

BEND THE ARC -
A JEWISH PARTNERSHIP FOR JUSTICE

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 13, 2021

Board of Directors
Bend the Arc - A Jewish Partnership for Justice
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Bend the Arc - A Jewish Partnership for Justice ("BTA-JPJ") (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of BTA-JPJ as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 5,108,773	\$ 3,569,439
Investments	3,935,963	2,714,002
Pledges receivable, net	510,743	1,274,037
Beneficial interest in lead trust	106,466	119,038
Due from related party	1,451,043	1,127,096
Other assets	132,463	122,516
Fixed assets, net	66,138	30,076
TOTAL ASSETS	<u>\$ 11,311,589</u>	<u>\$ 8,956,204</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Managed projects	\$ 4,053,925	\$ 3,385,063
Accounts payable and accrued expenses	223,390	205,545
Loan payable - Paycheck Protection Program	894,717	-
Total Liabilities	<u>5,172,032</u>	<u>3,590,608</u>
 Net Assets		
Without donor restrictions	3,725,241	2,432,858
With donor restrictions		
Purpose and time restriction	1,193,391	1,758,844
Perpetual in nature	1,220,925	1,173,894
Total with donor restrictions	<u>2,414,316</u>	<u>2,932,738</u>
 Total Net Assets	 <u>6,139,557</u>	 <u>5,365,596</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,311,589</u>	<u>\$ 8,956,204</u>

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

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

STATEMENTS OF ACTIVITIES

JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
General contributions	\$ 4,045,847	\$ 1,018,714	\$ 5,064,561	\$ 2,870,353	\$ 399,677	\$ 3,270,030
Investment income, net	108,028	59,603	167,631	90,518	88,314	178,832
Increase (Decrease) in beneficial interest lead trust	-	20,091	20,091	-	(17,832)	(17,832)
Fees	631,829	-	631,829	588,994	-	588,994
Other income	75,181	-	75,181	95,568	-	95,568
Bequests	300,000	-	300,000	185,256	-	185,256
Satisfaction of time restrictions	859,167	(859,167)	-	821,100	(821,100)	-
Satisfaction of program restrictions	725,000	(725,000)	-	285,667	(285,667)	-
Endowment transfer	<u>32,663</u>	<u>(32,663)</u>	<u>-</u>	<u>35,491</u>	<u>(35,491)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	6,777,715	(518,422)	6,259,293	4,972,947	(672,099)	4,300,848
EXPENSES						
Administration	294,763	-	294,763	265,666	-	265,666
Program	4,676,198	-	4,676,198	3,783,272	-	3,783,272
Development	<u>514,371</u>	<u>-</u>	<u>514,371</u>	<u>455,083</u>	<u>-</u>	<u>455,083</u>
TOTAL EXPENSES	<u>5,485,332</u>	<u>-</u>	<u>5,485,332</u>	<u>4,504,021</u>	<u>-</u>	<u>4,504,021</u>
INCREASE (DECREASE) IN NET ASSETS	1,292,383	(518,422)	773,961	468,926	(672,099)	(203,173)
NET ASSETS - Beginning of Year	<u>2,432,858</u>	<u>2,932,738</u>	<u>5,365,596</u>	<u>1,963,932</u>	<u>3,604,837</u>	<u>5,568,769</u>
NET ASSETS - End of Year	<u>\$ 3,725,241</u>	<u>\$ 2,414,316</u>	<u>\$ 6,139,557</u>	<u>\$ 2,432,858</u>	<u>\$ 2,932,738</u>	<u>\$ 5,365,596</u>

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

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020				2019			
	Administration	Program	Development	Total	Administration	Program	Development	Total
Salaries and benefits	\$ 185,527	\$ 1,488,299	\$ 323,791	\$ 1,997,617	\$ 145,349	\$ 1,165,990	\$ 253,670	\$ 1,565,009
Advertising	-	15,734	-	15,734	-	15,794	-	15,794
Bank and credit card fees	1,267	6,082	1,098	8,447	1,349	6,474	1,169	8,992
Board expenses	997	136	-	1,133	14,292	1,949	-	16,241
Consulting	18,571	106,360	43,894	168,825	23,435	134,220	55,392	213,047
Depreciation and amortization	2,525	13,775	2,183	18,483	2,451	13,369	2,119	17,939
Dues and subscriptions	1,172	5,628	1,016	7,816	716	3,439	621	4,776
Grants	-	2,600,000	-	2,600,000	-	2,000,000	-	2,000,000
Insurance	3,442	17,222	2,976	23,640	3,935	19,688	3,402	27,025
Interest	1,563	-	-	1,563	-	-	-	-
Meetings, conferences and programs	-	99,655	19,899	119,554	-	162,201	32,389	194,590
Miscellaneous	20,836	5,213	26,079	52,128	21,535	5,388	26,953	53,876
Occupancy	13,748	88,650	12,586	114,984	11,161	71,970	10,218	93,349
Office expenses	3,540	14,230	2,377	20,147	3,363	13,519	2,258	19,140
Postage and delivery	515	10,408	5,411	16,334	436	8,820	4,585	13,841
Printing and design	90	2,758	2,696	5,544	39	1,195	1,168	2,402
Professional services	12,647	5,708	1,002	19,357	11,790	5,321	934	18,045
Staff training	2,840	16,633	5,482	24,955	5,118	29,979	9,880	44,977
State registration fees	1,191	-	-	1,191	6,141	-	-	6,141
Technology	17,997	90,044	15,560	123,601	8,684	43,448	7,508	59,640
Telecommunications	3,793	18,205	3,287	25,285	3,670	17,613	3,180	24,463
Travel/meals	2,502	71,458	45,034	118,994	2,202	62,895	39,637	104,734
TOTAL	\$ 294,763	\$ 4,676,198	\$ 514,371	\$ 5,485,332	\$ 265,666	\$ 3,783,272	\$ 455,083	\$ 4,504,021

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

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 773,961	\$ (203,173)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	18,483	17,939
Change in value of lead trust	(20,091)	17,832
Unrealized gain on investments	(170,960)	(181,764)
Accrued interest - Paycheck Protection Program	1,563	-
Changes in assets and liabilities which affect cash		
Pledges receivable	763,294	522,763
Due from related party	(323,947)	(832,167)
Other assets	(14,447)	(24,314)
Accounts payable and accrued expenses	17,845	(15,859)
Managed projects	668,862	312,124
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,714,563</u>	<u>(386,619)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	49,666	447,343
Purchase of investments	(1,100,667)	(635,827)
Purchase of fixed assets	(50,045)	(12,970)
NET CASH FLOWS USED BY INVESTING ACTIVITIES	<u>(1,101,046)</u>	<u>(201,454)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan - Paycheck Protection Program	893,154	-
Trust distributions	32,663	35,491
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>925,817</u>	<u>35,491</u>
NET INCREASE (DECREASE) IN CASH	1,539,334	(552,582)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,569,439</u>	<u>4,122,021</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 5,108,773</u>	<u>\$ 3,569,439</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

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

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Bend the Arc - A Jewish Partnership for Justice ("BTA-JPJ") was formed on August 2, 2006 upon the merger of The Shefa Fund into the Jewish Fund for Justice. BTA-JPJ achieves its purpose by mobilizing the full array of Jewish resources - human, financial and moral - in partnership with other communities to create impact in the United States of America. The mission is to deeply engage Jews in sustained action that manifests the tradition of working to heal and repair the world, and to create a powerful, widely recognized Jewish voice championing equality and justice for disenfranchised residents of the United States of America. BTA-JPJ qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; accordingly, there is no income tax applicable to its activities.

1 Summary of Significant Accounting Policies

Accrual Basis -- The financial statements have been prepared on the accrual basis.

Cash and Cash Equivalents -- Cash and cash equivalents includes cash on deposit, cash on hand, money market funds and certificates of deposit with original maturities less than three months.

Investments -- Investments are reported at fair value.

Pledges Receivable -- Pledges receivable are reported at their net present value and carried at cost less an allowance for doubtful accounts. On a periodic basis, pledges receivable are evaluated, and an allowance for doubtful accounts is established when deemed necessary.

Fair Value Measurements -- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term as the financial instrument. Alternative investments' fair value are based on their net asset value per unit as reported by their managers.

Level 3 - Inputs to the valuation methodology are unobservable.

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

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued) -- Assets and liabilities that are measured at fair value are based on one or more of the three valuation techniques that follow:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

Fixed Assets -- Fixed Assets are recorded at cost. Equipment and improvements with a unit cost of \$500 or more are capitalized. Depreciation is calculated by the straight-line method over the estimated useful lives of depreciable assets.

Property and equipment	5 - 10 years
Furniture and fixtures	5 - 10 years
Computer equipment and software	3 - 5 years

Revenue and Revenue Recognition -- BTA-JPJ recognizes revenue from fees during the year in which the related services are provided. The performance obligation of fees is simultaneously received and consumed; therefore, the revenue is recognized in the period earned.

Contributions -- BTA-JPJ recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met. Contributions are recorded at the fair market value of the assets received and are classified as either with or without donor restriction, depending on whether the donor has imposed a restriction on the use of such assets. BTA-JPJ reports restricted contributions as without donor restriction if the restrictions are satisfied in the same reporting period in which the contributions are received.

Functional Allocation of Expenses -- The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1 Summary of Significant Accounting Policies (Continued)

Net Assets -- Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor or 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period when the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Endowment -- Endowment funds represent gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or for a specified period, with only the income to be utilized. Investment income is reported as investment income with donor restrictions.

Endowment Spending -- BTA-JPJ has adopted a total return investment policy in accordance with state law. The primary investment objective is to maximize long-term return through a combination of income and capital appreciation achieved in a prudent manner. Therefore, the financial objective is to earn a total return equal to or exceeding the spending rate plus the inflation rate as measured by the Consumer Price Index. The investment policy of BTA-JPJ will be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, management judgment regarding the allocation of assets among different kinds of asset classes, identification of appropriate investment vehicles and the making of specific investment decisions. BTA-JPJ has adopted a 3.3% and 3.8% spending policy for the years ended June 30, 2020 and 2019, respectively. BTA-JPJ's goal is to preserve the purchasing power of the endowed assets. The distribution or spending of the aggregate amount is guided by the individual endowment agreements first, and then the balance is determined by BTA-JPJ's Board.

Advertising -- The cost of advertising is charged to expense as incurred.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1 Summary of Significant Accounting Policies (Continued)

Income Taxes -- BTA-JPJ is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. BTA-JPJ has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations; and to identify and evaluate other matters that may be considered tax positions. BTA-JPJ has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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

2 Concentration of Risk

BTA-JPJ maintains its cash and cash equivalents in bank accounts, which, at times, may exceed federally insured limits. BTA-JPJ has not experienced any losses in such accounts. Management believes BTA-JPJ is not exposed to any significant credit risk related to cash and cash equivalents.

3 Liquidity

The table below represents financial assets available for general expenditures within one year at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 5,108,773	\$ 3,569,439
Investments	3,935,963	2,714,002
Pledges receivable, net	510,743	1,274,037
Beneficial interest in lead trust	106,466	119,038
Due from related party	<u>1,451,043</u>	<u>1,127,096</u>
Total financial assets	11,112,988	8,803,612
Less amounts not available to be used within one year:		
Endowment assets	(1,220,925)	(1,173,894)
Time restricted assets	(187,500)	-
Managed project funds	<u>(4,053,925)</u>	<u>(3,385,063)</u>
Financial assets not available to be used within one year	<u>(5,462,350)</u>	<u>(4,558,957)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,650,638</u>	<u>\$ 4,244,655</u>

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

3 Liquidity (Continued)

BTA-JPJ has certain donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. BTA-JPJ has other donor-restricted assets that are not available for general expenditure within one year in the normal course of operations. These assets limited to use, which are more fully described in Notes 12 and 13 are not available for general expenditure within the next year.

BTA-JPJ also has assets managed project funds. These assets limited to use, which are more fully described in Note 10 are not available for general expenditure within the next year.

As part of BTA-JPJ's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds.

4 Related Party

BTA-JPJ has amounts due from Bend the Arc Jewish Action, a related party, totaling \$1,451,043 and \$1,127,096 as of June 30, 2020 and 2019, respectively.

BTA-JPJ made grants of \$2,600,000 and \$2,000,000 to Bend the Arc Jewish Action during the years ended June 30, 2020 and 2019, respectively.

5 Investments

The market value of investments as of June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Equity mutual funds	\$ 1,347,194	\$ 955,669
Government bonds	664,387	389,222
Common stocks	581,616	416,761
Fixed income mutual funds	537,902	830,946
Cash and cash equivalents	436,473	121,404
Corporate bonds	347,368	-
Municipal bonds	21,023	-
	<u>\$ 3,935,963</u>	<u>\$ 2,714,002</u>

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

5 Investments (Continued)

Investment income for the years ended June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 6,752	\$ 6,475
Gain on investments	170,960	181,764
Investment Fees	(10,081)	(9,407)
	<u>\$ 167,631</u>	<u>\$ 178,832</u>

6 Fair Value Measurements

The following tables set forth by level, within the fair value hierarchy, BTA-JPJ's assets at fair value as of June 30, 2020 and 2019:

	<u>Assets at Fair Values as of June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income mutual funds	\$ 537,902	\$ -	\$ -	\$ 537,902
Common stocks	581,616	-	-	581,616
Equity mutual funds	1,347,194	-	-	1,347,194
Cash and cash equivalents	436,473	-	-	436,473
Government bonds	664,387	-	-	664,387
Corporate bonds	347,368	-	-	347,368
Municipal bonds	21,023	-	-	21,023
Beneficial Interest in				
Lead Trust	-	106,466	-	106,466
Total assets at fair value	<u>\$ 3,935,963</u>	<u>\$ 106,466</u>	<u>\$ -</u>	<u>\$ 4,042,429</u>

	<u>Assets at Fair Values as of June 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income mutual funds	\$ 830,946	\$ -	\$ -	\$ 830,946
Common stocks	416,761	-	-	416,761
Equity mutual funds	955,669	-	-	955,669
Cash and cash equivalents	121,404	-	-	121,404
Government bonds	389,222	-	-	389,222
Beneficial Interest in				
Lead Trust	-	119,038	-	119,038
Total assets at fair value	<u>\$ 2,714,002</u>	<u>\$ 119,038</u>	<u>\$ -</u>	<u>\$ 2,833,040</u>

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

7 Pledges Receivable

BTA-JPJ received gifts in the form of pledges. As of June 30, 2020 and 2019, net pledges receivable were \$510,743 and \$1,274,037, respectively. The pledges have been reported at their net present value utilizing a discount rate of 3%, respectively. All pledges are expected to be collected during the year ended June 30, 2021.

8 Beneficial Interest in Lead Trust

BTA-JPJ is the sole beneficiary of a charitable lead trust (the Trust), under which it will receive annually 7% of the market value of the trust assets for twenty-five years beginning August 19, 1998 paid in quarterly installments. BTA-JPJ is not the trustee and does not exercise control over the Trust assets. BTA-JPJ has reflected its beneficial interest in the Trust as a net asset with donor restriction, recorded at the net present value of the expected future cash flows using a 3.5% discount rate. The amount received in the years ended June 30, 2020 and 2019 was \$32,663 and \$35,491, respectively.

9 Fixed Assets

Fixed assets consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 314,054	\$ 264,008
Less accumulated depreciation	<u>(247,916)</u>	<u>(233,932)</u>
	<u>\$ 66,138</u>	<u>\$ 30,076</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$13,984 and \$13,439, respectively.

10 Managed Projects

BTA-JPJ offers administrative services to manage projects for other agencies performing charitable works. BTA-JPJ will charge the agencies a management fee. During the years ended June 30, 2020 and 2019, BTA-JPJ received funds totaling \$9,645,582 and \$9,033,902 and paid out \$8,976,720 and \$8,721,780, respectively, on behalf of the Managed Projects. As of June 30, 2020 and 2019, the amount held for Managed Projects was \$4,053,925 and \$3,385,063, respectively.

BEND THE ARC - A JEWISH PARTNERSHIP FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

11 Loan Payable - Paycheck Protection Program

BTA-JPJ received a \$893,154 loan through the U.S. Small Business Administration's Paycheck Protection Program (PPP Loan) on April 28, 2020. The PPP Loan program was authorized as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was signed into law on March 27, 2020. Small businesses and eligible not-for-profit organizations were encouraged to apply for the PPP Loan to help retain their current employees and their salary levels during the COVID-19 pandemic. The PPP Loan and accrued interest are eligible to be forgiven if BTA-JPJ maintains its employee count and salary level; and uses the funds for payroll and payroll related costs, interest on mortgages, rent, and utilities; and if 60% of the loan proceeds are used for payroll and payroll related costs.

The terms of the PPP Loan indicate BTA-JPJ must utilize the proceeds for previously mentioned qualifying expenses during a period not to exceed twenty-four weeks from the time the funds were received (April 28, 2020). The PPP Loan agreement also states that BTA-JPJ must repay any unforgiven portion of the PPP Loan principal, plus interest accruing at the rate of 1% per annum, over the course of two years from the date of receipt. In accordance with the CARES Act, all principal and interest payments were deferred for six months.

BTA-JPJ has elected to account for the PPP Loan as a financial liability in accordance with FASB ASC 470. Management believes BTA-JPJ fulfilled the forgiveness requirements under the PPP Loan terms subsequent to June 30, 2020, but prior to the date of this report. FASB ASC 470 prohibits BTA-JPJ from recognizing forgiveness of the loan and gain on extinguishment until they are released as the primary obligator. Management estimates the entire loan and accrued interest to be forgiven and extinguished during the year ended June 30, 2021.

Loan payable - Paycheck Protection Program consisted of the following as of June 30, 2020:

Loan Balance	\$ 893,154
Accrued interest	<u>1,563</u>
	<u>\$ 894,717</u>

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12 Net Assets with Donor Restrictions

Net assets with donor restriction are available for the following purposes as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to purpose or time restriction:		
Support of programs	\$ 1,193,391	\$ 1,758,844
Endowments		
Subject to endowment spending policy	<u>1,220,925</u>	<u>1,173,894</u>
Total Net Assets with Donor Restrictions	<u>\$ 2,414,316</u>	<u>\$ 2,932,738</u>

Net assets were reduced from donor restriction by incurring expenses satisfying the restricted purpose or by occurrences of other events specified by donors:

	<u>2020</u>	<u>2019</u>
Purpose Restriction Accomplished		
Support of programs	<u>\$ 725,000</u>	<u>\$ 285,667</u>
Time restriction	<u>\$ 859,167</u>	<u>\$ 821,100</u>

13 Endowment

BTA-JPJ's endowment funds are made up of donor restricted funds. As required by accounting standards generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of BTA-JPJ has interpreted the New York state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent of explicit donor stipulations to the contrary. As a result of this interpretation, BTA-JPJ classifies as net assets with donor restriction (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) enhancements or diminishments of the fund from investment income, loss, and spending allowance.

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FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

13 Endowment (Continued)

BTA-JPJ's endowment net assets had the following activity for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 1,173,894	\$ 1,138,903
Investment income	59,603	88,314
Change in value of beneficial interest in lead trust	20,091	(17,832)
Spending allowance	<u>(32,663)</u>	<u>(35,491)</u>
Endowment net assets, end of year	<u>\$ 1,220,925</u>	<u>\$ 1,173,894</u>

Endowment net assets had the following net asset compositions as of the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
General operations	<u>\$ 1,220,925</u>	<u>\$ 1,173,894</u>

Spending Policy and How the Investment Objectives Relate to Spending Policy

BTA-JPJ has a policy of appropriating for distribution each year 3.3% and 3.8% of its endowment fund's fair value based upon the prior three fiscal years' market values of the endowment fund for the years ended June 30, 2020 and 2019, respectively. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate - as measured by the Consumer Price Index. This is consistent with BTA-JPJ's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Return Objectives and Risk Parameters

BTA-JPJ has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of assets. Endowment assets include those assets of donor-restricted funds that BTA-JPJ must hold in perpetuity.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

13 Endowment (Continued)

Strategies Employed for Achieving Objectives

The overall financial goal of the endowment is to maintain or enhance its market value while providing BTA-JPJ's operating budget with a relatively predictable stream of revenue targeted at approximately 4% - 6% of the average endowment balance. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate as measured by the Consumer Price Index. For an endowment to maintain its level of support, it must earn an investment return equal to the spending rate plus the inflation rate. The rationale is to obtain the best possible expected return, given the level of risk assumed. The investment policies of BTA-JPJ will be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, manager judgment regarding the allocation of the assets among different kinds of asset classes, identification of appropriate investment vehicles and the making of specific investment decisions.

14 Pension Plan

BTA-JPJ sponsors a 401(k) pension plan. Employees can make contributions to the plan immediately. BTA-JPJ may make discretionary contributions to the plan. BTA-JPJ made contributions to the plan of \$31,760 and \$26,801 during the years ended June 30, 2020 and 2019.

15 Operating Lease

BTA-JPJ has entered into leases for office space and equipment on behalf of itself and its managed projects. Lease expense for the years ended June 30, 2020 and 2019 was \$114,984 and \$93,349, respectively. Future minimum lease payments under existing leases are as follows:

2021	155,883
2022	265,146
2023	258,246
2024	258,246
2025	189,815
	<u>\$ 1,127,336</u>

16 Compensated Absences

Employees are entitled to paid vacations. It is impractical to estimate the amount of compensation for future vacation and, accordingly, no liability has been recorded in the accompanying financial statements. The policy is to recognize the costs of compensated absences when paid to employees.

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FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

17 Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact change in net assets. Other financial impact could occur though such potential impact is unknown at this time.

18 Subsequent Event

On January 11, 2021, the U.S. Small Business Administration, in consultation with the U.S. Treasury Department, reopened the Paycheck Protection Program (PPP). On February 5, 2021, BTA-JPJ was granted a loan from City National Bank in the amount of \$688,682, pursuant to the PPP. Under the terms of the loan, certain amounts of the loan may be forgiven if they are used for qualifying expenses. BTA-JPJ intends to use the entire loan amount for qualifying expenses.

BTA-JPJ has evaluated all subsequent events through May 13, 2021, the date the financial statements were available to be issued.