

**The Jewish Foundation for the Righteous
Financial Statements
December 31, 2018**

The Jewish Foundation for the Righteous
December 31, 2018
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Independent Auditors' Report

To the Board of Directors

The Jewish Foundation for the Righteous

We have audited the accompanying financial statements of The Jewish Foundation for the Righteous ("JFR"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 general 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 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 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 JFR as of December 31, 2018, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "William J. Guttenplan". The signature is written in a cursive style with a long horizontal flourish extending to the right.

East Brunswick, New Jersey

April 11, 2019

The Jewish Foundation for the Righteous
Statement of Financial Position
December 31, 2018

Assets

Current Assets

Cash and cash equivalents	\$ 1,249,914
Investments, at fair value	7,923,335
Grants and other receivables	281,639
Prepaid expenses	3,340
	<hr/>

Total Current Assets 9,458,228

Cash and cash equivalents - donor restricted	467,173
Property and equipment, net	12,712
Security deposit	4,083
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Total Assets \$ 9,942,196

Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts payable and accrued expenses	<u>\$ 53,643</u>
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Total Current Liabilities

53,643

Commitment

Net Assets

Without donor restrictions	9,429,655
With donor restrictions	458,898
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Total Net Assets

9,888,553

Total Liabilities and Net Assets \$ 9,942,196

The accompanying notes are an integral part of these financial statements.

The Jewish Foundation for the Righteous
Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Donor contributions	\$ 1,497,664	\$ 18,146	\$ 1,515,810
Grants	12,375	321,462	333,837
Dinner, net	218,243	-	218,243
Interest and dividends	250,005	-	250,005
Unrealized and realized loss on investment, net of investment expenses \$64,212	(633,601)	-	(633,601)
Participant and exhibit fees	68,820	-	68,820
Donated services	7,600	-	7,600
Other	53,512	-	53,512
Net assets released from restrictions	331,744	(331,744)	-
Total Revenues, Gains and Other Support	<u>1,806,362</u>	<u>7,864</u>	<u>1,814,226</u>
Expenses			
Program services	1,886,801	-	1,886,801
Management and general	71,481	-	71,481
Fundraising	312,012	-	312,012
Total Expenses	<u>2,270,294</u>	<u>-</u>	<u>2,270,294</u>
Change in Net Assets	(463,932)	7,864	(456,068)
Net Assets - Beginning	<u>9,893,587</u>	<u>451,034</u>	<u>10,344,621</u>
Net Assets - Ending	<u>\$ 9,429,655</u>	<u>\$ 458,898</u>	<u>\$ 9,888,553</u>

The accompanying notes are an integral part of these financial statements.

The Jewish Foundation for the Righteous
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program	Management and General	Fundraising	Total
Rescuer grants and allocations	\$ 1,047,207	\$ -	\$ -	\$ 1,047,207
Education	224,235	-	-	224,235
Payroll expenses and personnel services	370,067	23,129	69,388	462,584
Computer expense	34,116	2,274	9,097	45,487
Depreciation	3,649	228	684	4,561
Direct mail	-	-	175,144	175,144
Office expense	66,016	4,196	13,712	83,924
Postage, printing and graphic design	8,049	863	19,858	28,770
Professional fees	41,471	33,176	8,294	82,941
Rent	73,988	4,352	8,704	87,044
Telephone	8,974	499	499	9,972
Travel	9,029	2,764	6,632	18,425
Total Expenses	<u>\$ 1,886,801</u>	<u>\$ 71,481</u>	<u>\$ 312,012</u>	<u>\$ 2,270,294</u>

The accompanying notes are an integral part of these financial statements.

The Jewish Foundation for the Righteous
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows from Operating Activities

Change in net assets	\$ (456,068)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Unrealized/realized loss on investments	569,389
Depreciation	4,561
Donated securities	(60,078)
Changes in operating assets and liabilities	
Grants and other receivables	90,228
Security deposit	12,567
Accounts payable and accrued expenses	(22,222)

Net Cash Provided by Operating Activities 138,377

Cash Flows from Investing Activities

Proceeds from sale of investments	979,539
Purchases of investments	(1,646,957)
Fixed asset additions	(9,699)

Net Cash Used in Investing Activities (677,117)

Net Decrease in Cash and Cash Equivalents (538,740)

Cash, Cash Equivalents and Donor Restricted Cash - Beginning of Year 2,255,827

Cash, Cash Equivalents and Donor Restricted Cash - End of Year \$ 1,717,087

Cash and Cash Equivalents	\$ 1,249,914
Cash and Cash Equivalents - donor restricted	467,173

Cash, Cash Equivalents and Donor Restricted Cash - End of Year \$ 1,717,087

The accompanying notes are an integral part of these financial statements.

The Jewish Foundation for the Righteous
Notes to Financial Statements
December 31, 2018

Note 1 Organization

The Jewish Foundation for the Righteous, Inc. ("JFR") is a Section 501(c)(3) not-for-profit corporation whose purpose is to identify, honor and support righteous gentiles who risked their lives to save Jews during the Holocaust and to provide for Holocaust education. Currently, JFR provides monthly financial assistance to approximately 305 aged and needy non-Jewish rescuers in approximately 20 countries throughout the world. JFR educates teachers and students about the history of the Holocaust and the significance of the righteous as moral and ethical exemplars. JFR is supported primarily through contributions from individual donors, grants, and fundraising activities.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. JFR presents information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of JFR and changes therein may be classified, if applicable, and reported as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions.
- Net assets with donor restrictions – Net assets subject to restrictions imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of JFR and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

Note 2 Summary of Significant Accounting Policies (Continued)

Investments

Investments are reported at fair value. Fair value is 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. See Note 4.

Investment transactions are recorded on a trade-date basis. Unrealized gains and losses represent the net change in the carrying value of securities owned as of the date of the statement of financial position. Realized gains and losses on investments are determined using the specific-identification method. Earnings from interest and dividends are recognized when earned.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized.

Depreciation is provided for using the straight-line method over the estimated useful lives of the assets, which are as follows:

Computers	5 years
Exhibits	5 years

Revenue Recognition

Pledges are recognized in contribution income when a donor makes a pledge that is, in substance, unconditional. Pledges to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

Contributions and grants received are measured at their fair values and are reported as an increase in net assets. JFR reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit their use, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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."

Revenue from the sale of videos and other educational materials is recognized at the point of sale.

Revenue generated from exhibits is recognized upon completion of the event.

Revenue generated from the recovery of lost funds from the Madoff scandal are recognized upon receipt. During 2018, JFR recovered \$53,512 in lost funds from the Madoff scandal, which is included in "Other" on the accompanying statement of activities.

The Jewish Foundation for the Righteous
Notes to Financial Statements
December 31, 2018

Note 2 Summary of Significant Accounting Policies (Continued)

Donated Services

Donated services are recognized as contribution if the services (a) create or enhance nonfinancial assets or (b) require specialized skills and are performed by people whose services would otherwise be purchased by JFR.

Donated legal services were rendered on behalf of JFR and amounted to \$7,600 for the year ended December 31, 2018.

A number of unpaid volunteers have made or have agreed to make significant contributions of their time. The value of such contributions is not reflected in the accompanying financial statements since these services do not require specialized skills.

Grants and Other Receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. On a periodic basis, management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current economic conditions. At December 31, 2018, management determined that no allowance was required.

Grants and Allocations

As part of its mission, JFR has committed to provide grants and assistance to rescuers. Grants and allocations are recorded as they are approved by JFR's board of trustees and meet the criteria of grant requirements.

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the 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). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

Note 2 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that JFR 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 assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, 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.

Income Taxes

JFR is an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). JFR is subject to unrelated business income taxes ("UBIT"), if applicable. For the year ended December 31, 2018, JFR did not owe any UBIT.

JFR recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, JFR assesses the likelihood, based on its technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Management evaluated JFR's tax positions and concluded that JFR had taken no uncertain tax positions that require adjustments to the financial statements. JFR files in both U.S. federal and various state taxing jurisdictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on usage or other basis established by management.

Note 2 Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

Depreciation and rent are allocated based on square footage. The remaining allocated expenses are allocated based on the client's knowledge of the history and trends of JFR's expenditures.

Recent Accounting Pronouncements

In August 2016, FASB issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The new guidance addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expense and investment return. JFR has adjusted the presentation of these statements accordingly.

Subsequent Events

JFR has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued.

Note 3 Concentration of Credit Risk

Financial instruments that potentially subject JFR to concentration of credit risk consist primarily of cash and cash equivalents and investments in excess of insured amounts. At times, JFR's cash and cash equivalents and investments, which are placed with major financial institutions, exceed the insurance coverage provided by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. JFR has not experienced any losses on such accounts. See Note 6 for concentration of grants and other receivables.

Note 4 Fair Value Measurements

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the table below. The valuation techniques are as follows:

- (a) *Market approach*: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach*: Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach*: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The Jewish Foundation for the Righteous
Notes to Financial Statements
December 31, 2018

Note 4 Fair Value Measurements (Continued)

The following table summarizes JFR's assets measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Technique</u>
Mutual funds:					
Balanced	\$ 2,531,044	\$ -	\$ -	\$ 2,531,044	(a)
Equities blend	36,161	-	-	36,161	(a)
Fixed income blend	349,347	-	-	349,347	(a)
Equity:					
Financials	482,380	-	-	482,380	(a)
Information technology	455,670	-	-	455,670	(a)
Health care	436,083	-	-	436,083	(a)
Industrials	346,268	-	-	346,268	(a)
Consumer discretionary	249,330	-	-	249,330	(a)
Consumer staples	222,629	-	-	222,629	(a)
Communication services	215,978	-	-	215,978	(a)
Energy	189,643	-	-	189,643	(a)
Materials	75,921	-	-	75,921	(a)
Utilities	68,282	-	-	68,282	(a)
Real estate	36,509	-	-	36,509	(a)
Fixed income:					
Long-term bond	-	1,013,829	-	1,013,829	(a)
Intermediate-term bond	-	696,408	-	696,408	(a)
Short-term bond	-	<u>517,853</u>	-	<u>517,853</u>	(a)
Total Investments	5,695,245	2,228,090	-	7,923,335	
Cash on deposit and money market accounts included in cash and cash - equivalents	<u>565,642</u>	<u>-</u>	<u>-</u>	<u>565,642</u>	(a)
	<u>\$ 6,260,887</u>	<u>\$ 2,228,090</u>	<u>\$ -</u>	<u>\$ 8,488,977</u>	

The fair values of the fixed income securities are based on quoted prices of similar securities and observable market data. The fair value of mutual funds is based on the quoted market price of shares held at year end. The fair value of equity securities is based on the closing price reported in the active market in which the individual security is traded. Cash on deposit and money market accounts are valued at cost plus accrued interest, which approximates fair value.

The Jewish Foundation for the Righteous
Notes to Financial Statements
December 31, 2018

Note 5 Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and Cash Equivalents	\$1,249,653
Investments	<u>7,923,591</u>
Total Financial Assets Available to Meet General Expenditures	<u>\$9,173,244</u>

JFR's goal is generally to maintain financial assets to meet 1 year of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

Note 6 Grants and Other Receivables

JFR has grants receivable amounting to \$281,639 at December 31, 2018. Total amount applied for reimbursement and approved subject to grant requirements during 2018 totaled \$281,677. As the amount awarded to JFR solely depends on amounts expended during the year and are received subsequent to year end, the amount recorded as grant receivable at December 31, 2018 is based on an estimate of total expenses incurred during 2018 related to the program. At December 31, 2018, the outstanding balance is due in less than one year.

100% of grants and other receivables is due from The Conference on Jewish Material Claims Against Germany (Claims Conference). The same funder comprises approximately 14% of total revenues, gains and other support for the year ended December 31, 2018.

Note 7 Property and Equipment

Property and equipment consisted of the following at December 31, 2018:

Computers	\$ 111,703
Exhibits	<u>84,112</u>
Total Property and Equipment	195,815
Less: accumulated depreciation	<u>(183,103)</u>
Total	<u>\$ 12,712</u>

Depreciation expense amounted to \$4,561 for the year ended December 31, 2018.

The Jewish Foundation for the Righteous
Notes to Financial Statements
December 31, 2018

Note 8 Commitment

In July 2018, JFR entered into a lease agreement for its office space which expires in June 2023. The lease agreement requires JFR to pay, as additional rent, its proportionate share of building maintenance and operating expenses, which includes property taxes. JFR has the right to terminate the lease after the fourth year and is subject to a termination fee equal to the unamortized costs of all construction costs for the space. Rent expense amounted to \$87,044 for the year ended December 31, 2018.

The aggregate future minimum annual rental payments for the next five years are as follows:

<u>December 31,</u>	<u>Amount</u>
2019	\$ 48,996
2020	48,996
2021	48,996
2022	48,996
2023	<u>24,498</u>
Total	<u>\$ 220,482</u>

Note 9 Net Assets

Net assets with donor restrictions were as follows for the year ended December 31, 2018:

Balance, beginning	\$ 451,034
Donor contributions	339,608
Net assets released	<u>(331,744)</u>
Balance, ending	<u>\$ 458,898</u>

Net assets released from net assets with donor restrictions are as follows:

Rescuer grants	\$ 285,125
Education	<u>46,619</u>
Total	<u>\$ 331,744</u>

Net assets with donor restrictions consist of two donor contributions relating to a specific purpose, the income from which is to be used for Holocaust education purposes. One of these contributions consists of distributions from a trust established under a will of an individual whereby less than 1% of the fair market value of the trust's assets are distributed to JFR on an annual basis. Such contributions totaled \$18,146 for the year ended December 31, 2018.

The Jewish Foundation for the Righteous
Notes to Financial Statements
December 31, 2018

Note 9 Net Assets (Continued)

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). JFR and its board of trustees have interpreted NYPMIFA as requiring the preservation in perpetuity 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.

JFR's investment pool includes a diversified portfolio of investments. JFR's investment objective is to earn the highest possible yield consistent with a prudent level of risk. JFR's spending policy consists of fixed expenses based on an annual budget approved by the board of trustees at the beginning of each year and variable expenses to be approved by the board of trustees as deemed necessary.

Note 10 Employee Benefit Plan

JFR has established a noncontributory defined contribution plan under Section 403(b) of the Code for eligible employees. An officer of JFR serves as trustee of the plan.

Note 11 Special Events – Dinner

JFR held an annual Dinner fundraiser in 2018. Activity related to the event is as follows:

Gross Revenue	\$ 425,490
Less: Direct cost of donor benefits	<u>(207,247)</u>
Net Revenue	<u>\$ 218,243</u>

Note 12 Recent Accounting Pronouncement

Effective for its annual financial statements for 2020, JFR expects to adopt new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which JFR is lessee. Upon adoption, among other effects, JFR will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. JFR is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.