901</u>	<u>\$ 474,578</u>

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

- (a) The Associated used net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of investments, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statement of financial position.

Financial instruments classified as Level 3 in the fair value hierarchy represent The Associated's investment in financial instruments in which management has used at least one significant unobservable input in the valuation model.

The following table presents a reconciliation of activity for the Level 3 financial instruments for the year ended June 30, 2020:

Description	Balance July 1, 2019	Reclassifications within the Fair Value Hierarchy	Purchases of Investments	Net Realized Gains (Losses) on Investments	Net Unrealized Gains (Losses) on Investments	Balance June 30, 2020
<i>(In Thousands)</i>						
Other Investments	\$ 8,711	\$ (8,529)	\$ -	\$ -	\$ 719	\$ 901
Real Estate	11,632	(11,632)	-	-	-	-
Funds Held in Irrevocable Trusts	12,218	(12,218)	-	-	-	-
Total	<u>\$ 32,561</u>	<u>\$ (32,379)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719</u>	<u>\$ 901</u>

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows as of June 30, 2020:

Description	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<i>(In Thousands)</i>				
Multi-Strategy Hedge Funds (a)	\$ 116,156	\$ -	Monthly - Quarterly	30 - 90 Days
Equity Long/Short Funds (b)	114,742	-	Monthly - Quarterly	30 - 60 Days
Global Opportunity Funds (c)	183,711	-	Monthly - Quarterly	6 - 45 Days
Private Equity and Venture Capital Funds (d)	92,167	36,300	None	N/A
Equity in Private Companies (e)	8,604	-	None	N/A
Total	<u>\$ 515,380</u>	<u>\$ 36,300</u>		

- (a) This category includes funds that employ hedging strategies to diversify risk and reduce volatility and may invest in various equity and bond securities to profit from economic, political and government-driven events. The investment objective is to invest in a diversified portfolio in order to achieve above-average returns while seeking to minimize risk.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

- (b) This category includes an investment in a fund that invests both long and short in various domestic and international common stocks and commodities futures contracts. Management of the fund has the ability to shift from value to growth strategies, from small to large capitalization stocks, and from a net short position to a net long position. The investment objective is to invest in a diversified portfolio in order to achieve above-average returns while seeking to minimize risk.
- (c) This category includes investments in managers that hold the majority of the funds' investments in global common stocks, debt instruments and diversified currencies. The investment objective is to invest in a diversified global portfolio in order to achieve above-average returns while seeking to minimize risk.
- (d) This category includes private equity and venture capital funds. These investments can never be redeemed from the underlying funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. The investment objective is to invest in a diversified portfolio in order to achieve above-average returns in an asset class that is uncorrelated to the equity markets. As of June 30, 2020, it is probable that the investments in this category will be liquidated at an amount different from the NAV of The Associated's ownership interest in partners' capital. The Associated uses the NAV of the underlying partnership investments as reported by the respective partnership investment managers. It is estimated that the majority of the underlying assets of the funds would be liquidated over five to eight years.
- (e) This category includes equity in private companies that are invested in rental real estate properties.

NOTE 4 ENDOWMENTS

The endowment consists of individual funds established by donors to provide annual funding for specific activities and general operations. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Governors.

Interpretation of Relevant Law

The Board of Governors of The Associated has interpreted the state of Maryland's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, The Associated classifies as endowment net assets: (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions, until those amounts are appropriated

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

for expenditure by The Associated in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, The Associated considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of The Associated and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of The Associated
- The investment policies of The Associated

Return Objective and Risk Parameters

The long-term goal of the endowment fund is to achieve appreciation of assets without exposure to undue risk, as defined herein. The portfolio is expected to support desired spending, provide additional growth to cover operating expenses and preserve the purchasing power of the endowment assets over time, net of all fees.

Spending Policy

The current spending policy is calculated upon a 12-quarter trailing average of market value. Unless otherwise directed by a donor, distributions are made in the amount of 5% of the endowment funds.

Endowment Net Asset Composition by Type of Fund

	Without Donor Restriction	With Donor Restrictions	Total
		<i>(In Thousands)</i>	
Donor-Restricted Endowment Funds	\$ -	\$ 68,723	\$ 68,723
Board-Designated Endowment Funds	45,656	-	45,656
Total	<u>\$ 45,656</u>	<u>\$ 68,723</u>	<u>\$ 114,379</u>

Changes in Endowment Net Assets

	Without Donor Restriction	With Donor Restrictions	Total
		<i>(In Thousands)</i>	
Endowment Net Assets as of June 30, 2019	\$ 45,496	\$ 66,709	\$ 112,205
Net Investment Income	1,224	1,824	3,048
Contributions	7,895	2,868	10,763
Transfers	(912)	912	-
Appropriation of Endowment Assets for Expenditure	(8,047)	(3,590)	(11,637)
Endowment Net Assets as of June 30, 2020	<u>\$ 45,656</u>	<u>\$ 68,723</u>	<u>\$ 114,379</u>

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 ENDOWMENTS (CONTINUED)

Changes in Endowment Net Assets (Continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020, there were no underwater endowments.

Summary of Funds

A summary of funds in the JCIF are as follows:

	<i>(In Thousands)</i>
Without Restriction (a)	\$ 20,987
Annual Campaign Endowment Funds (b)	24,490
Designated Services for Constituent Agencies and Programs (c)	<u>68,902</u>
Subtotal	114,379
Donor-Advised Fund (d)	128,651
Supporting Foundations (e)	<u>113,606</u>
Total	<u><u>\$ 356,636</u></u>

- (a) Without restriction, funds are endowment funds gifted to The Associated which are not restricted for use or time by the donor. Distributions from these funds are limited by the Board of Governors to 5% of the average fund balance of the prior 12 quarters as determined each December 31 for the subsequent fiscal year.
- (b) Annual Campaign Endowment (ACE) funds are endowment funds gifted to The Associated which are earmarked for the Annual Campaign. Distributions from these funds are limited to 5% of the average fund balance of the prior 12 quarters as determined each June 30 for the subsequent fiscal year.
- (c) The Designated services for constituent agencies and programs are endowment funds gifted to The Associated which are designated for a field of interest (i.e., to help the elderly), an agency or program. Distributions from these funds are limited to 5% of the average fund balance of the prior 12 quarters as determined each December 31 for the subsequent fiscal year.
- (d) The Associated's Donor-Advised Fund (DAF) program. The assets in the program are owned by The Associated but donors retain the privilege to recommend charitable distributions from the fund to The Associated or other public charities for charitable purposes.
- (e) Supporting Foundations of The Associated are separate legal entities controlled by The Associated and formed to support The Associated. Distributions from these funds are determined by the board of directors of the respective foundation.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 PROMISES TO GIVE

As of June 30, 2020, contributors have made unconditional promises to give totaling \$51,149, on which management has established an allowance for uncollectible promises to give of \$2,390, and a discount on promises to give of \$1,018. Promises to give are classified in the consolidated financial statements on a net basis as follows:

	<i>(In Thousands)</i>
Net Assets with Donor Restrictions:	
Annual Campaign	\$ 22,872
Capital Campaign	4,252
Centennial Campaign	17,810
Other Campaigns	2,804
Total	<u>\$ 47,738</u>

Unconditional promises to give are estimated to be collected as follows as of June 30, 2020:

	Annual and Other Campaigns	Capital Campaign	Centennial Campaign	Total
	<i>(In Thousands)</i>			
Within One Year	\$ 24,630	\$ 1,516	\$ 4,766	\$ 30,912
In One to Five Years	3,194	3,227	12,730	19,151
Over Five Years	-	-	1,085	1,085
Total	<u>\$ 27,824</u>	<u>\$ 4,743</u>	<u>\$ 18,581</u>	<u>\$ 51,148</u>

NOTE 6 NOTES AND OTHER RECEIVABLE

The Associated has community loan pools, which lend funds to its constituent agencies and other community organizations in need of financing. These loans are given on a needs basis, bear interest from 0% to 3% and have various repayment terms. As of June 30, 2020, the balance on these notes was \$975, before reserves of \$95.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<i>(In Thousands)</i>
Land, Buildings, and Improvements	\$ 91,204
Construction in Progress	432
Equipment and Furniture	3,119
Assets Held for Sale	<u>1,012</u>
Total	95,767
Less: Accumulated Depreciation	<u>(48,733)</u>
Property and Equipment, Net	<u>\$ 47,034</u>

Substantially all of the property and equipment is leased to constituent agencies of The Associated on an annual basis.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 LOANS AND BONDS PAYABLE

Loans and bonds payable June 30, 2020 as of are as follows:

	<i>(In Thousands)</i>
Colorado Education and Cultural Facilities Authority Revenue Bonds (tax-exempt), interest payable at 67% of the 30-day London Interbank Offered Rate (LIBOR) plus 0.99% (1.06% at June 30, 2020); due 2031; subject to certain financial covenants; secured by a negative pledge on revenue, on all assets and a parity agreement for any new assets pledged.	\$ 9,220
Less: Unamortized Debt Issuance Costs	<u>(70)</u>
Total Bonds Payable	<u>9,150</u>
Demand loan, \$5,000 available; interest payable monthly at ICE LIBOR Daily Floating Rate, plus 0.77% per annum (0.84% at June 30, 2020); due January 31, 2021.	-
\$100 interest free loan payable semi-annual, due December 31, 2023	87
Line of credit \$16,000 available; interest payable monthly at one-month LIBOR plus 0.55% (0.70% at June 30, 2020) per annum; due May 24, 2021	<u>6,975</u>
Total Loans Payable	<u>7,062</u>
Total	<u><u>\$ 16,212</u></u>

Subsequent to year end the \$16,000 line of credit was extended to May 24, 2021, the \$5,000 demand loan was terminated in July 2020, and a new line of credit for \$5,000 was entered into in October 2020 that expires October 21, 2021.

Debt principal maturities relating to the above obligations at June 30, 2020, are due in future years as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
	<i>(In Thousands)</i>
2021	\$ 7,000
2022	895
2023	930
2024	952
2025	980
Thereafter	<u>5,525</u>
Total	16,282
Less: Unamortized Debt Issuance Costs	<u>(70)</u>
Total Obligations	<u><u>\$ 16,212</u></u>

Interest expense totaled \$792 for the year ended June 30, 2020.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 PPP LOAN

On April 16, 2020, The Associated received a loan from Truist Bank in the amount of \$2,430 to fund payroll, rent, and utilities, through the Paycheck Protection Program (the “PPP Loan”). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if The Associated fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 16, 2020 through December 31, 2020, is the time that The Associated has to spend their PPP Loan funds.

The future minimum payments on the note are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
	<i>(In Thousands)</i>
2021	\$ 1,215
2022	1,215
Total	<u>\$ 2,430</u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2020, net assets with donor restrictions are restricted for the following purposes or periods:

<u>Subject to Expenditure for a Specified Time Period and/or Purpose Restrictions:</u>	<i>(In Thousands)</i>
Annual Campaign (Time)	\$ 22,872
Capital Campaign (Purpose)	6,898
Centennial Campaign (Time and Purpose)	17,810
Annuity Trust Agreements (Time)	6,382
Supplemental and Other Campaigns (Time and Purpose)	18,608
Endowments subject to The Associated's spending Policy and Appropriation	<u>68,723</u>
Total Net Assets with Donor Restrictions	<u>\$ 141,293</u>

Grants – annual campaign represent revenue which will be released from restriction in the subsequent year.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

For the year ended June 30, 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of by occurrence of other events specified by donors, as follows:

	<i>(In Thousands)</i>
Expiration of Time Restrictions	\$ 30,599
Satisfaction of Purpose Restrictions:	
General Programs	4,193
Total Net Assets Released from Donor Restrictions	\$ 34,792

NOTE 11 PRIOR PERIOD ADJUSTMENT

It was determined that the beginning of year net assets required a restatement of \$196,341 to correct for the following:

- The reporting entity was corrected to include Supporting Foundations of The Associated which previously were not included in the consolidated financial statements. These Supporting Foundations are separate legal entities that are controlled by The Associated, formed to support The Associated, and meet the accounting criteria requiring their inclusion in the consolidated financial statements.
- The valuation of a previously donated investment had not been updated and was determined to be impaired. As a result, the value of this investment was fully reserved.
- A correction was needed to properly record a promise to give which should have been included in revenue prior to fiscal year 2020 that was offset by a correction to decrease the recorded value of a previously recognized promise to give.

NOTE 12 RETIREMENT PLAN

The Associated contributes to a 401(k) thrift plan (the Plan). Employees normally scheduled to work 18.75 hours or more per week are automatically enrolled in the Plan at a 2% pre-tax deferral rate each month following completion of the eligibility requirement of three months of service. Each year, eligible participants may contribute between 1% and 100% of their annual compensation as defined in the Plan subject to annual limitations in the IRC. Participants may designate some or all of their own contributions as Roth 401(k) contributions. Such contributions, and any activity related to these amounts, will be accounted for separate from the participant's pre-tax contributions. In addition, employees may rollover distributions received from other plans. Participants direct the investment of contributions into various investment options offered by the Plan on a daily basis. The Plan currently offers mutual funds and a common collective trust as investment options for participants.

The Associated may also make a discretionary contribution. Pension expense was \$577 for the year ended June 30, 2020.

**THE ASSOCIATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 SELF-INSURED MEDICAL PLAN

The Associated maintains a self-insured medical plan for the benefit of its employees and those of its constituent agencies. A stop loss policy is in effect, under which The Associated and its constituent agencies loss per individual employee is limited to \$115 and in aggregate to \$5,000 for the year ended June 30, 2020. The medical plan is administered through a contractual relationship with an unrelated company. The Associated's expense under the self-insured medical plan amounted to \$1,000 for the year ended June 30, 2020.

NOTE 14 INTEREST RATE SWAP CONTRACTS

The Associated had outstanding three interest rate swap contracts with a commercial bank. The Associated pays a fixed rate of interest of 3.48% and receives variable rates of interest at the floating rate index of 67% of the 30-day USD LIBOR on notional amounts of indebtedness. During the year ended June 30, 2018, The Associated paid \$2,211 to retire the first interest rate swap contract. During the year ended June 30, 2019, The Associated paid \$918 to retire the second interest rate swap contract. During the year ended June 30, 2020 The Associated paid \$1,577 to retire the final interest rate swap contract.

Activity for the year ended June 30, 2020, for the interest rate swap agreements was as follows:

	<i>(In Thousands)</i>
Fair Value of Interest Rate Swaps - Beginning of Year	\$ (1,302)
Loss on Interest Rate Swaps	(275)
Principal Payments on Interest Rate Swap Contracts	1,577
Fair Value of Interest Rate Swaps - End of Year	<u><u>\$ -</u></u>

NOTE 15 COMMITMENTS

The Associated has executed a memorandum of understanding (MOU), effective July 1, 2016, with various constituent entities outlining the services provided by The Associated to the constituent agencies. The MOUs outline the type of services provided including real estate, finance/payroll, human resources, information technology, marketing, property management and repairs, investment management and security as well as the agreed upon value to these services. The MOUs create no contractual obligations and automatically renew annually, unless terminated under terms of the agreements.

The Associated has a multi-year employment agreement with its President which provides for salary and benefits.

The Associated has one letter of credit with a bank totaling \$288 relating to construction projects.

**THE ASSOCIATED
CONSOLIDATING STATEMENT OF FINANCIAL POSITION BY INTERNAL FUND
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	Operating	Capital	Trusts	Endowment	DAF	Support Foundations	Total
	<i>(In Thousands)</i>						
Cash and Cash Equivalents	\$ 454	\$ 236	\$ -	\$ 50	\$ 2	\$ 77	\$ 819
Promises to Give:							
Annual Campaign, Net	22,872	-	-	-	-	-	22,872
Capital Campaign, Net	-	4,252	-	-	-	-	4,252
Centennial Campaign, Net	5,639	-	-	12,171	-	-	17,810
Other Campaigns, Net	2,804	-	-	-	-	-	2,804
Notes and Other Receivables	2,662	3	-	(120)	-	1	2,546
Other Assets	1,976	2,194	-	-	-	1,056	5,226
Due (to) from Other Funds	4,550	(4,670)	-	120	-	-	-
Total	<u>40,957</u>	<u>2,015</u>	<u>-</u>	<u>12,221</u>	<u>2</u>	<u>1,134</u>	<u>56,329</u>
INVESTMENTS							
Investment in Jewish Community Investment Fund	-	-	-	114,379	128,651	113,606	356,636
Other Investments	10,626	1,054	-	980	22,300	82,982	117,942
Funds Held in Irrevocable Trusts	-	-	10,820	-	-	-	10,820
Total Investments	<u>10,626</u>	<u>1,054</u>	<u>10,820</u>	<u>115,359</u>	<u>150,951</u>	<u>196,588</u>	<u>485,398</u>
PROPERTY AND EQUIPMENT, NET	<u>-</u>	<u>47,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,034</u>
Total Assets	<u>\$ 51,583</u>	<u>\$ 50,103</u>	<u>\$ 10,820</u>	<u>\$ 127,580</u>	<u>\$ 150,953</u>	<u>\$ 197,722</u>	<u>\$ 588,761</u>
LIABILITIES AND NET ASSETS							
LIABILITIES							
Accounts Payable - Trade	\$ 3,701	\$ 38	\$ -	\$ -	\$ -	\$ 36	\$ 3,775
Accounts Payable - Agencies	835	-	-	-	-	-	835
Loans Payable	6,975	87	-	-	-	-	7,062
PPP Loan	2,430	-	-	-	-	-	2,430
Bonds Payable, Net	-	9,150	-	-	-	-	9,150
Other Liabilities	1,928	-	4,438	9	26	-	6,401
Total Liabilities	<u>15,869</u>	<u>9,275</u>	<u>4,438</u>	<u>9</u>	<u>26</u>	<u>36</u>	<u>29,653</u>
NET ASSETS	<u>35,714</u>	<u>40,828</u>	<u>6,382</u>	<u>127,571</u>	<u>150,927</u>	<u>197,686</u>	<u>559,108</u>
Total Liabilities and Net Assets	<u>\$ 51,583</u>	<u>\$ 50,103</u>	<u>\$ 10,820</u>	<u>\$ 127,580</u>	<u>\$ 150,953</u>	<u>\$ 197,722</u>	<u>\$ 588,761</u>

**THE ASSOCIATED
CONSOLIDATING STATEMENT OF ACTIVITIES BY INTERNAL FUND
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	Operating	Capital	Trusts	Endowment	DAF	Support Foundations	Eliminations	Total
SUPPORT AND REVENUE								
	<i>(In Thousands)</i>							
Campaign Promises to Give	\$ 31,138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,403)	\$ 21,735
Centennial Promises to Give	2,954	-	-	1,784	-	-	(810)	3,928
Legacies and Gifts	12	130	9	7,014	26,886	18,536	(3,098)	49,489
Special Gifts	8,034	-	-	-	-	-	(3,452)	4,582
Endowment Income	5,301	-	-	-	-	-	(5,301)	-
Investment Income	356	1	-	-	-	-	-	357
Investment Administration Fees	3,239	-	-	-	-	-	(2,399)	840
Agency Infrastructure Cost Share	3,502	-	-	-	-	-	-	3,502
Rent Infrastructure Income	1,851	-	-	-	-	-	-	1,851
Program and Other	1,281	593	-	-	-	-	-	1,874
Total Support and Revenue	57,668	724	9	8,798	26,886	18,536	(24,463)	88,158
EXPENSES								
Grants and Distributions	32,411	343	-	8,979	22,637	23,212	(22,064)	65,518
Compensation	13,519	156	-	-	-	180	-	13,855
Staff Related	591	-	-	29	-	200	-	820
Professional Fees	471	10	-	-	-	37	-	518
Advertising and Marketing	585	-	-	-	-	-	-	585
Missions and Campaign Events	1,022	-	-	-	-	-	-	1,022
Program Events	1,129	-	-	-	-	330	-	1,459
Building and Other Operations	2,570	54	-	-	-	-	-	2,624
Depreciation	-	2,931	-	-	-	-	-	2,931
Security	775	-	-	-	-	-	-	775
Operating Interest Expense	179	-	-	-	-	-	-	179
Bad Debt	1,203	-	-	-	-	-	-	1,203
Investment Consulting Fees	-	-	77	967	886	1,054	(2,399)	585
Total Expenses	54,455	3,494	77	9,975	23,523	25,013	(24,463)	92,074
CHANGE IN NET ASSETS FROM OPERATIONS	3,213	(2,770)	(68)	(1,177)	3,363	(6,477)	-	(3,916)
NONOPERATING INCOME (EXPENSE)								
Net Appreciation in Fair Value of Investments	(40)	(65)	(867)	4,055	(333)	3,523	-	6,273
Loss on Interest Rate Swap Contracts	-	(275)	-	-	-	-	-	(275)
Interest Expense	1	(614)	-	-	-	-	-	(613)
Other Nonoperating Expense	(159)	1,518	-	-	-	-	-	1,359
Transfers	(2,000)	(973)	-	2,973	-	-	-	-
Total Nonoperating Income (Expense), Net	(2,198)	(409)	(867)	7,028	(333)	3,523	-	6,744
CHANGE IN NET ASSETS	1,015	(3,179)	(935)	5,851	3,030	(2,954)	-	2,828
Net Assets - Beginning of Year, As Restated	34,699	44,007	7,317	121,720	147,897	200,640	-	556,280
NET ASSETS - END OF YEAR	\$ 35,714	\$ 40,828	\$ 6,382	\$ 127,571	\$ 150,927	\$ 197,686	\$ -	\$ 559,108

**THE ASSOCIATED
CONSOLIDATING STATEMENT OF FINANCIAL POSITION –
WITHOUT DONOR RESTRICTIONS (BY INTERNAL FUND)
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	Operating	Capital	Trusts	Endowment	DAF	Support Foundations	Total
	<i>(In Thousands)</i>						
Cash and Cash Equivalents	\$ 675	\$ 236	\$ -	\$ 50	\$ 2	\$ 77	\$ 1,040
Notes and Other Receivables	2,429	3	-	(120)	-	1	2,313
Other Assets	1,063	568	-	-	-	1,056	2,687
Due (to) from Other Funds	(12,924)	(1,556)	-	120	-	-	(14,360)
Total	(8,757)	(749)	-	50	2	1,134	(8,320)
INVESTMENTS							-
Equity in Jewish Community Investment Fund	-	-	-	45,656	128,651	113,606	287,913
Other Investments	10,626	34	-	380	22,372	82,982	116,394
Total Investments	10,626	34	-	46,036	151,023	196,588	404,307
PROPERTY AND EQUIPMENT, NET	-	47,034	-	-	-	-	47,034
Total Assets	<u>\$ 1,869</u>	<u>\$ 46,319</u>	<u>\$ -</u>	<u>\$ 46,086</u>	<u>\$ 151,025</u>	<u>\$ 197,722</u>	<u>\$ 443,021</u>
LIABILITIES AND NET ASSETS							
LIABILITIES							
Accounts Payable - Trade	\$ 3,701	\$ 38	\$ -	\$ -	\$ -	\$ 36	\$ 3,775
Accounts Payable - Agencies	835	-	-	-	-	-	835
Loans Payable	6,975	87	-	-	-	-	7,062
PPP Loan	2,430	-	-	-	-	-	2,430
Bonds Payable, Net	-	9,150	-	-	-	-	9,150
Other Liabilities	1,928	-	-	-	26	-	1,954
Total Liabilities	15,869	9,275	-	-	26	36	25,206
NET ASSETS	(14,000)	37,044	-	46,086	150,999	197,686	417,815
Total Liabilities and Net Assets	<u>\$ 1,869</u>	<u>\$ 46,319</u>	<u>\$ -</u>	<u>\$ 46,086</u>	<u>\$ 151,025</u>	<u>\$ 197,722</u>	<u>\$ 443,021</u>

**THE ASSOCIATED
CONSOLIDATING STATEMENT OF FINANCIAL POSITION –
WITH DONOR RESTRICTIONS (BY INTERNAL FUND)
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	Operating	Capital	Trusts	Endowment	DAF	Support Foundations	Total
	<i>(In Thousands)</i>						
Cash and Cash Equivalents	\$ (221)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (221)
Promises to Give:							
Annual Campaign, Net	22,872	-	-	-	-	-	22,872
Capital Campaign, Net	-	4,252	-	-	-	-	4,252
Centennial Campaign, Net	5,639	-	-	12,171	-	-	17,810
Other Campaigns, Net	2,804	-	-	-	-	-	2,804
Notes and Other Receivables	233	-	-	-	-	-	233
Other Assets	913	1,626	-	-	-	-	2,539
Due (to) from Other Funds	17,474	(3,114)	-	-	-	-	14,360
Total	<u>49,714</u>	<u>2,764</u>	<u>-</u>	<u>12,171</u>	<u>-</u>	<u>-</u>	<u>64,649</u>
INVESTMENTS							
Equity in Jewish Community							
Investment Fund	-	-	-	68,723	-	-	68,723
Other Investments	-	1,020	-	600	(72)	-	1,548
Funds Held in Irrevocable Trusts	-	-	10,820	-	-	-	10,820
Total Investments	<u>-</u>	<u>1,020</u>	<u>10,820</u>	<u>69,323</u>	<u>(72)</u>	<u>-</u>	<u>81,091</u>
Total Assets	<u>\$ 49,714</u>	<u>\$ 3,784</u>	<u>\$ 10,820</u>	<u>\$ 81,494</u>	<u>\$ (72)</u>	<u>\$ -</u>	<u>\$ 145,740</u>
LIABILITIES AND NET ASSETS							
LIABILITIES							
Accounts Payable - Trade	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable - Agencies	-	-	-	-	-	-	-
Other Liabilities	-	-	4,438	9	-	-	4,447
Total Liabilities	<u>-</u>	<u>-</u>	<u>4,438</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>4,447</u>
NET ASSETS	<u>49,714</u>	<u>3,784</u>	<u>6,382</u>	<u>81,485</u>	<u>(72)</u>	<u>-</u>	<u>141,293</u>
Total Liabilities and Net Assets	<u>\$ 49,714</u>	<u>\$ 3,784</u>	<u>\$ 10,820</u>	<u>\$ 81,494</u>	<u>\$ (72)</u>	<u>\$ -</u>	<u>\$ 145,740</u>

**THE ASSOCIATED
CONSOLIDATING STATEMENT OF ACTIVITIES –
WITHOUT DONOR RESTRICTIONS (BY INTERNAL FUND)
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	Operating	Capital	Trusts	Endowment	DAF	Support Foundations	Eliminations	Total
SUPPORT AND REVENUE								
	<i>(In Thousands)</i>							
Legacies and Gifts	\$ 12	\$ 130	\$ -	\$ 4,211	\$ 18,046	\$ 18,536	\$ (3,098)	\$ 37,837
Special Gifts	2,402	-	-	-	-	-	-	2,402
Endowment Income	5,301	-	-	-	-	-	(5,301)	-
Investment Income	356	1	-	-	-	-	-	357
Investment Administration Fees	3,239	-	-	-	-	-	(2,399)	840
Agency Infrastructure Cost Share	3,502	-	-	-	-	-	-	3,502
Rent Infrastructure Income	1,851	-	-	-	-	-	-	1,851
Program and Other	845	6	-	-	-	-	-	851
Net Assets Released from Restrictions	36,184	3,623	77	4,122	4,451	-	(13,665)	34,792
Total Support and Revenue	<u>53,692</u>	<u>3,760</u>	<u>77</u>	<u>8,333</u>	<u>22,497</u>	<u>18,536</u>	<u>(24,463)</u>	<u>82,432</u>
EXPENSES								
Grants and Distributions	32,411	343	-	8,979	22,637	23,212	(22,064)	65,518
Compensation	13,519	156	-	-	-	180	-	13,855
Staff Related	591	-	-	29	-	200	-	820
Professional Fees	471	10	-	-	-	37	-	518
Advertising and Marketing	585	-	-	-	-	-	-	585
Missions and Campaign Events	1,022	-	-	-	-	-	-	1,022
Program Events	1,129	-	-	-	-	330	-	1,459
Building and Other Operations	2,570	54	-	-	-	-	-	2,624
Depreciation	-	2,931	-	-	-	-	-	2,931
Security	775	-	-	-	-	-	-	775
Operating Interest Expense	179	-	-	-	-	-	-	179
Bad Debt	1,203	-	-	-	-	-	-	1,203
Investment Consulting Fees	-	-	77	967	886	1,054	(2,399)	585
Total Expenses	<u>54,455</u>	<u>3,494</u>	<u>77</u>	<u>9,975</u>	<u>23,523</u>	<u>25,013</u>	<u>(24,463)</u>	<u>92,074</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(763)</u>	<u>266</u>	<u>-</u>	<u>(1,642)</u>	<u>(1,026)</u>	<u>(6,477)</u>	<u>-</u>	<u>(9,642)</u>
NONOPERATING INCOME (EXPENSE)								
Net Appreciation (Depreciation) in Fair Value of Investments	(40)	(65)	-	1,683	4,056	3,523	-	9,157
Loss on Interest Rate Swap Contracts	-	(275)	-	-	-	-	-	(275)
Interest Expense	1	(614)	-	-	-	-	-	(613)
Other Nonoperating (Expense) Revenue	(159)	1,493	-	-	-	-	-	1,334
Transfers	-	(973)	-	12	-	-	-	(961)
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-
Total Nonoperating Income (Expense), Net	<u>(198)</u>	<u>(434)</u>	<u>-</u>	<u>1,695</u>	<u>4,056</u>	<u>3,523</u>	<u>-</u>	<u>8,642</u>
CHANGE IN NET ASSETS	<u>(961)</u>	<u>(168)</u>	<u>-</u>	<u>53</u>	<u>3,030</u>	<u>(2,954)</u>	<u>-</u>	<u>(1,000)</u>
Net Assets - Beginning of Year, As Restated	<u>(13,039)</u>	<u>37,212</u>	<u>-</u>	<u>46,033</u>	<u>147,969</u>	<u>200,640</u>	<u>-</u>	<u>418,815</u>
NET ASSETS - END OF YEAR	<u>\$ (14,000)</u>	<u>\$ 37,044</u>	<u>\$ -</u>	<u>\$ 46,086</u>	<u>\$ 150,999</u>	<u>\$ 197,686</u>	<u>\$ -</u>	<u>\$ 417,815</u>

**THE ASSOCIATED
CONSOLIDATING STATEMENT OF ACTIVITIES –
WITH DONOR RESTRICTIONS (BY INTERNAL FUND)
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	Operating	Capital	Trusts	Endowment	DAF	Support Foundations	Eliminations	Total
SUPPORT AND REVENUE								
	<i>(In Thousands)</i>							
Campaign Promises to Give	\$ 31,138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,403)	\$ 21,735
Centennial Promises to Give	2,954	-	-	1,784	-	-	(810)	3,928
Legacies and Gifts	-	-	9	2,803	8,840	-	-	11,652
Special Gifts	5,632	-	-	-	-	-	(3,452)	2,180
Program and Other	436	587	-	-	-	-	-	1,023
Net Assets Released from Restrictions	(36,184)	(3,623)	(77)	(4,122)	(4,451)	-	13,665	(34,792)
Total Support and Revenue	<u>3,976</u>	<u>(3,036)</u>	<u>(68)</u>	<u>465</u>	<u>4,389</u>	<u>-</u>	<u>-</u>	<u>5,726</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>3,976</u>	<u>(3,036)</u>	<u>(68)</u>	<u>465</u>	<u>4,389</u>	<u>-</u>	<u>-</u>	<u>5,726</u>
NONOPERATING INCOME (EXPENSE)								
Net Appreciation in Fair Value of Investments	-	-	(867)	2,372	(4,389)	-	-	(2,884)
Other Nonoperating Revenue	-	25	-	-	-	-	-	25
Transfers	(2,000)	-	-	2,961	-	-	-	961
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-
Total Nonoperating Income (Expense), Net	<u>(2,000)</u>	<u>25</u>	<u>(867)</u>	<u>5,333</u>	<u>(4,389)</u>	<u>-</u>	<u>-</u>	<u>(1,898)</u>
CHANGE IN NET ASSETS	<u>1,976</u>	<u>(3,011)</u>	<u>(935)</u>	<u>5,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,828</u>
Net Assets - Beginning of Year, As Restated	<u>47,738</u>	<u>6,795</u>	<u>7,317</u>	<u>75,687</u>	<u>(72)</u>	<u>-</u>	<u>-</u>	<u>137,465</u>
NET ASSETS - END OF YEAR	<u>\$ 49,714</u>	<u>\$ 3,784</u>	<u>\$ 6,382</u>	<u>\$ 81,485</u>	<u>\$ (72)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,293</u>