CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Hebrew Free Loan Association

Financial Statements

May 31, 2024 and 2023

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

Opinion

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, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hebrew Free Loan Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hebrew Free Loan Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hebrew Free Loan Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hebrew Free Loan Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Clark, Schaefer, Hackett & Co.

East Lansing, Michigan
October 23, 2024

		2024	2023
Assets			
Current assets:			
Cash and cash equivalents	$	2,917,734	2,420,708
Unconditional promises to give, net of long-term		37,916	119,473
Prepaid expenses		3,152	1,405
		2,958,802	2,541,586
Loans receivable (Net of allowance of $86,857 and $71,272 at May 31, 2024 and May 31, 2023, respectively)		6,430,117	5,458,472
Property and equipment, net		15,740	25,473
Other assets:			
Investments		1,062,384	952,524
Certificates of deposit		2,903,641	4,095,004
Unconditional promises to give, long-term		-	3,278
Beneficial interest in endowment funds		1,098,046	1,034,287
Right of use asset		119,117	24,026
		5,183,188	6,109,119
	$	14,587,847	14,134,650
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	751	1,000
Accrued PTO and benefits		139,988	126,472
Operating lease liability, current portion		42,796	24,201
		183,535	151,673
Noncurrent liabilities:			
Operating lease liability, net of current portion		76,866	-
		260,401	151,673
Net assets:			
Without donor restrictions		13,191,484	12,817,939
With donor restrictions		1,135,962	1,165,038
		14,327,446	13,982,977
	$	14,587,847	14,134,650

See accompanying notes to the financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	$ 602,262	66,826	669,088
Grants-United Jewish Foundation	174,621	-	174,621
	776,883	66,826	843,709
Other revenues:			
Unrealized gain on investments	117,356	-	117,356
Net investment income	276,068	-	276,068
	393,424	-	393,424
Net assets released from restrictions	159,661	(159,661)	-
	1,329,968	(92,835)	1,237,133
Expenses:			
Program services:			
Hebrew Free Loan	599,141	-	599,141
WM Davidson Jewish College Loan Program	94,902	-	94,902
	694,043	-	694,043
Supporting services:			
Management and general	152,916	-	152,916
Development	160,312	-	160,312
	313,228	-	313,228
	1,007,271	-	1,007,271
Change in net assets before beneficial interest	322,697	(92,835)	229,862
Change in the beneficial interest in endowments:			
Income distributed from endowments	50,848	-	50,848
Change in net assets of endowments	-	63,759	63,759
	50,848	63,759	114,607
Change in net assets	373,545	(29,076)	344,469
Net assets, beginning of year	12,817,939	1,165,038	13,982,977
Net assets, end of year	$ 13,191,484	1,135,962	14,327,446

See accompanying notes to the financial statements.

		Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:				
Contributions	$	617,084	53,380	670,464
Grants-United Jewish Foundation		165,977	-	165,977
		783,061	53,380	836,441
Other revenues:				
Unrealized gain on investments		11,477	-	11,477
Net investment income		133,728	-	133,728
		145,205	-	145,205
Net assets released from restrictions		318,183	(318,183)	-
		1,246,449	(264,803)	981,646
Expenses:				
Program services:				
Hebrew Free Loan		619,072	-	619,072
WM Davidson Jewish College Loan Program		90,194	-	90,194
		709,266	-	709,266
Supporting services:				
Management and general		125,919	-	125,919
Development		148,306	-	148,306
		274,225	-	274,225
		983,491	-	983,491
Change in net assets before beneficial interest		262,958	(264,803)	(1,845)
Change in the beneficial interest in endowments:				
Income distributed from endowments		50,680	-	50,680
Change in net assets of endowments		-	(47,488)	(47,488)
		50,680	(47,488)	3,192
Change in net assets		313,638	(312,291)	1,347
Net assets, beginning of year		12,504,301	1,477,329	13,981,630
Net assets, end of year	$	12,817,939	1,165,038	13,982,977

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	Development	Total Functional Expenses
Salaries and related benefits	$ 405,258	45,880	451,138	125,417	120,963	697,518
Credit losses	18,226	-	18,226	-	-	18,226
Depreciation	6,588	4,538	11,126	-	-	11,126
Dues	-	-	-	2,000	-	2,000
Miscellaneous	5,414	-	5,414	1,065	-	6,479
Occupancy	43,601	-	43,601	2,315	2,324	48,240
Office administration	75,185	21,376	96,561	1,710	29,446	127,717
Postage	8,639	1,766	10,405	-	2,103	12,508
Printing and publications	4,596	1,775	6,371	-	-	6,371
Professional fees and consulting	29,153	17,493	46,646	17,614	5,476	69,736
Telephone	2,481	2,074	4,555	-	-	4,555
Annual meeting	-	-	-	2,795	-	2,795
	$ 599,141	94,902	694,043	152,916	160,312	1,007,271

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	Development	Total Functional Expenses
Salaries and related benefits	$ 371,638	44,596	416,234	120,217	114,495	650,946
Credit losses	34,777	-	34,777	-	-	34,777
Depreciation	27,240	1,356	28,596	-	-	28,596
Dues	-	-	-	2,000	-	2,000
Miscellaneous	4,103	-	4,103	226	-	4,329
Occupancy	40,290	-	40,290	2,229	2,238	44,757
Office administration	84,023	23,723	107,746	-	23,238	130,984
Postage	7,378	1,682	9,060	-	1,805	10,865
Printing and publications	2,665	306	2,971	-	-	2,971
Professional fees and consulting	44,489	16,474	60,963	-	6,530	67,493
Telephone	2,469	2,057	4,526	-	-	4,526
Annual meeting	-	-	-	1,247	-	1,247
	$ 619,072	90,194	709,266	125,919	148,306	983,491

See accompanying notes to the financial statements.

		2024	2023
Cash flows from operating activities:			
Change in net assets	$	344,469	1,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		11,126	28,596
Amortization of right of use asset		42,107	40,328
Credit losses		(15,585)	(19,625)
Unrealized gain on investments		(117,356)	(11,477)
Change in beneficial interest in endowment funds		(114,607)	(3,192)
Effects of changes in net assets and liabilities:			
Unconditional promises to give		84,835	272,803
Prepaid expenses		(1,747)	(1,405)
Accounts payable		(249)	264
Accrued PTO and benefits		13,516	11,560
Operating lease liability		(41,738)	(40,153)
Net cash provided by operating activities		204,771	279,046
Cash flows from investing activities:			
Change in loans receivable		(956,060)	(787,454)
Purchase of fixed assets		(1,392)	(12,540)
Net sales (purchases) of investments		1,198,859	(4,088,094)
Income provided by endowment funds		50,848	50,680
Net cash provided by (used in) investing activities		292,255	(4,837,408)
Change in cash and cash equivalents		497,026	(4,558,362)
Cash and cash equivalents, beginning of year		2,420,708	6,979,070
Cash and cash equivalents, end of year	$	2,917,734	2,420,708

See accompanying notes to the financial statements.

1. ORGANIZATION:

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.

William Davidson Jewish College Loan Program (formerly Jewish Education Loan Service)
In addition, the Association administers the William 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 Association provides interest free loans to students through funding provided by community foundations and agencies.

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
Provides 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, 2024 and 2023, 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.

Certificates of deposit
The Association records certificates of deposit at cost plus accrued interest, which is approximate fair value.

Unconditional promises to give
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 credit losses. An allowance for credit losses is an estimate based upon historical account write-off trends and facts about the current financial condition of the debtor. The allowance for credit losses is based on 1.5% of new loans made each month adjusted at year end based on management's evaluation of the loans receivable outstanding for May 31, 2024 and 2023, respectively. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of debtors. Loan receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased.

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, 2024 and 2023, amounts held in net assets with donor restrictions associated with the beneficial interest in endowment funds totaled $1,098,046 and $1,034,287, 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 carrying amounts of cash, unconditional promises to give, and accounts payable approximate fair value due to their short-term nature.

Loans receivable 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. Wages and related expenses are allocated using an estimate of time and effort. Other 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.

Adoption of new accounting standards
Hebrew Free Loan adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended, on June 1, 2023. Topic 326 modifies the measurement of expected credit losses on certain financial instruments. The Association adopted this new guidance utilizing the modified retrospective transition method as of June 1, 2023. The adoption of this Standard did not have a material impact on the Association's financial statements.

Leases
The Association leases office space and a copier. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") asset and operating lease liability in the Association's statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Association uses the implicit rate when it is readily determinable. The copier lease has an implicit rate of 6%. Since the Association's building lease does not provide an implicit rate, the Association is electing to use the risk-free rate applicable at lease commencement for all classes of leased assets. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Association's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise the option.

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 an other 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 expensed as incurred. Advertising costs for the years ended May 31, 2024 and 2023 were $28,602 and $27,447, respectively.

Date of management's review
Subsequent events have been evaluated through October 23, 2024, 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, 2024 and 2023, balances in excess of the $250,000 insurance limit, based on financial institution records, approximated $2,696,397 and $2,222,212, respectively. The Association, in the opinion of management, is subject to minimal risk.

4. UNCONDITIONAL PROMISES TO GIVE:

Donors pledge contributions to the Association to be received over a period of years. The pledge is recorded as unconditional promises to give 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 3.57 percent for the years ended May 31, 2024 and 2023.

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:

		2024	2023
Receivable in less than one year	$	37,916	119,473
Receivables greater than one year		2,784	11,000
Less: allowance for uncollectible pledges		(2,238)	(7,176)
Discount to net present value		(546)	(546)
Net unconditional promises to give	$	37,916	122,751
Current portion	$	37,916	119,473
Long-term portion, due within 1-5 years		-	3,278
	$	37,916	122,751

5. LOANS RECEIVABLE AND LOANS PAYABLE:

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 $10,082,192 and $9,810,007 at May 31, 2024 and 2023, 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 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.

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

		2024	2023
Balance at beginning of year	$	5,458,472	4,651,393
Loans made		4,273,250	2,594,090
Loan repayments		(3,283,480)	(1,732,609)
Loan write-offs		(2,540)	(34,777)
Change in allowance for credit losses		(15,585)	(19,625)
	$	6,430,117	5,458,472

6. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at May 31:

		2024	2023
Computer equipment	$	256,241	256,241
Furniture and equipment		30,076	30,635
Leasehold improvements		99,685	99,685
		386,002	386,561
Less accumulated depreciation and amortization		(370,262)	(361,088)
	$	15,740	25,473

7. FAIR VALUE MEASUREMENTS:

Fair value measurements in accordance with Generally Accepted Accounting Principles (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, 2024 and 2023.

The following is a description of the valuation methodologies used for assets measured at fair value at May 31, 2024 and 2023.

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, 2024 and 2023. 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, 2024				
UJF Balanced Pool	$ -	-	1,062,384	1,062,384
Beneficial interest in endowment funds	-	-	1,098,046	1,098,046
	$ -	-	2,160,430	2,160,430
May 31, 2023				
UJF Balanced Pool	$ -	-	952,524	952,524
Beneficial interest in endowment funds	$ -	-	1,034,287	1,034,287
	$ -	-	1,986,811	1,986,811

8. ENDOWMENT FUNDS:

The following schedule summarizes changes in endowment funds for the years ended May 31, 2024 and 2023:

	Beneficial Interest in Endownment Funds
Balance at May 31, 2023	$ 1,034,287
Change in beneficial interest in endowment funds	114,607
Income distributed	(50,848)
Balance at May 31, 2024	$ 1,098,046
Balance at May 31, 2022	$ 1,081,775
Change in beneficial interest in endowment funds	3,192
Income distributed	(50,680)
Balance at May 31, 2023	$ 1,034,287

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. OPERATING LEASE:

The Association leases its office facilities under a three year agreement with UJF, dated November 18, 2020 and expiring December 2023. A new three year lease commenced January 1, 2024 as an addition to the current lease which updated the rent payments. 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.

The Association also entered into a new lease for a copier in the current year. Payments are $282 per month for 48 months.

The Association has elected the option to use the risk-free rate to all classes of leased assets determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

The Association has elected the practical expedient to not separate lease and non-lease components for all classes of leased assets.

Total lease costs for the years ended May 31, 2024 and 2023, respectively, are as follows:		2024	2023
Operating lease expense	$	44,724	41,555
The following table summarizes the supplemental cash flow information			
Right-of-use assets obtained in exchange for lease liabilities:			
Operating leases	$	137,199	64,354
The following summarizes the weighted-average remaining lease term and weighted-average discount rate:			
Weighted average remaining lease term in years:			
Operating leases		2.66	.58
Weighted average discount rate:			
Operating leases		5.16%	2.66%

As of May 31, 2024, maturities of lease liabilities were as follows:

		Operating leases
2025	$	47,039
2026		48,350
2027		30,066
2028		1,410
		126,865
Less: imputed interest		(7,203)
Total lease obligations		119,662
Less: current obligations		(42,796)
Long-term lease obligations	$	76,866

There were no material operating leases that the Association had entered into and that were yet to commence as of May 31, 2024.

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, 2024 and 2023, 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.

		2024	2023
Cash	$	2,917,734	2,420,708
Unconditional promises to give, net of long-term		37,916	119,473
Beneficial interest in endowment funds		1,098,046	1,034,287
Total financial assets as of year end		4,053,696	3,574,468
Less donor restricted net assets		(1,135,962)	(1,165,038)
Financial assets available to meet cash needs for general expenditure within one year	$	2,917,734	2,409,430

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, 2024 and 2023 was $0. During the year ended May 31, 2023, the JFMD terminated its employee pension program. The Association paid JFMD $18,835 to cover costs of payouts to employees in 2023.

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 $23,460 and $20,733 for the years ended May 31, 2024 and 2023 respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS:

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

	2024	2023
Purpose restrictions:		
Pledges receivable for future loan capacity	$ 37,916	122,751
Beneficial interest in endowment funds	1,098,046	1,034,287
	1,135,962	1,157,038
Time restrictions:	-	8,000
	$ 1,135,962	1,165,038