CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Hebrew Free Loan Association

Financial Statements

May 31, 2021 and 2020

with Independent Auditors' Report

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CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hebrew Free Loan Association
Bloomfield Hills, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Hebrew Free Loan Association (a not-for-profit organization) which comprise the statements of financial position as of May 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hebrew Free Loan Association as of May 31, 2021 and 2020, and the results of its changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.

East Lansing, Michigan
October 26, 2021

Hebrew Free Loan Association
Statements of Financial Position
May 31, 2021 and 2020

		2021	2020
Assets			
Current assets:			
Cash and cash equivalents	$	6,447,057	1,716,220
Investment in certificates of deposit		-	3,687,632
Unconditional promises to give (net of long-term)		303,583	871,591
		6,750,640	6,275,443
Loans receivable (net of allowance of $60,897 and $66,839 at May 31, 2021 and May 31, 2020, respectively)		4,913,551	4,830,165
Property and equipment		364,071	350,579
Less: accumulated depreciation		(303,912)	(277,424)
		60,159	73,155
Other assets:			
Investment in certificates of deposit		661,324	665,160
Unconditional promises to give (long-term)		451,560	694,748
Beneficial interest in endowment funds		1,177,470	970,437
		2,290,354	2,330,345
		14,014,704	13,509,108
Liabilities and net assets			
Current liabilities:			
Accounts payable		267	1,166
Accrued payroll		96,232	81,096
Current portion of long-term debt		-	3,175
		96,499	85,437
Net assets:			
Without donor restrictions		11,985,592	10,886,895
With donor restrictions		1,932,613	2,536,776
		13,918,205	13,423,671
	$	14,014,704	13,509,108

Hebrew Free Loan Association
Statement of Activities
For the Year Ended May 31, 2021

		Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue support:				
Contributions	$	758,558	175,000	933,558
Grants-United Jewish Foundation		164,369	-	164,369
		922,927	175,000	1,097,927
Revenues:				
Unrealized loss on investments		(29,009)	-	(29,009)
Interest income		35,945	-	35,945
		6,936	-	6,936
Net assets released from restrictions		986,196	(986,196)	-
		1,916,059	(811,196)	1,104,863
Expenses:				
Program services:				
Hebrew Free Loan		534,105	-	534,105
Wm Davidson Jewish College Loan Program		81,322	-	81,322
		615,427	-	615,427
Supporting services:				
Management and general		118,177	-	118,177
Development		134,157	-	134,157
		252,334	-	252,334
		867,761	-	867,761
Change in net assets before beneficial interest		1,048,298	(811,196)	237,102
Change in the beneficial interest in endowments:				
Contributions from the endowments		50,399	-	50,399
Change in net assets of the endowments		-	207,033	207,033
		50,399	207,033	257,432
Change in net assets		1,098,697	(604,163)	494,534
Net assets, beginning of year		10,886,895	2,536,776	13,423,671
Net assets, end of year	$	11,985,592	1,932,613	13,918,205

See accompanying notes to the financial statements.

Hebrew Free Loan Association
Statement of Activities
For the Year Ended May 31, 2020

		Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue support:				
Contributions	$	707,805	1,529,500	2,237,305
Grants-United Jewish Foundation		206,699	-	206,699
		914,504	1,529,500	2,444,004
Revenues:				
Unrealized gain on investments		30,119	-	30,119
Interest income		101,631	-	101,631
		131,750	-	131,750
Net assets released from restrictions		855,672	(855,672)	-
		1,901,926	673,828	2,575,754
Expenses:				
Program services:				
Hebrew Free Loan		485,252	-	485,252
Wm Davidson Jewish College Loan Program		153,729	-	153,729
		638,981	-	638,981
Supporting services:				
Management and general		120,667	-	120,667
Development		122,536	-	122,536
		243,203	-	243,203
		882,184	-	882,184
Change in net assets before beneficial interest		1,019,742	673,828	1,693,570
Change in the beneficial interest in endowments:				
Contributions from the endowments		49,808	-	49,808
Change in net assets of the endowments		-	(52,360)	(52,360)
		49,808	(52,360)	(2,552)
Change in net assets		1,069,550	621,468	1,691,018
Net assets, beginning of year		9,817,345	1,915,308	11,732,653
Net assets, end of year	$	10,886,895	2,536,776	13,423,671

See accompanying notes to the financial statements.

	Program Services			Supporting Services			
	Hebrew Free Loan	WM Davidson Jewish College Loan Program	Total Program Services	Management and General	Develop- ment	Total Supporting Services	Total Functional Expenses
Salaries and related benefits	$ 336,279	41,870	378,149	112,241	106,554	218,795	596,944
Bad debts	21,380	-	21,380	-	-	-	21,380
Depreciation and amortization	23,574	2,914	26,488	-	-	-	26,488
Dues	-	-	-	2,000	-	2,000	2,000
Miscellaneous	1,911	159	2,070	1,832	80	1,912	3,982
Occupancy	37,873	-	37,873	2,104	2,104	4,208	42,081
Office administration	64,311	16,078	80,389	-	20,097	20,097	100,486
Postage	5,371	1,044	6,415	-	1,045	1,045	7,460
Printing and publications	932	278	1,210	-	-	-	1,210
Professional fees and consulting	39,721	17,111	56,832	-	4,277	4,277	61,109
Telephone	1,868	1,868	3,736	-	-	-	3,736
Annual meeting	885	-	885	-	-	-	885
	$ 534,105	81,322	615,427	118,177	134,157	252,334	867,761

See accompanying notes to the financial statements.

Hebrew Free Loan Association
Statement of Functional Expenses
For the Year Ended May 31, 2020

	Program Services			Supporting Services			
	Hebrew Free Loan	WM Davidson Jewish College Loan Program	Total Program Services	Management and General	Develop-ment	Total Supporting Services	Total Functional Expenses
Salaries and related benefits	$ 287,565	115,490	403,055	105,320	95,727	201,047	604,102
Bad debts	21,165	-	21,165	-	-	-	21,165
Depreciation and amortization	17,197	2,125	19,322	-	-	-	19,322
Dues	-	-	-	2,000	-	2,000	2,000
Miscellaneous	11,737	978	12,715	11,247	489	11,736	24,451
Occupancy	37,795	-	37,795	2,100	2,100	4,200	41,995
Office administration	61,166	15,291	76,457	-	19,114	19,114	95,571
Postage	4,917	956	5,873	-	956	956	6,829
Printing and publications	1,906	569	2,475	-	-	-	2,475
Professional fees and consulting	38,534	16,599	55,133	-	4,150	4,150	59,283
Telephone	1,720	1,721	3,441	-	-	-	3,441
Annual meeting	1,550	-	1,550	-	-	-	1,550
	$ 485,252	153,729	638,981	120,667	122,536	243,203	882,184

See accompanying notes to the financial statements.

Hebrew Free Loan Association
Statements of Cash Flows
For the Years Ended May 31, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	494,534	1,691,018
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		26,488	19,322
Bad debt		26,222	(7,007)
Unrealized (gain) loss on investments		29,009	(30,119)
Change in beneficial interest in endowment funds		(257,323)	2,551
Effects of changes in net assets and liabilities:			
Unconditional promises to give		811,196	(673,827)
Prepaid expenses		-	92
Accounts payable		(899)	(9,119)
Accrued payroll		15,136	23,626
Net cash provided by operating activities		1,144,363	1,016,537
Cash flows from investing activities:			
Change in loans receivable		(109,608)	(323,255)
Purchase of fixed assets		(13,492)	(40,268)
Purchase of investments		-	(250,000)
Sale of investments		3,662,459	717,193
Contribution to endowment funds		(109)	-
Income distributed from endowment funds		50,399	49,808
Net cash provided by investing actvities		3,589,649	153,478
Cash flows from financing activities:			
Payment of long-term debt		(3,175)	(223,000)
Increase in cash and cash equivalents		4,730,837	947,015
Cash and cash equivalents, beginning of year		1,716,220	769,205
Cash and cash equivalents, end of year	$	6,447,057	1,716,220

See accompanying notes to the financial statements.

1. BACKGROUND:

Hebrew Free Loan Association (the Association) was incorporated in 1895 as a Michigan not-for-profit corporation. The Association's program and supporting services are as follows:

Program services

Hebrew Free Loan
The Association loans funds to members of the Michigan Jewish community whose financial needs cannot be met through traditional means. The loans are made interest-free as required by the Association's charter and in accordance with Jewish tradition.

Wm Davidson Jewish College Loan Program (formerly Jewish Education Loan Service)
In addition, the Association administers the Wm Davidson Jewish College Loan Program (JCLP) as part of the Association and on behalf of various community foundations and agencies. The JCLP provides support to students in need, based on certain criteria. The funding community foundations and agencies provide interest-free loans to the students.

Supporting services

Management and general
Represents the functions necessary to maintain an adequate working environment, provide proper administrative support of the Association's programs and manage the financial and budgeting responsibilities of the Association.

Development
Provide the structure necessary to encourage and secure support from individuals, foundations and corporations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of accounting
The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Financial statement presentation
The Association is required to report information regarding its financial position and activities according to two classes of net assets:

- **Net assets without donor restrictions -** Net assets without donor restrictions represent the resources available for use in carrying on the operations of the Association. This portion is under the discretionary control of the Board, and it is against this fund that all expenditures for current operations are charged.

- **Net assets with donor restrictions -** Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of support, revenue, functional expense and other changes in net assets during the reporting period. Accordingly, actual results could differ from those estimated by management.

Cash and cash equivalents
The Association defines cash and cash equivalents as highly liquid, short-term investments with a maturity of three months or less. At May 31, 2021 and 2020, cash and cash equivalents consist of monies held in checking, savings and money market accounts held at financial institutions and some certificates of deposit held at a financial services company. At year end any certificate of deposit with an initial maturity date of three (3) months or less will be recorded as a cash equivalent.

Investments
The Association records certificates of deposit at cost plus accrued interest.

Pledges receivable
The Association receives pledges and bequest of financial support. Support revenue is recognized when pledges representing an unconditional promise to give are received. In the absence of such promises, revenue is recognized when pledges are paid. Conditional promises to give are not included as support until the conditions are met.

Bequests are recognized as support when the funds are determined to be receivable.

Loans receivable
The Association's loans receivable are recorded at the value of the loan proceeds when issued, net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on 1 ½% of new loans made each month adjusted at year end based on management's evaluation of the loans receivable outstanding for May 31, 2021 and 2020, respectively.

Property and equipment
All tangible property is recorded at cost. Expenditures for maintenance and repairs are charged to operations in the year incurred. Depreciation and amortization are computed over estimated useful lives of 3-15 years using the straight-line method.

Impairment of long-lived assets
The Association reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of the asset. To date, there have been no such losses.

Beneficial interest in endowment funds
The Association is the designated beneficiary of endowment funds held by Jewish Federation of Metropolitan Detroit and United Jewish Foundation of Metro Detroit ("JFMD/UJF"). A portion of these funds are restricted as to use by donors and all funds are restricted through consent of JFMD/UJF. At May 31, 2021 and 2020, amounts held in net assets with donor restrictions associated with the beneficial interest in endowment funds totaled $1,177,470 and $970,437, respectively.

Revenue recognition – contributions and grants
All contributions are reported as increases in net assets without donor restrictions unless specifically restricted by a donor. Amounts that are received that are restricted for specific purposes are reported as increases in net assets with donor restrictions.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified from net assets with donor restrictions to net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets without donor restrictions.

The Association reports gifts of assets as increases in net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services
The Association recognizes donated assets and services at fair value to the extent that the assets and services would typically have to be purchased by the Association if they had not been provided by contribution. No donated assets or services of this nature were received in the current year.

Amounts of other donated services have not been reflected in the statements since no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of time to the Association's program services and fundraising efforts.

Fair value of financial instruments
The Association has estimated the fair value of their financial instruments using the following methods and assumptions:

The carry amounts of cash, pledges receivable, and accounts payable approximate fair value due to their short-term nature.

Loans receivable and notes payable are recorded at their fair values. The loans are interest free as described under program services and no fluctuation in value would exist because of market conditions.

Functional expenses
The costs of providing program and support services have been reported on a functional basis in the statements of activities. Costs are allocated between the various programs and support services on an actual basis or based upon reasonable methods such as time spent on various responsibilities performed.

Risks and uncertainties
The Association has endowment investments that are pooled with investments from United Jewish Foundation (UJF). UJF holds various investments in any combination of stocks, bonds, fixed-income securities, mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks.

Given the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect investment balances and the amounts reported in the statement of financial position and the statement of activities.

Income taxes
The Association has been classified as another than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Code requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties. The Association is subject to a tax on income from any unrelated business (The Association has no unrelated business income) as defined by Section 509(A)(1) of the Code.

Advertising
Advertising costs are expenses as incurred. Advertising costs for the years ended May 31, 2021 and 2020 were $28,401 and $26,127, respectively.

Date of management's review
Subsequent events have been evaluated through October 26, 2021, which is the date the financial statements were available to be issued.

3. CONCENTRATIONS:

Balances maintained at local financial institutions and the financial services company are insured by Federal Deposit Insurance Corporation (FDIC) up to $250,000. At May 31, 2021 and 2020, balances in excess of the $250,000 insurance limit, based on financial institution records, approximated $6,078,035 and $1,345,279, respectively.

4. UNCONDITIONAL PROMISES TO GIVE:

Donors pledge contributions to the Association to be received over a period of years. The pledge is recorded as pledges receivable in the year promised at the present value of expected future cash flows, net of allowances for uncollectible amounts. The present value is computed using appropriate discount rates of 1.07 and .58 percent for the years ended May 31, 2021 and 2020, respectively.

The Association has calculated an allowance for uncollectible pledges receivable based on management's judgment. The factors that were considered in the calculation are prior collection history and type of contributions.

Unconditional promises to give are recorded as net assets with donor restriction until received.

Unconditional promises to give at May 31 are as follows:

		2021	2020
Receivable in less than one year	$	303,583	871,591
Receivables greater than one year		504,800	795,200
Less: allowance for uncollectible pledges		(44,461)	(91,673)
Discount to net assets value		(8,779)	(8,779)
Net unconditional promises to give		755,143	1,566,339
Current portion		303,583	871,591
Long-term portion, due within 1-5 years		451,560	694,748
	$	755,143	1,566,339

5. LOANS RECEIVABLE AND LOANS PAYABLE:

The Association provides loans for a number of specific and general purposes to members of the Jewish community. The loans are interest free and unsecured but generally require that the loan be co-signed by a guarantor. The loans are issued as on demand notes with no repayment schedule.

In addition to the funds that the Association had available, UJF and another foundation have provided interest-free loans to the Association to be used for specific purpose lending. The loans have no monthly repayment requirements and are due in 2021. The Association has loaned out these specific amounts and currently the balance outstanding on these loans receivable related to this debt is $0 and $3,175 at May 31, 2021 and 2020 respectively, and are included in the Associations long term debt. Because the amounts that are written off as bad debt are allowed to decrease the liability, no allowance for doubtful accounts is included herein on those receivables.

The Association is responsible for the administration of the William Davidson Jewish College Loan Fund (WDJCLP) on behalf of various foundations and community agencies. The loans receivable, with a face value of approximately $9,991,104 and $10,017,729 at May 31, 2021 and 2020, represent the balance of loans made to students with a corresponding loan payable to the funding foundations and agencies of the WDJCLP, respectively.

The WDJCLP loans are not reflected on the statement of financial position of the Association because the Association is the administrator for the loans. The Association has no credit risk associated with the collectability of these loans receivable. Accordingly, an amount payable has been recorded to offset the loan funds.

The loan activity associated with the Association's programs for the year ended May 31 is as follows:

	2021	2020
Balance at beginning of year	$ 4,830,165	4,499,903
Loans made	1,994,819	2,143,733
Loan repayments	(1,916,275)	(1,785,299)
Loan write-offs	(21,380)	(21,165)
Change in allowance for doubtful accounts	26,222	(7,007)
	$ 4,913,551	4,830,165

6. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at May 31,

	2021	2020
Computer equipment	$ 233,751	220,259
Furniture and equipment	30,635	30,635
Leasehold improvements	99,685	99,685
	364,071	350,579
Less accumulated depreciation and amortization	(303,912)	(277,424)
	$ 60,159	73,155

7. FAIR VALUE MEASUREMENTS:

Fair value measurements in accordance with GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes that inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets of liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Association's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The Association's policy is to recognize transfers in and out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances. There were no significant transfers between levels of fair value hierarchy during the years ended May 31, 2021 and 2020.

The following is a description of the valuation methodologies used for assets measured at fair value at May 31, 2021 and 2020.

Level 3

The Jewish Federation acts under an arrangement as depositories for gifts, conveyances, and other transfers intended to assist the Association in achieving its goals and purposes. These endowment funds are invested as part of a pooled income portfolio that invests in various equity and fixed-income investments that are publicly traded securities. While these investments are classified at various levels in the financial statement of UJF, the Association must classify the investments as Level 3 investments as the detail of the specific investments is not readily available to recalculate fair values of said investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present by level, within the fair value hierarchy, the Association's investment assets at fair value, as of May 31, 2021 and 2020. As required by GAAP, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

	Fair value of measurements at reporting date using:			
	(Level 1)	(Level 2)	(Level 3)	Total
May 31, 2021				
Beneficial interest in endowment funds	$ -	$ -	$ 1,177,470	$ 1,177,470
May 31, 2020				
Beneficial interest in endowment funds	$ -	$ -	$ 970,437	$ 970,437

8. ENDOWMENT FUNDS:

The following schedule summarizes changes in endowment funds for the years ended May 31, 2021 and 2020:

	Beneficial Interest in Endowment Funds
Balance at May 31, 2020	$ 970,437
Contributions	109
Change in beneficial interest in endowment funds	257,323
Income distributed	(50,399)
Balance at May 31, 2021	$ 1,177,470
Balance at May 31, 2019	$ 1,022,796
Contributions	-
Change in beneficial interest in endowment funds	(2,551)
Income distributed	(49,808)
Balance at May 31, 2020	$ 970,437

The Association has specific endowment funds that are held by UJF. These endowment funds are established by donors and are held by UJF for the benefit of the Association.

Interpretation of relevant law

The Association has interpreted 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 donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions, the original value of the gifts donated to the perpetual endowment and the original value of subsequent gifts to the perpetual endowment.

The remaining portion of the donor restricted endowment fund that is not classified as perpetually restricted is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association in the manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

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

Return objectives and risk parameters
The endowment funds are invested and held at UJF. The investment policies for endowment assets attempt to provide a predictable stream of funding to the programs and are supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Association must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the governing board of UJF, the endowment assets are invested in a manner that is intended to produce results that exceed 5% annually while assuming a moderate level of investment risk.

Strategies employed for achieving objectives
To satisfy the long-term rate-of-return objectives, strategies are put in place in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividend income). The target is a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term objectives.

Spending policy and how the investment objectives relate to spending policy
The Association receives quarterly distribution from UJF from their portion of the pooled endowment investments. These quarterly distributions represent approximately 5.5% of the endowment base. The endowment base is defined as the three-year moving average of the market value of the total endowment portfolio. The current spending policy will allow for growth of approximately 2% annually. This is consistent with the objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

The donors who established the endowment funds have perpetually restricted the use of their contributions. The investment gains (losses) of these funds and miscellaneous contributions to the funds are temporarily restricted until withdrawals are made for specific purposes, or for general activities, as allowed by donor provisions.

9. LEASE:

The Association leases its office facilities under a three year agreement with UJF, dated November 18, 2020 and expiring December 2023. Due to COVID-19 pandemic that began in March 2020, a new lease was not executed on a long-term basis, but rather the Association has agreed to lease on a month to month basis on the rate of the expiring lease until a new lease agreement can be finalized The Association will receive a grant allocation from UJF for a portion of the lease payment and the rental payment is recorded at fair rental value of the leased premises. Total occupancy expense for the year ended May 31, 2021 and 2020 was $42,081 and $41,995, respectively.

Future minimum annual commitments under this operating leases is as follows:

Years Ending May 31	Amount
2022	$ 40,638
2023	41,448
2024	20,928
Total	$ 103,014

10. LIQUIDITY AND AVAILABILITY:

The Association regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures. The following reflects the Association's financial assets as of May 31, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

	2021	2020
Cash	$ 6,447,057	1,716,220
Investments in CD's	-	3,687,632
Beneficial interest in endowment funds	1,177,470	970,437
Total financial assets as of year end	7,624,527	6,374,289
Less donor restricted net assets	(1,932,613)	(2,536,776)
Financial assets available to meet cash needs for general expenditure within one year	$ 5,691,914	3,837,513

11. EMPLOYEE PENSION PLAN:

The Association is a constituent agency of Jewish Federation of Metropolitan Detroit (JFMD) and participates in a qualified pension plan covering the non-union employees of JFMD and its affiliates. Pension costs are allocated by JFMD and are billed to the Association. Accumulated pension benefits and plan net assets are not segregated between the various employer units. The Association's allocable pension expense for the years ended May 31, 2021 and 2020 was $3,400 and $3,400, respectively.

Effective January 1, 2015, the Association began offering a defined contribution 403(b) retirement plan to all employees who meet eligibility requirements. The plan allows for employee contributions along with a discretionary employer contribution of four percent (4%) of eligible employees' salary. Employer contributions to the plan are $20,202 and $20,521 for the years ended May 31, 2021 and 2020 respectively, this full amount is reflected in retirement contributions accrued.

12. NET ASSETS WITH DONOR RESTRICTIONS:

The Association had net assets with donor restrictions as of May 31:

		2021	2020
Pledges receivable for future loan capacity	$	755,143	1,566,339
Beneficial interest in endowment funds		1,177,470	970,437
	$	1,932,613	2,536,776

13. RECENT PRONOUNCEMENTS:

In February 2016, the FASB issued ASU 2016-02, *Leases.* The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset with a corresponding lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Association's year ending May 31, 2023.

The Association is currently in the process of evaluation the impact of adoption of this ASU on the financial statements.

14. RISKS AND UNCERTANTIES:

An outbreak of a novel strain of coronavirus (COVID-19) has affected a large range of industries. The effects of the pandemic has had significant effects on all aspects of the economy. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. Impact on the Association cannot be predicted, and the extent to which COVID-19 may impact the Association's financial condition or results of operations is uncertain at this time.