

Wilshire Boulevard Temple Group

Consolidated Financial Statements

August 31, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wilshire Boulevard Temple Group
Los Angeles, California

Opinion

We have audited the accompanying consolidated financial statements of Wilshire Boulevard Temple Group (the "Group"), which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wilshire Boulevard Temple Group as of August 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wilshire Boulevard Temple Group 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 these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wilshire Boulevard Temple Group's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 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, including omissions, 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 consolidated 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 consolidated 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 consolidated 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 Wilshire Boulevard Temple Group'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wilshire Boulevard Temple Group'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.



Armanino^{LLP}
Los Angeles, California

February 14, 2023

Wilshire Boulevard Temple Group
Consolidated Statements of Financial Position
August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 19,996,078	\$ 22,335,790
Investments available for operations	55,809,645	64,425,213
Cash restricted for construction	3,910,190	1,265,346
Accounts receivable, net	4,846,881	4,551,629
Contractual tuition receivable	19,763,387	19,637,296
Contributions receivable, net	43,705,622	43,888,986
Prepaid expenses and other assets	1,359,267	1,111,185
Endowment investments	19,843,925	20,966,311
Property and equipment, net	<u>224,247,206</u>	<u>219,054,876</u>
Total assets	<u>\$ 393,482,201</u>	<u>\$ 397,236,632</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 5,320,017	\$ 9,202,091
Deferred revenue	15,213,655	13,381,210
Contractual unearned tuition	19,763,387	19,637,296
Tax-exempt bank loans, net	39,726,394	39,897,240
Note payable	1,504,592	1,748,547
Deferred compensation	<u>2,986,389</u>	<u>2,785,556</u>
Total liabilities	<u>84,514,434</u>	<u>86,651,940</u>
Net assets		
Without donor restrictions		
General	53,281,013	25,761,202
Board-designated	19,728,498	24,096,086
Investment in property and equipment, net	<u>186,926,410</u>	<u>178,674,435</u>
Total without donor restrictions	259,935,921	228,531,723
With donor restrictions	<u>49,031,846</u>	<u>82,052,969</u>
Total net assets	<u>308,967,767</u>	<u>310,584,692</u>
Total liabilities and net assets	<u>\$ 393,482,201</u>	<u>\$ 397,236,632</u>

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

Wilshire Boulevard Temple Group
Consolidated Statement of Activities
For the Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Tuition and fees			
Wilshire Boulevard Temple	\$ 7,071,519	\$ -	\$ 7,071,519
Elementary schools, net of financial aid of \$768,836	12,378,769	-	12,378,769
Camps and conference center	1,441,643	-	1,441,643
Nursery schools, net of financial aid of \$225,882	8,774,251	-	8,774,251
Audrey Irmas Pavilion	947,491	-	947,491
Karsh Center	235,802	-	235,802
Grants and contributions	7,336,359	16,668,283	24,004,642
Contributed goods and services	492,828	-	492,828
Investment income (loss), net	<u>(4,599,212)</u>	<u>(2,645,503)</u>	<u>(7,244,715)</u>
Net assets released from restriction	<u>47,043,903</u>	<u>(47,043,903)</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>81,123,353</u>	<u>(33,021,123)</u>	<u>48,102,230</u>
Expenses			
Wilshire Boulevard Temple	14,200,934	-	14,200,934
Elementary schools	13,663,885	-	13,663,885
Camps and conference center	3,512,847	-	3,512,847
Nursery schools	9,532,770	-	9,532,770
Audrey Irmas Pavilion	1,442,758	-	1,442,758
Karsh Center	1,442,937	-	1,442,937
Depreciation and amortization	<u>5,942,051</u>	<u>-</u>	<u>5,942,051</u>
Total expenses	<u>49,738,182</u>	<u>-</u>	<u>49,738,182</u>
Change in net assets from operations	<u>31,385,171</u>	<u>(33,021,123)</u>	<u>(1,635,952)</u>
Non-operating income			
Gain on sale of property and equipment	<u>(19,027)</u>	<u>-</u>	<u>(19,027)</u>
Total non-operating income	<u>(19,027)</u>	<u>-</u>	<u>(19,027)</u>
Change in net assets	31,404,198	(33,021,123)	(1,616,925)
Net assets, beginning of year	<u>228,531,723</u>	<u>82,052,969</u>	<u>310,584,692</u>
Net assets, end of year	<u>\$ 259,935,921</u>	<u>\$ 49,031,846</u>	<u>\$ 308,967,767</u>

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

Wilshire Boulevard Temple Group
Consolidated Statement of Activities
For the Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Wilshire Boulevard Temple	\$ 5,946,037	\$ -	\$ 5,946,037
Elementary schools, net of financial aid of \$945,870	10,337,803	-	10,337,803
Camps and conference center	1,948,093	-	1,948,093
Nursery schools, net of financial aid of \$225,383	4,991,293	-	4,991,293
Karsh Center	216,620	-	216,620
Grants and contributions	2,941,523	35,777,637	38,719,160
Contributed goods and services	428,312	-	428,312
Investment income (loss), net	4,941,573	3,127,776	8,069,349
Net assets released from restriction	12,736,304	(12,736,304)	-
Total revenues, gains (losses) and other support	<u>44,487,558</u>	<u>26,169,109</u>	<u>70,656,667</u>
Expenses			
Wilshire Boulevard Temple	12,753,820	-	12,753,820
Elementary schools	12,636,881	-	12,636,881
Camps and conference center	3,149,857	-	3,149,857
Nursery schools	6,658,675	-	6,658,675
Audrey Irmes Pavilion	63,443	-	63,443
Karsh Center	1,459,477	-	1,459,477
Depreciation and amortization	4,149,956	-	4,149,956
Total expenses	<u>40,872,109</u>	<u>-</u>	<u>40,872,109</u>
Change in net assets from operations	<u>3,615,449</u>	<u>26,169,109</u>	<u>29,784,558</u>
Non-operating income			
Employee retention credit	(3,452,707)	-	(3,452,707)
Gain on forgiveness of Paycheck Protection Program loans	(4,602,817)	-	(4,602,817)
Gain on sale of property and equipment	(150)	-	(150)
Total non-operating income	<u>(8,055,674)</u>	<u>-</u>	<u>(8,055,674)</u>
Change in net assets	11,671,123	26,169,109	37,840,232
Net assets, beginning of year	211,961,331	54,213,563	266,174,894
Net assets from merger (Note 3)	<u>4,899,269</u>	<u>1,670,297</u>	<u>6,569,566</u>
Net assets, end of year	<u>\$ 228,531,723</u>	<u>\$ 82,052,969</u>	<u>\$ 310,584,692</u>

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

Wilshire Boulevard Temple Group
Consolidated Statement of Functional Expenses
For the Year Ended August 31, 2022

	Program Services	Management and General	Fundraising	Total
Personnel expenses				
Salaries and wages	\$ 16,801,367	\$ 6,200,374	\$ 1,661,937	\$ 24,663,678
Employee benefits	3,289,325	1,213,892	325,369	4,828,586
Payroll taxes	<u>946,966</u>	<u>349,468</u>	<u>93,671</u>	<u>1,390,105</u>
Total personnel expenses	21,037,658	7,763,734	2,080,977	30,882,369
Advertising	142,076	-	104,872	246,948
Auto	29,025	12,873	-	41,898
Bank charges	56,728	-	119,101	175,829
Depreciation and amortization	4,753,640	1,128,990	59,421	5,942,051
Dues and subscriptions	8,632	43,033	-	51,665
Fund development	-	-	39,509	39,509
Insurance	889,561	-	-	889,561
Interest expense	1,202,696	-	-	1,202,696
Membership development	-	-	35,606	35,606
Office expense	-	12,434	-	12,434
Office supplies	52,521	68,690	55,725	176,936
Miscellaneous	-	15,687	-	15,687
Parking and tolls	273,690	-	-	273,690
Professional fees	-	384,022	-	384,022
Temple/Clergy high holidays and enrichment	1,251,231	-	-	1,251,231
Brawerman Elem. curriculum, materials, & other	1,271,001	-	-	1,271,001
Summer Camp curriculum, supplies, & other	1,258,750	-	-	1,258,750
Karsh Center services, outreach, & other	899,141	15,881	4,051	919,073
Nursery School curriculum, materials, & other	321,363	-	-	321,363
Religious School curriculum, materials, & other	339,915	-	-	339,915
Audrey Irmas Pavilion supplies & other	523,261	-	-	523,261
Property taxes	29,850	7,089	373	37,312
Postage	1,774	18,505	17,914	38,193
Provision for doubtful accounts	282,030	-	-	282,030
Rental expenses	-	48,573	-	48,573
Repairs and maintenance	792,226	129,491	5,568	927,285
Security	453,475	-	-	453,475
Technology	292,298	370,498	16,861	679,657
Telephone	25,309	56,433	39,282	121,024
Travel	39,422	13,354	13,194	65,970
Utilities	<u>663,334</u>	<u>157,542</u>	<u>8,292</u>	<u>829,168</u>
	<u>\$ 36,890,607</u>	<u>\$ 10,246,829</u>	<u>\$ 2,600,746</u>	<u>\$ 49,738,182</u>

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

Wilshire Boulevard Temple Group
Consolidated Statement of Functional Expenses
For the Year Ended August 31, 2021

	Program Services	Management and General	Fundraising	Total
Personnel expenses				
Salaries and wages	\$ 14,317,142	\$ 5,168,757	\$ 1,380,141	\$ 20,866,040
Employee benefits	3,247,261	1,172,946	312,724	4,732,931
Payroll taxes	<u>830,220</u>	<u>299,725</u>	<u>80,032</u>	<u>1,209,977</u>
Total personnel expenses	<u>18,394,623</u>	<u>6,641,428</u>	<u>1,772,897</u>	<u>26,808,948</u>
Advertising	124,262	-	57,931	182,193
Auto	22,534	9,167	-	31,701
Bank charges	75,661	-	115,920	191,581
Depreciation and amortization	3,319,965	788,492	41,499	4,149,956
Dues and subscriptions	423	38,369	-	38,792
Fund development	-	-	41,897	41,897
Insurance	575,093	-	-	575,093
Interest expense	737,713	-	-	737,713
Membership development	-	-	31,810	31,810
Office expense	-	13,202	-	13,202
Office supplies	42,465	38,740	44,845	126,050
Miscellaneous	24	5,236	-	5,260
Parking and tolls	242,515	-	-	242,515
Professional fees	-	1,035,646	-	1,035,646
Program expenses	3,796,442	-	6,061	3,802,503
Property taxes	26,293	6,245	329	32,867
Postage	5,441	16,025	14,211	35,677
Provision for doubtful accounts	590,790	-	-	590,790
Rental expenses	-	7,604	-	7,604
Repairs and maintenance	474,691	89,814	3,876	568,381
Security	375,836	-	-	375,836
Technology	226,677	284,000	10,842	521,519
Telephone	21,019	32,621	24,969	78,609
Travel	14,766	2,549	10,491	27,806
Utilities	<u>494,528</u>	<u>117,450</u>	<u>6,182</u>	<u>618,160</u>
	<u>\$ 29,561,761</u>	<u>\$ 9,126,588</u>	<u>\$ 2,183,760</u>	<u>\$ 40,872,109</u>

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

Wilshire Boulevard Temple Group
Consolidated Statements of Cash Flows
For the Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (1,616,925)	\$ 37,840,232
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Forgiveness of note payable (Paycheck Protection Program)	-	(4,602,817)
Depreciation and amortization	5,942,051	4,149,956
Loan cost amortization	17,770	26,203
Gain on sale of property and equipment	(19,027)	(150)
Proceeds from contributions restricted for endowment	(662,433)	(335,249)
Proceeds from contributions restricted for long-lived assets	(7,852,316)	(11,882,983)
Realized and unrealized (gains) losses on investments	8,808,230	(6,815,784)
Changes in operating assets and liabilities		
Accounts receivable, net	(295,252)	(3,043,862)
Contractual tuition receivable	(126,091)	(6,005,023)
Contributions receivable, net	183,364	(11,003,759)
Prepaid expenses and other assets	(248,082)	(96,091)
Accounts payable and accrued expenses	(4,560,140)	(2,139,562)
Deferred revenue	1,832,445	3,158,858
Contractual unearned tuition	126,091	6,005,023
Deferred compensation	200,833	332,097
Net cash provided by operating activities	<u>1,730,518</u>	<u>5,587,089</u>
Cash flows from investing activities		
Proceeds from sales of property and equipment	52,765	150
Purchases of property and equipment	(10,194,873)	(28,691,921)
Proceeds from sales/maturities of investments	33,497,046	77,210,994
Purchases of investments	(31,003,807)	(76,281,082)
Reinvested interest and dividends, net of fees	(1,563,515)	(1,253,565)
Net cash used in investing activities	<u>(9,212,384)</u>	<u>(29,015,424)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for endowment	662,433	335,249
Proceeds from contributions restricted for long-lived assets	7,852,316	11,882,983
Proceeds from draw on tax-exempt bank loan	1,495,038	17,248,023
Repayments on tax-exempt bank loans	(1,978,834)	(2,483,561)
Repayments on note payable	(243,955)	(94,662)
Net cash provided by financing activities	<u>7,786,998</u>	<u>26,888,032</u>

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

Wilshire Boulevard Temple Group
Consolidated Statements of Cash Flows
For the Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net increase in cash	\$ 305,132	\$ 3,459,697
Cash received from merger	-	1,343,031
Cash, cash equivalents and restricted cash, beginning of year	<u>23,601,136</u>	<u>18,798,408</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 23,906,268</u>	<u>\$ 23,601,136</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 19,996,078	\$ 22,335,790
Cash restricted for construction	<u>3,910,190</u>	<u>1,265,346</u>
	<u>\$ 23,906,268</u>	<u>\$ 23,601,136</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 1,202,696	\$ 737,713
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Supplemental schedule of noncash investing and financing activities

Construction-in-progress included in accounts payable and accrued expenses	\$ 678,066	\$ 3,096,068
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The accompanying notes are an integral part of these consolidated financial statements.

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

1. NATURE OF OPERATIONS

The Wilshire Boulevard Temple (the "Temple") is a reform Jewish congregation that values tradition and innovation. The Temple's mission is to lead its members to a deeper love of Torah, God, Israel and Tikkun Olam (social justice). Through its schools, camps, programs and worships, the Temple fosters a warm and embracing congregation that is inclusive. The Temple provides each of its members the opportunity to experience the joy and meaning of Jewish life.

The Wilshire Boulevard Temple is comprised of the Wilshire Boulevard Temple Operations, the Early Childhood Centers (the "Nursery Schools"), and the Geri and Richard Brawerman Elementary Schools (the "Elementary Schools"), (collectively, the "Temple"). Operating at the Erika J. Glazer Campus of the Wilshire Boulevard Temple on Rabbi Magnin Square in the historic Wilshire Center area of Los Angeles, California, are the temple and religious school, the Erika J. Glazer Early Childhood Center and the Brawerman Elementary School - East. Operating at the Irmas Campus in West Los Angeles are the Temple and religious school, Brawerman Elementary - West and the Mann Family Early Childhood Center. After the merger with University Synagogue discussed below, operating at the University Campus in the Brentwood area of Los Angeles are the University Early Childhood Center and religious school.

Camp Hess Kramer, Inc. owns land to be used by other camp facilities and also to allow Wilshire Boulevard Temple Camps (the "Camps") to provide Jewish and other campers with civic, religious, recreational, cultural, social, and physical activities whose purpose is the development of well rounded children. The Camps conducted operations at the Camp Hess Kramer and Gindling Hilltop Camp facilities, both owned by Camp Hess Kramer, Inc. and located in Malibu California. The facilities used by the Camps were substantially destroyed by the November 2018 Woolsey fire and subsequent flood. Subsequent to the Woolsey fires in 2018, the Camps have operated at rented facilities pending the rebuild of facilities in Malibu owned by Camp Hess Kramer, Inc.

The Karsh Family Social Service Center, Inc. (the "Karsh Center"), also located at the Erika J. Glazer Campus, supports the surrounding community offering dental and vision care, pro-bono legal services, food pantry, mental health services, parenting education, and various other services and community support.

University Synagogue merged with Ner Tamid, Inc. ("Ner Tamid"), a California nonprofit religious corporation and subsidiary of the Temple, in April 2021. As part of the merger transaction, Ner Tamid filed an amendment to change its name to WBTU, Inc.

AIP, LLC aka Audrey Irmas Pavilion ("AIP"), a California limited liability company formed January 2021. AIP is an event center constructed by the Temple on the Erika J. Glazer Campus. AIP was designed to host religious and cultural activities, celebrations, and performances, and began operations in January 2022.

Collectively, the Temple, the Camps, the Karsh Center, WBTU, and AIP are referred to as the "Group."

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income tax status

The Temple, the Camps, the Karsh Center, and the WBTU are exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and exempt from California state income tax under Section 23701(d) of the California Revenue and Taxation Code. The Temple and WBTU are exempt from filing tax informational returns. The Camps and Karsh Center file federal and California nonprofit tax informational returns.

Basis of accounting and financial statement presentation

The accompanying consolidated financial statements of the Group include the accounts of the Temple, the Camps, the Karsh Center, and the WBTU. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The Group reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - This represents net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated net assets without donor restrictions for a board-designated reserve. Likewise, net assets related to property and equipment have also been segregated net of any related liabilities.
- *Net assets with donor restrictions* - This represents net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Temporary donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit concentrations

Financial instruments that potentially subject the Group to concentration of credit risk are cash and cash equivalents, investments and receivables.

The Federal Deposit Insurance Corporation insures bank accounts up to statutory limits. Generally such cash is in excess of the insured limit. At August 31, 2022 and 2021, substantially all of the Group's cash and cash equivalents, including cash restricted for construction, is held in a major financial institution.

The Group's investments are principally comprised of mutual funds and fixed-income instruments (see Note 3).

The Group continually monitors its receivables and establishes valuation allowances as considered appropriate.

As of August 31, 2022, two donors accounted for 41% (25% and 16%) of the contributions receivable balance. For the year ended August 31, 2022, four donors accounted for 42% of total revenues, gains and other support.

As of August 31, 2021, two donors accounted for 40% (25% and 15%) of the contributions receivable balance. For the year ended August 31, 2021, one donor accounted for 17% of total revenues, gains and other support.

Cash and cash equivalents

The Group considers investments with original maturities of less than three months to be cash equivalents. Cash and cash equivalents temporarily held in investment portfolios for reinvestment are classified as investments.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Group determines the fair values of its assets and liabilities based on 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).

- *Level 1* - Quoted prices in active markets for identical assets or liabilities.
- *Level 2* - Observable inputs based on quoted prices in non-active markets or in active markets for similar assets and liabilities. Inputs other than quoted prices that are observable or inputs that are not directly observable, but are corroborated by observable market data.

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the measurements of the assets or liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Investments

All investments are reported at fair value based on quoted market prices, with the exception of Israel bonds, which are reported at cost. Gains and losses are included in the accompanying consolidated statements of activities.

Endowment investments

Endowment investments consist of donor-restricted investments and related earnings.

Property and equipment

Property and equipment are stated at cost when purchased or at fair value if received by donation. When property and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is included in the consolidated statements of activities.

The costs of normal maintenance, repairs and minor replacements are charged to expense when incurred. Depreciation and amortization are provided on a straight-line basis using the half-year convention in the year of purchase or acquisition for all additions exceeding \$2,000.

The estimated useful lives of property and equipment are as follows:

Buildings and improvements	5 - 100 years
Furniture and equipment	5 - 10 years

Depreciation and amortization of property and equipment is computed using the straight-line basis.

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

The Group reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. No such losses were incurred during the years ended August 31, 2022 and 2021.

Grants and contributions

Generally grants and contributions are considered to be available for net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction. The restrictions can be donor-imposed stipulations that either expire by the passage of time or purpose, or can be fulfilled and removed by actions of the Group pursuant to those stipulations.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at amounts approximating fair value, and measured using the present value of future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue (see Note 4). Conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, or the related right of return or release lapses, at which time, the gift is recognized as either contribution revenue with or without donor restrictions.

Revenue and deferred revenue

The revenue of the Temple consists of membership dues, fees and rental income. The revenue of Elementary Schools and Nursery Schools principally consists of tuition and fees. The revenue of Camps and Conference Center principally consists of camp fees. Revenue is deferred and recognized as services are provided.

Dues billed or received in one year, which are applicable to the following year, are reflected as deferred revenue. Deferred revenue also includes tuition revenues received in advance for the subsequent school year.

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and deferred revenue (continued)

Contractual tuition and fees receivable include tuition and fee amounts due under fully executed and non-cancelable student enrollment agreements, net of applicable discounts and financial aid, for the upcoming school year. Contractual unearned tuition and fees include unearned tuition and fee amounts that will be collected within the next twelve months and will be satisfied through the performance obligations of delivering educational services to students during the upcoming school year.

Functional expense allocation methodology

Management's estimate of the functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation, square footage, full-time equivalents within each department and total direct expenses.

Change in accounting principle

The Group has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires enhancements to presentation and disclosure to increase transparency of contributed nonfinancial assets. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021. The Organization adopted ASU 2020-07 during the year ended August 31, 2022.

In-kind revenue and support

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Donated goods and services received during the year ended August 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Food	\$ 356,580	\$ 275,520
Household items	26,457	100,992
Legal services	<u>109,791</u>	<u>51,800</u>
	<u>\$ 492,828</u>	<u>\$ 428,312</u>

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain items from 2021 were reclassified to conform with the 2022 presentation.

Subsequent events

The Group has evaluated events subsequent to August 31, 2022 to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through February 14, 2023, the date the consolidated financial statements were available to be issued. Based upon this evaluation, other than as disclosed in Notes 9 and 10, it was determined no subsequent events occurred that require recognition or additional disclosure in the consolidated financial statements.

3. MERGER

On April 2, 2021, University Synagogue, a California nonprofit religious corporation ("University"), and WBTU, Inc., a California nonprofit religious corporation ("WBTU"), agreed to a plan of merger. The Temple is the sole member of WBTU. Pursuant to the plan of merger, University contributed all of its assets and liabilities to WBTU and the merger is being accounted for using the carryover method which requires all net assets at the date of merger to be included in the net assets of the Temple. The merger advances the common charitable purposes of both University and WBTU. WBTU is the surviving entity and University will cease to exist.

The following table summarizes the values of University's assets, liabilities and net assets at the merger date, April 2, 2021:

Cash	\$ 1,343,031
Investments	382,250
Receivables	930,310
Property and equipment, net	7,078,583
Notes payable	(2,232,991)
Deferred revenue	(732,306)
Other liabilities	(199,311)
Net assets without donor restrictions	(4,899,269)
Net assets with donor restrictions	<u>(1,670,297)</u>
	<u>\$ -</u>

There were no significant asset or liabilities not otherwise required to be recognized under generally accepted accounting principles on University's financial statements prior to the merger. There were no material adjustments to conform the accounting policies of the merged entities.

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
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4. INVESTMENTS

Investments are presented in the consolidated statements of financial position as follows:

	<u>2022</u>	<u>2021</u>
Investments available for operations	\$ 55,809,645	\$ 64,425,213
Endowment investments	<u>19,843,925</u>	<u>20,966,311</u>
	<u>\$ 75,653,570</u>	<u>\$ 85,391,524</u>

The following table sets forth by level, within the fair value hierarchy, the Group's assets at fair value as of August 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual funds:				
World stock funds	\$ 16,139,869	\$ -	\$ -	\$ 16,139,869
Intermediate - term bond funds	31,152,681	-	-	31,152,681
Exchange traded funds	13,628,444	-	-	13,628,444
US Treasury money market funds	13,153,837	-	-	13,153,837
Israel bonds	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
	74,074,831	500,000	-	74,574,831
Cash and cash equivalents	<u>1,078,739</u>	<u>-</u>	<u>-</u>	<u>1,078,739</u>
	<u>\$ 75,153,570</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 75,653,570</u>

The following table sets forth by level, within the fair value hierarchy, the Group's assets at fair value as of August 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual funds				
World stock funds	\$ 17,359,428	\$ -	\$ -	\$ 17,359,428
Intermediate - term bond funds	34,066,119	-	-	34,066,119
Exchange traded funds	15,131,129	-	-	15,131,129
US Treasury money market funds	16,408,570	-	-	16,408,570
Municipal bonds	-	200,028	-	200,028
Israel bonds	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
	82,965,246	700,028	-	83,665,274
Cash and cash equivalents	<u>1,726,250</u>	<u>-</u>	<u>-</u>	<u>1,726,250</u>
	<u>\$ 84,691,496</u>	<u>\$ 700,028</u>	<u>\$ -</u>	<u>\$ 85,391,524</u>

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

4. INVESTMENTS (continued)

Activity in the investments during the year was as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 85,391,524	\$ 77,869,837
Purchases of investments	31,003,807	76,281,082
Proceeds from sales/maturities of investments	(33,497,046)	(77,210,994)
Reinvested dividends and interest	1,767,144	1,402,342
Realized gains on sales of investments	53,311	247,555
Unrealized gains (losses) on investments	(8,861,541)	6,568,229
Investment fees	(203,629)	(148,777)
Investments received from merger	<u>-</u>	<u>382,250</u>
Balance, end of year	<u><u>\$ 75,653,570</u></u>	<u><u>\$ 85,391,524</u></u>

5. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net were restricted to the following areas:

	<u>2022</u>	<u>2021</u>
Audrey Irmas Campus	\$ -	\$ 100,000
Audrey Irmas Pavillion	17,397,465	23,537,674
Brawerman Elementary School	794,834	441,168
Camp Hess Kramer	128,696	158,697
Center Camp Campaign	71,890	-
Karsh Social Service Center	2,040,000	2,570,000
Sanctuary, School and Parking	20,233,846	21,384,099
Temple	1,250,000	300,000
WBTU	760,604	849,602
Resnick Construction	<u>5,680,000</u>	<u>-</u>
	48,357,335	49,341,240
Less present value discount at 4%	(4,067,031)	(4,700,390)
Less allowance for uncollectible accounts	<u>(584,682)</u>	<u>(751,864)</u>
	<u><u>\$ 43,705,622</u></u>	<u><u>\$ 43,888,986</u></u>

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

5. CONTRIBUTIONS RECEIVABLE, NET (continued)

Future collections from contributions receivable are expected as follows:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 10,536,592	\$ 8,760,991
Due in one to five years	29,319,077	29,286,194
Due in greater than five years	<u>8,501,666</u>	<u>11,294,055</u>
	<u>\$ 48,357,335</u>	<u>\$ 49,341,240</u>

Conditional pledge commitments consist of the following at August 31, 2022:

Resnick Construction	\$ 7,800,000
Karsh Social Service Center	1,000,000
Brawerman Elementary	500,000
WBTU	408,000
Audrey Irmas Pavilion	<u>357,145</u>
	<u>\$ 10,065,145</u>

The conditional pledge commitments have not been recognized by the Group as the conditions have not been met as of August 31, 2022.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 27,501,662	\$ 27,501,662
Buildings and improvements	226,019,888	131,611,041
Furniture and equipment	12,487,954	11,227,973
Construction-in-progress	<u>10,697,628</u>	<u>95,936,861</u>
	276,707,132	266,277,537
Accumulated depreciation and amortization	<u>(52,459,926)</u>	<u>(47,222,661)</u>
	<u>\$ 224,247,206</u>	<u>\$ 219,054,876</u>

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
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6. PROPERTY AND EQUIPMENT, NET (continued)

Construction-in-progress consists of the following:

	2022	2021
Audrey Irmas Pavilion	\$ 273,129	\$ 91,189,668
Camp rebuild	3,965,584	3,253,756
Irmas and religious school renovation	2,151,950	769,796
Resnick Construction	4,306,965	420,795
Other projects	-	302,846
	<u>\$ 10,697,628</u>	<u>\$ 95,936,861</u>

The Audrey Irmas Pavilion was placed into service in January 2022.

7. DEFERRED COMPENSATION

In August, 2011, the Group entered into a deferred compensation benefit agreement with a key employee such that, so long as the employee remains continuously employed by the Group through June 3, 2024 (Target Date), the employee would be entitled to receive a lump sum cash payment in the amount of \$1 million (the Target Benefit) within thirty days following the Target Date. The Group has established a separate investment fund and is making annual contributions to the fund for the purpose of funding the Target Benefit, based on a 4% annual compounded rate of return, through the Target Date. In the event of termination of employment before the Target Date, and depending on the conditions of the termination, the employee may forfeit the entire Target Benefit under the agreement or may receive an amount equal to a fraction of the Target Benefit, as defined in the agreement.

As of August 31, 2022 and 2021, the deferred compensation asset and liability totaled \$855,138 and \$780,171 and are included in investments available for operations and deferred compensation in the accompanying consolidated statements of financial position, respectively.

In July 2017, the Group entered into a nonqualified deferred compensation plan agreement (the "NQDC plan"), which is an unfunded plan maintained for the purpose of providing deferred compensation through Rabbi Trust agreements for a select group of highly compensated employees for purposes of Title 1 of the Employee Retirement Income Security Act of 1974.

As of August 31, 2022 and 2021, the nonqualified deferred compensation asset and liability totaled \$2,131,251 and \$2,005,385 and are included in investments available for operations and deferred compensation in the accompanying consolidated statements of financial position, respectively.

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
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8. DEFERRED REVENUE

The recognition of certain revenues has been deferred until such time as the revenues are earned and related costs are incurred. Deferred revenue consists of the following:

	2022	2021
Deferred revenue	\$ 4,453,765	\$ 4,459,845
Prepaid Early Childhood Center fees	3,979,182	3,488,048
Prepaid Elementary School fees	6,659,684	5,318,705
Prepaid Camp fees	121,024	114,612
	<u>\$ 15,213,655</u>	<u>\$ 13,381,210</u>

All prepaid amounts at year-end represent that portion of dues and fees pertaining to the subsequent year which have been collected prior to year-end.

9. TAX EXEMPT BANK LOANS

In July 2013, the Group entered into a \$40,000,000, nonrevolving, tax-exempt loan agreement with First Republic Bank, as lender, and California Infrastructure and Economic Development Bank, as issuer. The principal amounts outstanding on the loan bear interest at 3.5% and the loan has a maturity date of July 1, 2043. The loan is payable in monthly installments of principal and interest, of approximately \$128,000 per month (as per amendment dated January 2019) and is subject to a prepayment penalty. The loan was issued at a discount of 0.5%, or \$200,000, yielding a net amount of \$39,800,000 to the Group. The loan is collateralized by a deed of trust and a security agreement covering certain real and personal property as defined. Collateral does not include the real property comprising the Malibu Campus or the Westside Campus, or certain personal property, as defined. At August 31, 2022 and 2021, the Group had a \$16,572,145 \$18,087,730 balance (net of \$373,172 and \$390,942 in unamortized loan issuance costs and discounts) on this loan, respectively.

On January 8, 2019, the Group closed a financing transaction with First Republic Bank, in conjunction with California Enterprise Development Authority, consisting of Series A and Series B tax exempt loans in the amounts of \$28,000,000 and \$20,000,000, respectively. The loans assist the Group in the construction of the Audrey Irmas Pavilion ("AIP"), a multi-use cultural, religious and event space on Wilshire Boulevard directly adjacent to the Group's historic sanctuary. The Series A loan for \$28,000,000 is a 15-year tax exempt term loan with an annual fixed interest rate of 3.5% with interest only due in the first three years. The Series B Loan for \$20,000,000 is a 5-year tax exempt line with an annual fixed interest rate of 2.95%, which allows the Group to draw on this loan facility as needed based on sufficient value of identified and available pledge receivables maturing during the next 5 years, with the maximum amount to be borrowed not to exceed 80% of the value of the identified pledge receivables. The Group will be using proceeds from fundraising efforts related to the construction of the AIP, and will only use the Series A and Series B loans, in that order, to supplement the funds received from donor pledges. At August 31, 2022 and 2021 the Group had \$23,154,249 and \$0, and \$21,809,510 and \$0, outstanding on the Series A and Series B loans, respectively.

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

9. TAX EXEMPT BANK LOANS (continued)

During the years ended August 31, 2022 and 2021, the Group incurred interest expense of \$1,148,711 and \$729,223, respectively, on the tax exempt bank loans.

The Group is required to comply with certain affirmative and negative financial covenants. The Group was in compliance with such covenants as of August 31, 2022 and 2021.

The tax exempt bank loans consists of the following:

	<u>2022</u>	<u>2021</u>
Balance of tax-exempt bank loans	\$ 40,099,566	\$ 40,583,362
Less unamortized debt issuance costs	(233,172)	(539,455)
Less unamortized debt discount	<u>(140,000)</u>	<u>(146,667)</u>
	<u>\$ 39,726,394</u>	<u>\$ 39,897,240</u>

The future principal payments of the tax exempt bank loans:

Year ending August 31,

2023	\$ 1,879,511
2024	2,109,478
2025	2,189,217
2026	2,268,180
2027	2,349,991
Thereafter	<u>29,303,189</u>
	<u>\$ 40,099,566</u>

In October 2022, the Group entered into a \$25,000,000 loan agreement with First Republic Bank with an annual fixed interest rate of 4%, in order to help finance the renovation of the Resnick Campus.

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

10. NOTE PAYABLE

Note payable is detailed as follows:

	<u>2022</u>	<u>2021</u>
Note payable to a bank, assumed by the Group following merger, secured by certain real property, bears interest at an annual fixed rate of 3.25%, payable in 35 monthly payments of \$8,760 and one balloon payment for all remaining principal and interest, maturing June 2024.	<u>\$ 1,504,592</u>	<u>\$ 1,748,547</u>

The future maturities of the notes payable are as follows:

<u>Year ending August 31,</u>	
2023	\$ 48,592
2024	<u>1,456,000</u>
	<u>\$ 1,504,592</u>

During the years ended August 31, 2022 and 2021, the Group incurred interest expense of \$53,985 and \$8,490 on the note payable, respectively.

In October 2022 and as part of the loan agreement entered into with First Republic Bank (see Note 9), the note payable was paid in full.

11. RETIREMENT PLANS

The Group sponsors The Wilshire Boulevard Temple 401(k) Retirement Plan (the "Plan") which, effective January 1, 2015, was frozen for all future employee contributions.

At the same time, the Group also created a new 403(b) church plan, the Wilshire Boulevard Temple 403(b) Retirement Plan ("the 403(b) Plan"). Effective January 1, 2015, all elective employee contributions were made to the 403(b) Plan.

Similar to the prior Plan, the 403(b) Plan has certain eligibility and service requirements employees must meet to participate in the 403(b) Plan. The Group makes contributions to the Plan on behalf of the participants, other than nursery school teachers, based on their compensation, as defined. For nursery school teachers, the Group makes matching contributions of 50% of the participants' elective deferrals up to 4% of their compensation per Plan year. All employer contributions are subject to a vesting schedule under which employer contributions are 100% vested after six years of service.

For the years ended August 31, 2022 and 2021, the Group contributed \$1,771,058 and \$1,528,389 to the Plans, respectively. The Group serves as trustee for the Plans.

Wilshire Boulevard Temple Group
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

12. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
General	\$ 53,281,013	\$ 25,761,202
Board-designated aka Edgar F. Magnin Fund	19,728,498	24,096,086
Investment in property and equipment, net	<u>186,926,410</u>	<u>178,674,435</u>
	<u>\$ 259,935,921</u>	<u>\$ 228,531,723</u>

Edgar F. Magnin Fund

This is a Board-designated reserve fund whose principal and earnings may be utilized based upon board discretion. These funds have been used for a variety of purposes such as:

- Balancing the Group's operating budget;
- Startup of new schools;
- Other expenditures designated by the board of trustees.

Investment in property and equipment

Investment in property and equipment represents the net book value of property and equipment, at cost, plus cash restricted for construction, net of the tax-exempt bank loan liability.

Wilshire Boulevard Temple Group
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13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
Audrey and Sydney Irmas Campus	\$ 692,356	\$ 692,356
Audrey Irmas Pavilion	-	23,537,674
Brawerman Elementary School	1,998,762	1,776,993
Camp Hess Kramer	6,313,143	5,974,170
Karsh Social Service Center	2,494,579	2,951,416
Library	311,901	311,901
Nursery School	534,500	244,888
Temple	4,427,779	18,208,322
Resnick Rebuild	8,194,610	2,595,410
Resnick	<u>1,165,473</u>	<u>1,238,710</u>
	<u>26,133,103</u>	<u>57,531,840</u>
 Earnings on donor-restricted endowments not yet appropriated for spending	 <u>4,703,681</u>	 <u>7,651,916</u>
 Donor-restricted endowment funds		
Program funds	8,672,812	7,671,973
Brawerman School	4,006,222	3,243,550
Scholarships/camperships	1,915,812	1,853,474
Library funds	99,978	99,978
Facility funds	63,170	63,170
University	<u>382,250</u>	<u>382,250</u>
	15,140,244	13,314,395
Contributions receivable, net	<u>3,054,818</u>	<u>3,554,818</u>
	<u>18,195,062</u>	<u>16,869,213</u>
	<u>\$ 49,031,846</u>	<u>\$ 82,052,969</u>

Of the \$43,705,622 in contributions receivable at August 31, 2022, \$3,054,818 was restricted into perpetuity, and the remainder is included within the purpose restrictions shown above.

Of the \$43,888,986 in contributions receivable at August 31, 2021, \$3,554,818 was restricted into perpetuity, and the remainder is included within the purpose restrictions shown above.

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Notes to Consolidated Financial Statements
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13. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction were as follows:

	2022	2021
Audrey and Sidney Irmas Campus	\$ -	\$ (2,797)
Audrey Irmas Pavilion	(24,155,900)	(8,683,252)
Brawerman Elementary School	(655,050)	(561,877)
Camp Hess Kramer	(446,355)	(978,523)
Karsh Social Service Center	(807,595)	(351,539)
Nursery School	(119,315)	(7,572)
Temple	(16,586,136)	(1,637,836)
Resnick Rebuild	(3,690,800)	(4,590)
Resnick	(20,943)	(49,337)
Other	(259,077)	(102,779)
	(46,741,171)	(12,380,102)
Appropriation of endowment assets for expenditure	(302,732)	(356,202)
	<u>\$ (47,043,903)</u>	<u>\$ (12,736,304)</u>

14. DONOR RESTRICTED ENDOWMENTS

The Group's endowment consists of several individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as adopted by the state of California, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Group classifies as donor-restricted endowment net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Earnings on the donor-restricted endowment fund are included within donor-restricted net assets until those amounts are appropriated for expenditure by the Group in a manner consistent with the standard of prudence prescribed by UPMIFA.

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14. DONOR RESTRICTED ENDOWMENTS (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, the Group considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Group and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income (loss) and the appreciation (depreciation) of investments
- (6) Other resources of the Group
- (7) The investment policies of the Group

Return objectives, risk parameters and spending policy

The Group has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Group targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Endowment assets include those assets of donor-restricted funds that the Group must hold in perpetuity or for a donor-specified period(s).

The board has approved a policy of appropriating for distribution up to 4% of the average of the market value of each endowment fund as of the end of the preceding three years. The board annually evaluates, adjusts and approves the distribution. The board may, on an exception basis, approve a draw from an endowment fund that exceeds the distribution percentage but in no event may this draw exceed the original principal of the endowment fund.

Funds with deficiencies

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 UPMIFA requires the Group to retain as a fund of perpetual duration. There were no such deficiencies as of August 31, 2022 or 2021.

Wilshire Boulevard Temple Group
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14. DONOR RESTRICTED ENDOWMENTS (continued)

Endowment composition

Endowment net asset composition by type of fund as of August 31, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowments restricted by donors in perpetuity	\$ -	\$ 15,140,244	\$ 15,140,244
Accumulated investment gains on donor-restricted endowments	-	4,703,681	4,703,681
Contributions receivable restricted by donors in perpetuity	<u>-</u>	<u>3,054,818</u>	<u>3,054,818</u>
	<u>\$ -</u>	<u>\$ 22,898,743</u>	<u>\$ 22,898,743</u>

Endowment net asset composition by type of fund as of August 31, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowments restricted by donors in perpetuity	\$ -	\$ 13,314,395	\$ 13,314,395
Accumulated investment gains on donor-restricted endowments	-	7,651,916	7,651,916
Contributions receivable restricted by donors in perpetuity	<u>-</u>	<u>3,554,818</u>	<u>3,554,818</u>
	<u>\$ -</u>	<u>\$ 24,521,129</u>	<u>\$ 24,521,129</u>

Activity in endowment net assets during the year was as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning	\$ 24,521,129	\$ 20,707,682
Contributions	1,325,849	659,623
Investment income, net of fees	(2,645,503)	3,127,776
Investments received from merger (Note 3)	-	382,250
Appropriation of endowment assets for expenditure	<u>(302,732)</u>	<u>(356,202)</u>
Balance, ending	<u>\$ 22,898,743</u>	<u>\$ 24,521,129</u>

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15. COMMITMENTS

Employment agreements

The Group has employment contracts with rabbis and certain other key employees, with future salary and other benefit commitments.

The future employment commitments are as follows:

Year ending August 31,

2023	\$ 6,022,681
2024	4,043,620
2025	2,148,908
2026	1,171,745
2027	10,000
Thereafter	<u>65,833</u>
	<u><u>\$ 13,462,787</u></u>

Construction contract

In July 2022, the Group began the renovation of the Resnick Campus pursuant to a contract with Jones & Jones Construction for approximately \$31,400,000.

16. LIQUIDITY AND AVAILABILITY

The Group maintains sufficient resources to meet its responsibilities. The Group's liquidity management policy structures its remaining financial assets to be available for operations as its general expenditures, liabilities, and other obligations come due.

The following reflects the Group's financial assets reported on the consolidated statements of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Consequently, amounts available exclude net assets with board designations or donor restrictions as of August 31, 2022.

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16. LIQUIDITY AND AVAILABILITY (continued)

Liquidity and availability is as follows:

	2022	2021
Cash and cash equivalents	\$ 19,996,078	\$ 22,335,790
Investments available for operations	55,809,645	64,425,213
Accounts receivable, net	4,846,881	4,551,629
Contractual tuition receivable	19,763,387	19,637,296
Contributions receivable, net	<u>43,705,622</u>	<u>43,888,986</u>
	144,121,613	154,838,914
Board-designated net asset (Note 12)	(19,728,498)	(24,096,086)
Purpose-restricted net assets (Note 13)	(26,133,103)	(57,531,840)
Contributions receivable restricted in perpetuity (Note 13)	(3,054,818)	(3,554,818)
Deferred Compensation Investments (Note 7)	<u>(2,986,389)</u>	<u>(2,785,556)</u>
	<u>\$ 92,218,805</u>	<u>\$ 66,870,614</u>

17. NOTES PAYABLE - PAYCHECK PROTECTION PROGRAM

In April 2020, the Group received loan proceeds of \$4,213,035 from two promissory notes (\$4,115,545 and \$97,490 for the Temple and the Karsh Center, respectively) issued by City National Bank, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business ("SBA"). The term of the loan was two years and the annual interest rate was 1.00%. Payments of principal and interest were deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Group believed that it would likely qualify for full forgiveness, but there was uncertainty around the standards and operation of the PPP, and no assurance was provided that the Group would obtain forgiveness in whole or in part. Although the Group expected the PPP loan to be forgiven, the loan was accounted for as debt and held as a liability as August 31, 2020. During the year ended August 31, 2021, the Group's loan forgiveness application was fully approved by the SBA. As a result, the loan of \$4,213,035 was recognized as a gain on forgiveness of debt.

At the time of merger with University (see Note 3), University had an outstanding PPP loan in the amount of \$389,782 that was being accounted for as debt. During the year ended August 31, 2021, University's loan forgiveness application was fully approved by the SBA. As a result, the loan of \$389,782 was recognized as a gain on forgiveness of debt.

In total, the Group recognized \$4,602,817 in gain on forgiveness of debt relating to PPP loans.

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18. EMPLOYEE RETENTION CREDIT

The CARES Act, as modified and clarified by the Consolidated Appropriations Act of 2021 ("CAA"), contains a relief provision for businesses known as the Employee Retention Credit ("ERC"). This provision provides for a refundable payroll tax credit for "qualified wages" paid to employees after March 12, 2020, and before January 1, 2022 (the "Covered Period"). The provision of the CARES Act intends to provide a refundable payroll tax credit to employers who continue to pay employees despite COVID-19 business difficulties and interruptions that either render certain non-essential employees unproductive or cause a significant decline in receipts.

The Group has evaluated the qualification criteria for the ERC and determined that it is eligible for the program and has submitted amended payroll tax returns for quarters ending in 2020 and 2021 resulting in \$3,452,707 in payroll tax credits recognized in the year ended August 21, 2021. The Group believes it is probable it will receive these payroll tax credits and therefore recognized non-operating income and a corresponding receivable for the entire amount which is included within accounts receivable in the accompanying consolidated financial statements at August 21, 2022 and 2021.

In 2022, the Group received \$52,190 in ERC payments against the receivable.