

SHALOM ORLANDO, INC.

FINANCIAL STATEMENTS

**PERIOD FROM
SEPTEMBER 1, 2022
THROUGH MAY 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shalom Orlando, Inc.
Maitland, Florida

Opinion

We have audited the accompanying financial statements of Shalom Orlando, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2023, and the related statements of activities, functional expenses, and cash flows for the period from September 1, 2022 through May 31, 2023, 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 Shalom Orlando, Inc. as of May 31, 2023, and the changes in its net assets and its cash flows for the period from September 1, 2022 through May 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shalom Orlando, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Shalom Orlando, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 Shalom Orlando, Inc.'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 Shalom Orlando, Inc.'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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 19, 2024

SHALOM ORLANDO, INC.

STATEMENT OF FINANCIAL POSITION

MAY 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,017,035
Accounts receivable	91,096
Contributions receivable, net	486,919
Prepaid and other	<u>217,391</u>
 Total current assets	 <u>1,812,441</u>

PROPERTY AND EQUIPMENT

Buildings, land, furniture, equipment, and leasehold improvements	6,115,733
Less: accumulated depreciation	<u>(1,567,664)</u>
 Net property and equipment	 <u>4,548,069</u>

OTHER ASSETS

Roth endowment	1,494,855
Assets held by TOP Jewish Foundation	1,865,303
Interest in net assets of TOP Jewish Foundation	3,521,010
Assets held under charitable gift annuities	<u>191,481</u>
 Total other assets	 <u>7,072,649</u>

TOTAL ASSETS

\$ 13,433,159

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 322,525
Deferred revenue	565,684
Loans	<u>78,000</u>
 Total current liabilities	 <u>966,209</u>

LONG-TERM DEBT

Liability under charitable gift annuities	108,479
Long-term debt	<u>163,500</u>

TOTAL LIABILITIES

1,238,188

NET ASSETS

Without donor restrictions	
Unrestricted	1,589,402
Unrestricted - Designated for property and equipment	4,548,069
Unrestricted - Board designated	102,455
With donor restrictions	<u>5,955,045</u>
 Total net assets	 <u>12,194,971</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 13,433,159

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

SHALOM ORLANDO, INC.

STATEMENT OF ACTIVITIES

PERIOD FROM SEPTEMBER 1, 2022 THROUGH MAY 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Contributions	\$ 467,818	\$ 1,441,769	\$ 1,909,587
Grants	25,000	-	25,000
Total public support	492,818	1,441,769	1,934,587
REVENUES			
Membership dues and assessments	322,980	-	322,980
Program services, tuition and fees	3,117,751	-	3,117,751
TOP Jewish Foundation management fee income	133,724	-	133,724
Facility rental and other income	430,421	-	430,421
Rental income	126,497	-	126,497
ERTC income	143,608	-	143,608
Special events income	244,521	-	244,521
Contributions of non-financial assets	12,066	-	12,066
Total revenues	4,531,568	-	4,531,568
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of time and use restrictions	1,235,262	(1,235,262)	-
Total public support and revenues and net assets released from restrictions	6,259,648	206,507	6,466,155
EXPENSES			
Programs	4,645,754	-	4,645,754
Supporting services			
Development	381,443	-	381,443
Facility	699,910	-	699,910
General and administrative	546,477	-	546,477
Total supporting services	1,627,830	-	1,627,830
Total expenses	6,273,584	-	6,273,584
CHANGE IN NET ASSETS	(13,936)	206,507	192,571
Investment income, net	63,330	1,609	64,939
Change in interest in net assets of TOP Jewish Foundation	-	94,625	94,625
CHANGE IN NET ASSETS - ADJUSTED	49,394	302,741	352,135
NET ASSETS, BEGINNING OF YEAR	6,190,532	5,652,304	11,842,836
NET ASSETS, END OF YEAR	\$ 6,239,926	\$ 5,955,045	\$ 12,194,971

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

SHALOM ORLANDO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM SEPTEMBER 1, 2022 THROUGH MAY 31, 2023

	Programs	Supporting Services			Total
		Development	Facility	General and Administrative	
Salaries and benefits	\$ 2,193,088	\$ 247,952	\$ 111,684	\$ 356,004	\$ 2,908,728
Indirect program expenses	1,044,203	29,019	495,247	173,591	1,742,060
Operating expenses	28,334	900	465,968	-	495,202
Depreciation	-	-	427,026	-	427,026
Direct program expenses	380,490	6,009	894	35	387,428
TOP Jewish Foundation management fees	135,020	-	-	-	135,020
Special events	15,387	83,342	-	-	98,729
Grants and allocations to Jewish Academy of Orlando	28,729	-	-	-	28,729
Office expense	10,717	6,210	167	8,836	25,930
Grants and allocations to affiliated organizations	12,666	-	-	-	12,666
Non-financial expenses	12,066	-	-	-	12,066
Total expenses before allocation of overhead	3,860,700	373,432	1,500,986	538,466	6,273,584
Allocation of overhead	785,054	8,011	(801,076)	8,011	-
Total	\$ 4,645,754	\$ 381,443	\$ 699,910	\$ 546,477	\$ 6,273,584

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

SHALOM ORLANDO, INC.

STATEMENT OF CASH FLOWS

PERIOD FROM SEPTEMBER 1, 2022 THROUGH MAY 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 352,135
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	427,026
Bad debt expense	232,201
Unrealized loss on investment	19,457
Realized gain on investment	(21,066)
Increase in interest in net assets of TOP Jewish Foundation	(94,625)
Increase from assets held by TOP Jewish Foundation	(63,330)
Management fee income from assets held by TOP Jewish Foundation	(133,724)
Change in operating assets and liabilities:	
Decrease in accounts receivable	103,328
Increase in prepaid expenses	(105,436)
Increase in contributions receivable	(121,458)
Decrease in accounts payable and accrued expenses	(81,934)
Increase in deferred revenue	355,815
Net cash provided by operating activities	<u>868,389</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Property and equipment purchases	(289,705)
Net distributions of assets held by TOP Jewish Foundation	137,075
Net contributions of interest in net assets of TOP Jewish Foundation	(249,936)
Distributions from investments with Roth endowment	50,000
Net cash used in investing activities	<u>(352,566)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	<u>(46,500)</u>
Net cash used in financing activities	<u>(46,500)</u>
Net increase in cash and cash equivalents	469,323
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>547,712</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,017,035</u></u>
SUPPLEMENTAL INFORMATION	
Cash paid for interest	<u><u>\$ 11,941</u></u>

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

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE A – DESCRIPTION OF THE ORGANIZATION

On September 1, 2022, the Jewish Community Center of Greater Orlando, Inc. merged with the Jewish Federation of Greater Orlando, Inc. and created Shalom Orlando, Inc.

Shalom Orlando, Inc. (the “Organization”) is a non-for-profit organization formed to promote and engage in recreational, cultural, social and educational activities, which contribute to the welfare of the Jewish and general community. The Organization’s mission also includes fostering and enhancing the Jewish Community’s relationship with the State of Israel while promoting both the welfare and education of Jews in Central Florida.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

See Note L for more information on the composition of net assets without donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

See Note M for more information on the composition of net assets with donor restrictions.

2. Use of 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. This will affect the reported amounts of assets and liabilities, 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 these estimates.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Cash and Cash Equivalents

Cash equivalents includes all highly liquid debt instruments purchased with a maturity date of three months or less.

4. Contributions Receivable

Contributions receivable represent unconditional promises to give and are recorded on the date the contribution is promised. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of their future cash flows using risk-adjusted interest rates applicable to the years in which the promises are to be received. Management evaluates payment history and market conditions to estimate allowances for doubtful accounts.

5. Accounts Receivable

Accounts receivable primarily represent amounts due from local agencies for rental income and is recognized and billed on a monthly basis based on tenant occupancy. The Organization periodically evaluates collections based on historical experience and records an allowance when necessary.

6. Property and Equipment

Purchased property and equipment are stated at cost. It is the Organization's policy to capitalize additions that are greater than \$1,000 and have a useful life of at least two years individually. Depreciation is determined on the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	5 – 40 years
Leasehold improvements	7 – 30 years
Land and improvements	15 – 30 years
Furniture and equipment	3 – 40 years
Information technology	3 – 15 years

7. Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions, if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

9. Charitable Gift Annuities

Assets held under charitable gift annuities are held and invested by the Jewish Federation of North America and are recorded at fair value when received. The present value of the estimated future payments to the named beneficiaries is recorded as a liability under charitable gift annuities. The difference between these amounts is recorded as with donor restriction contributions. Income earned on charitable gift annuities, including realized and unrealized gains and losses, and adjustments to the liability to reflect amortization of the discount and changes in actuarial assumptions are recorded as change in value of charitable gift annuities in the statement of activities. Upon death of the beneficiaries, the assets, net of any related liabilities, are released from with donor restrictions and reclassified to without donor restrictions.

10. Deferred Revenue

Deferred income represents tuition, memberships, and program income received but not yet earned.

11. Compensated Absences

Hourly employees of the Organization earn a vested right to compensation for unused vacation. Accordingly, the Organization has made accrual for vacation and personal absences compensation that employees have earned, but not taken.

12. Revenue Recognition

The Organization follows Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606), which outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied, and ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC 958), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

Contributions and grants received are recorded as without donor restrictions or with donor restrictions, depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, as applicable. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions when restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished).

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Revenue Recognition (continued)

Program services, tuition and fees are recognized as income when earned, on a monthly basis, over the school year. Amounts received that are attributable to future periods are recorded as deferred revenue.

Membership dues are recognized as revenue in the period in which they are earned. Amounts billed in the current period are recorded as accounts receivable.

13. Rental Income and Commitments

The Organization acts as a landlord and rents space in its buildings on the Maitland campus to other Jewish non-profit affiliates under lease agreements which mature on various dates from 2025 to 2027. Operating rent is charged based on square footage occupied and other costs are charged for major reserves for capital replacement and information technology expenses. Rental income from local agencies consists of the following as of May 31, 2023:

Operating and maintenance	\$ 94,167
Major reserves	32,330
	<hr/>
	\$ 126,497

In the period from September 1, 2022 through May 31, 2023, the Jewish Academy of Orlando's share of the above allocated cost was \$96,755, of which \$28,729 was provided as a grant to the Jewish Academy of Orlando.

14. Advertising

The Organization expenses advertising costs as incurred. Advertising costs for the period from September 1, 2022 through May 31, 2023 was \$41,748.

15. Functional expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. The allocation of expenses which cannot be directly attributed to specific functions is based on estimates by the Organization's management.

16. Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Organization has made no provision for federal or state income taxes in the accompanying financial statements.

Management has analyzed the Organization's various federal and state filing positions and believes that its income tax filing position and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

17. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 19, 2024, the date that the financial statements were available to be issued.

The Organization entered into a lease agreement in August 2023. See Note T.

18. Accounting Pronouncements Implemented

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (ASC 842), that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The Organization adopted ASC 842 effective September 1, 2022. The adoption had no significant impact on the Organization's financial statements.

NOTE C – CONCENTRATION OF CREDIT RISKS

The Organization maintains a cash balance at two banks. At May 31, 2023, the accounts were insured by the Federal Deposit Insurance Corporation "FDIC" up to \$250,000 per institution. At May 31, 2023, the Organization had \$613,788 in excess of the insured limit. The Organization also maintains accounts with a stock brokerage firm, which contain various investments. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation "SIPC". Uninsured cash and securities balances at May 31, 2023, totaled \$994,855. In addition, the Organization receives support from local individuals and businesses. The financial strength of the Organization is therefore contingent upon the financial conditions of the local economy.

NOTE D – PROPERTY AND EQUIPMENT

Property, furniture, and equipment and accumulated depreciation at May 31, 2023 is summarized by major classifications as follows:

Buildings and improvements	\$ 3,209,634
Leasehold improvements	1,846,524
Land and improvements	619,369
Furniture and equipment	234,760
Information technology	205,446
	<u>6,115,733</u>
Less: accumulated depreciation	<u>(1,567,664)</u>
	<u>\$ 4,548,069</u>

Depreciation expense as of May 31, 2023 was \$427,026.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE E – CONTRIBUTIONS RECEIVABLE

Contributions receivable are unconditional promises to give and are recorded when the promises to contribute are made. Contributions receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Organization provides an allowance for uncollectible contributions at the time revenues are recorded and re-evaluates and adjusts the allowance periodically based on historical collection experience. Contributions receivable are due as follows at May 31, 2023:

Less than one year	\$ 511,373
Allowance for doubtful accounts	<u>(24,454)</u>
	<u>\$ 486,919</u>

NOTE F – FAIR VALUE MEASUREMENT

The Organization reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring 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 below:

Level 1 - Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Valuation based on observable quoted prices for similar assets and liabilities in active markets.

Level 3 - Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts receivable, contributions receivable due in one year or less, and accounts payable and accrued expenses.

Level 1 financial assets include assets held under charitable gift annuities held by Jewish Federation of North America (see Note I) and consist of pooled investments in money market funds, bonds and equity securities.

The Organization's Level 2 financial assets include assets held by TOP Jewish Foundation and an interest in net assets of TOP Jewish Foundation as shown in Note H. These assets are held by TOP Jewish Foundation and consist of pooled investments in money market funds, bonds and equity securities.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE F – FAIR VALUE MEASUREMENT (continued)

Level 2 financial liabilities include the liability under charitable gift annuities which are recorded at their net present value based on future estimated cash flows and actuarial assumptions.

The Organization has no Level 3 financial assets or liabilities.

The following summarizes the assets measured at fair value on a recurring basis by level within the hierarchy at May 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. government securities, bonds, notes, or other obligations of the United States	\$ 964,257	\$ -	\$ -	\$ 964,257
Savings deposits	103,661	-	-	103,661
Money market funds	426,937	-	-	426,937
Pooled investments	191,481	5,386,313	-	5,577,794
Total investments	<u>\$ 1,686,336</u>	<u>\$ 5,386,313</u>	<u>\$ -</u>	<u>\$ 7,072,649</u>

NOTE G – INVESTMENTS

The following summarizes investments at May 31, 2023:

	<u>Original Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
U.S. government securities, bonds, notes, or other obligations of the United States	\$ 1,096,019	\$ 964,257	\$ (131,762)
Savings deposits	103,661	103,661	-
Money market funds	426,937	426,937	-
Total investments	<u>\$ 1,626,617</u>	<u>\$ 1,494,855</u>	<u>\$ (131,762)</u>

Endowment contributions are permanently restricted by the donor and recorded at market value. Interest earned on certain investments can be used for general operations. Interest is reported as earned in the with donor restrictions fund and released from restriction into the without donor restrictions fund.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Organization to retain as a fund of perpetual duration. At May 31, 2023, the fair value amount recorded for net assets with donor restrictions fell below the original gift amount by \$205,145 due to unrealized losses. These deficiencies resulted from unfavorable market conditions that occurred shortly after the investment of new perpetually restricted contributions and continued appropriation of certain programs that was deemed prudent by the board.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE H – TOP JEWISH FOUNDATION

TOP Jewish Foundation is a financially interrelated organization established by the Jewish Federations of Tampa, Orlando and Pinellas to enhance fundraising for the three federations. TOP Jewish Foundation receives gifts, bequests and contributions for the purpose of using, distributing and investing the principal and/or income for charitable, educational and religious purposes within the Jewish community. Each of the three federations is represented on the Board of TOP Jewish Foundation and appoints trustees to serve on the grant committee.

The three federations share in certain expenses of TOP Jewish Foundation. The Organization recorded \$135,020 of management fee expense for their share during the period from September 1, 2022 through May 31, 2023, and is shown as TOP Jewish Foundation management fees in the accompanying statement of functional expenses.

The Organization accounts for assets transferred to TOP Jewish Foundation and its interest in the net assets of TOP Jewish Foundation in accordance with FASB Accounting Standards "*Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others*" as follows:

Assets held by TOP Jewish Foundation

The Organization has transferred assets to TOP Jewish Foundation for which the principal and investment returns are to be used for various operating needs. These are considered managed funds and are recorded as assets held by TOP Jewish Foundation on the accompanying statement of financial position. The Organization earns management fees and investment income on these managed funds which are recorded as investment income (see Note P).

Assets held by TOP Jewish Foundation include \$102,455 as of May 31, 2023, designated by the Board of Directors for certain programs.

Interest in Net Assets of TOP Jewish Foundation

The Organization's interest in net assets of TOP Jewish Foundation as recorded on the accompanying statement of financial position includes assets received and held by TOP Jewish Foundation for which the Organization is specified as the beneficiary and are accounted for similar to the equity method since the Organization and TOP Jewish Foundation are considered financially interrelated organizations for accounting purposes. These assets include donor advised or endowment funds from which the Organization or a third party receives distributions as specified by the donor. The change in interest in net assets is recorded as without donor restrictions if the Organization has variance power or is the party designated to receive distributions without donor restrictions and as with donor restrictions if the distributions are restricted for third parties or a specific purpose. The change in value of these assets is recorded as change in interest in net assets of TOP Jewish Foundation on the accompanying statement of activities.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE H – TOP JEWISH FOUNDATION (continued)

Changes in the Organization’s assets held by TOP Jewish Foundation and interest in net assets of TOP Jewish Foundation are as follows:

	Assets Held by TOP Jewish Foundation	Interest in Net Assets of TOP Jewish Foundation
Balance, August 31, 2022	\$ 1,805,324	\$ 3,176,450
Contributions	3,631	365,081
Net realized/unrealized gain	25,227	93,657
Interest income	42,712	52,848
Management fee income (expense)	129,116	(51,880)
Distributions to the Organization	(140,707)	(115,146)
Balance, May 31, 2023	<u>\$ 1,865,303</u>	<u>\$ 3,521,010</u>

Philanthropic Funds of TOP Jewish Foundation

The Organization is also specified as the beneficiary in certain philanthropic funds received by TOP Jewish Foundation. However, TOP Jewish Foundation has variance power over these funds which gives TOP Jewish Foundation the ability to distribute these funds to beneficiaries other than the Organization. Therefore, the Organization does not record the beneficial interest in these funds in its financial statements until they are distributed to the Organization, at which time they are recorded as contributions.

NOTE I – ASSETS HELD UNDER CHARITABLE GIFT ANNUITIES

The assets and liabilities related to the charitable gift annuities are as follows:

	Assets Held Under Charitable Gift Annuities	Liabilities Under Charitable Gift Annuities	With Donor Restrictions Net Assets
May 31, 2023	\$ 191,481	\$ 108,479	\$ 83,002

During the period from September 1, 2022 through May 31, 2023, there were no releases from restrictions upon the death of beneficiary.

NOTE J – LINE OF CREDIT

In May 2021 the Organization obtained a \$250,000 line of credit with a financial institution. The line of credit is secured by all business assets of the Organization, and interest is payable monthly on outstanding balances at an adjusted daily interest rate of 1.0% over the “Wall Street Journal” Prime Rate (which was 8.25% at May 4, 2023). The line of credit is payable immediately upon the Lender’s demand. As of May 31, 2023, the line of credit had no outstanding balance.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE K – LONG-TERM DEBT

The Organization obtained a note payable with Jewish Capital Alliance (JCA) on August 16, 2019 for a total of \$140,000 to be used for tennis court renovations. The loan was refinanced on February 10, 2021, in the maximum amount of \$350,000. The new note states that JCA will provide a new three year facility under the following conditions: roll in the outstanding \$90,000 together with expenses of closing, as the initial advance; establish a construction reservation, to be funded into a joint release account, of \$210,000; and reserve for future distribution the amount of \$50,000 (this will be released in full, upon proof of direct offset pledges of not greater than five years, in the minimum amount of \$60,000). The loan is secured by \$150,000 of the Organization's cash reserves held by TOP Jewish Foundation. The terms of the loan provide for interest payments at the LIBOR rate plus 1% with a minimum of 2.75% and a maximum of 4.75%, adjusted quarterly. Payments on the loan will occur as follows: fixed monthly obligations are to be made: \$3,000 for months 1-12; \$4,500 for months 13-24; \$6,500 for months 25-47; tennis program direct revenues (documented on a monthly basis); return of any unrequired reserved funding not expended upon completion and Acceptance of Completion. As of May 31, 2023, the Organization has an outstanding balance of \$241,500. Future maturities of the note payable at May 31, 2023 are as follows: 2024 – \$78,000; 2025 – \$163,500.

NOTE L – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of undesignated, interest in net assets of TOP Jewish Foundation, designated for property and equipment, and Board designated amounts for the following purposes at May 31, 2023:

Undesignated	\$ 1,589,402
Designated for property and equipment	4,548,069
Board designated	<u>102,455</u>
Total net assets without donor restrictions	<u>\$ 6,239,926</u>

Undesignated

Net assets without donor restrictions are considered as undesignated and used at the discretion of the Board and/or management for general operating purposes. Expenditures from the period from September 1, 2022 through May 31, 2023 are included in the statement of functional expenses.

Interest in Net Assets of TOP Jewish Foundation

The change in interest in net assets is recorded as without donor restrictions if the Organization has variance power or is the party designated to receive distributions without donor restriction.

Board Designated

The Board has designated a specific amount of assets held by TOP Jewish Foundation to be used for certain programs in the future.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE M – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follows:

Subject to expenditure for specified purpose or period:	
Interest in net assets of TOP Jewish Foundation	\$ 339,814
Shayna's Village Renovation	300,209
RAISE Program	249,691
Endowment revenue	175,837
Other	111,941
Charitable Gift Annuity	83,002
Beit Hamadrash Travel Program	18,500
Total subject to expenditure for specified purpose	<u>1,278,994</u>
Endowments subject to the Organization's spending policy and appropriation:	
Interest in net assets of TOP Jewish Foundation	3,181,196
Roth Endowment	1,494,855
Total endowments subject to the Organization's spending policy and appropriation	<u>4,676,051</u>
Total net assets with donor restrictions	<u>\$ 5,955,045</u>

NOTE N – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

Purpose restriction accomplished:	
ECLC operation	\$ 519,195
RAISE Program	122,014
Interest in net assets of TOP Jewish Foundation	115,146
Security	114,769
PJ Library	94,467
Summer Camp	85,120
Shayna's Village Renovation	81,516
Other	53,035
Roth Endowment	50,000
Net assets released from restrictions	<u>\$ 1,235,262</u>

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE O – ENDOWMENTS

The Organization received an unconditional promise to give in the amount of \$2,000,000 in exchange for the exclusive naming rights of the Maitland facility in 2007. The donation was placed in an endowment fund. It was agreed that only the interest from the corpus shall be utilized for daily operational costs and overhead by the Organization.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (MIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the board and donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as assets with donor restrictions restricted for perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the board and donor-restricted endowment fund that is not classified in net assets with donor restrictions restricted for perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MIFA. In accordance with MIFA, the Organization considers the following factors in making a determination to appropriate or accumulate board and donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the board and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Specifically, the Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of this endowment asset over the long-term. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objective, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places an emphasis on fixed income securities and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MIFA requires the Organization to retain as a fund of perpetual duration, also known as an underwater endowment. As of May 31, 2023, deficiencies of this nature existed in a single donor-restricted endowment fund created with the original gift of \$2,000,000. The fair value of assets held in the fund was \$1,494,855 as of May 31, 2023. See Note G for more information related to investments.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE O – ENDOWMENTS (continued)

Endowment net asset composition by type of fund as of May 31, 2023 are as follows:

Interest in net assets of TOP Jewish Foundation	\$ 3,521,010
Roth Endowment	1,494,855
	<u>\$ 5,015,865</u>

NOTE P – INVESTMENT INCOME

Investment income consists of the following as of May 31, 2023:

Interest and dividends	\$ 70,085
Realized loss on investments	(10,915)
Change in unrealized gain	5,769
	<u>\$ 64,939</u>

NOTE Q – EXECUTIVE DEFERRED COMPENSATION AGREEMENT

In April 1999, the Organization and its then Executive Director entered into a deferred compensation agreement. In consideration of the Executive Director's past services and in consideration of his remaining in the employment of the Organization until his retirement on September 1, 2009, the Executive Director deferred a portion of his compensation. Commencing on September 15, 2009 and continuing thereafter through September 15, 2028, the amount paid annually will be equal to a base payment of \$36,000 plus or minus an annual adjustment. The amount paid in September 2022 was \$36,000.

In June 2017, the Organization and its current Executive Director entered into a deferred compensation agreement. The Organization matches 5% of the Executive Director's salary up to the maximum IRS allowable amount, which is \$22,500 for 2023. The amount of deferral match made as of May 31, 2023 was \$10,875.

NOTE R – EMPLOYEE RETIREMENT PLAN

The Organization sponsors a tax deferred annuity retirement plan for its employees. An employee is eligible to participate on the first day of their first payroll. Participation is voluntary, and the employee may contribute from a minimum of \$200 up to the maximum IRS allowable amount, which is \$22,500 for 2023. Additional catch up contributions up to \$6,000 are available to individuals who reach age 50 by the end of the year. Employees are eligible to receive employer matching contributions if they have attained age 21 and have completed one eligibility year of service. The Organization may match 50% of the employee's contribution up to a maximum of 4% of their compensation. The Organization made no employer contributions for the period from September 1, 2022 through May 31, 2023.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE S – CONTRIBUTED NON-FINANCIAL ASSETS

Donated services that are measurable are recorded as a contribution at their fair market values at the date of receipt by the Organization. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

A significant portion of the Organization's functions are conducted by officers, board members, and volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition.

Donated supplies are recorded at their fair market value on the date of receipt by the Organization. A corresponding amount is recorded as expense.

For the period from September 1, 2022 through May 31, 2023 contributed non-financial assets recognized within the statement of activities totaled \$12,066.

NOTE T – COMMITMENTS AND CONTINGENCIES

Lease Obligations

As disclosed, in Note B-18, the Organization adopted ASC 842, *Leases*, effective September 1, 2022.

The Organization has elected to apply the short-term lease exception to all leases with a term remaining of one year or less.

The Organization leases equipment under non-cancellable operating leases. Equipment rental expense for the period from September 1, 2022 through May 31, 2023 was \$37,707. Future minimum lease commitments at May 31, 2023 are as follows: 2024 – \$24,742.

On August 8, 2023, subsequent to the end of the reporting period, the Organization entered into a lease agreement for copiers. The lease has a term of 63 months, with minimum lease payments of \$2,091 for a total of 60 months. In accordance with ASC 842, the Organization will recognize a right-of-use asset and a corresponding lease liability on its statement of financial position for this new lease agreement. The right-of-use asset and lease liability will be measured based on the present value of the lease payments, discounted using the Organization's risk-free discount rate (4.42%) which totaled \$111,580.

Litigation

In the normal course of conducting its operations, the Organization occasionally becomes party to various legal actions and proceedings. While management believes that the Organization has adequate general and professional liability coverage, current or subsequent claims could result in additional costs to the Organization.

SHALOM ORLANDO, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023

NOTE U – GRANTS AND ALLOCATIONS TO AFFILIATED ORGANIZATIONS

The Organization receives grants throughout the period that are earmarked for specific affiliated organizations. Grants and allocations to affiliated organizations provided during the period from September 1, 2022 through May 31, 2023 are as follows:

Men's Night Out	6,466
Jewish education program grants	6,000
Grants and donations paid through TOP Jewish Foundation	<u>200</u>
	<u>\$ 12,666</u>

NOTE V – FUNCTIONAL EXPENSE

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, direct program expenses, office expense, indirect program expense, special events, and operating expenses, which are allocated on the basis of estimates of time and effort.

NOTE W – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,017,035
Accounts receivable	91,096
Contributions receivable	486,919
Assets held by TOP Jewish Foundation	1,865,303
Interest in net assets of TOP Jewish Foundation	<u>3,521,010</u>
Total financial assets available within one year	<u>6,981,363</u>
Amounts unavailable to management without Board's approval:	
Board designated funds	<u>102,455</u>
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors for purpose and time	<u>5,955,045</u>
Total financial assets available within on year	<u>\$ 923,863</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has committed a line of credit of \$250,000, of which it could draw the remaining amount of \$250,000.