

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**The American Jewish Joint Distribution
Committee, Inc.**

December 31, 2022 (With Summarized
Comparative Information for December 31, 2021)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
The American Jewish Joint Distribution Committee, Inc.

Opinion

We have audited the consolidated financial statements of The American Jewish Joint Distribution Committee, Inc. ("JDC"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of JDC as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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 JDC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As discussed in Notes 2 and 6 to the consolidated financial statements, as of January 1, 2022, JDC adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the 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 JDC's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, 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 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 JDC'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 JDC'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.

Report on 2021 summarized comparative information

We have previously audited JDC's 2021 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 20, 2022. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



New York, New York
June 30, 2023

The American Jewish Joint Distribution Committee, Inc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2022, with comparative totals as of December 31, 2021

| | | With Donor Restrictions | | | | |
|-------------------------------------------------|----------------------------|-------------------------|----------------------------|----------------|----------------|----------------|
| | Without Donor Restrictions | JDC | Wohl Charitable Foundation | Total | 2022 Total | 2021 Total |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 110,008,629 | \$ 1,836,046 | \$ 8,943,414 | \$ 10,779,460 | \$ 120,788,089 | \$ 79,678,483 |
| Cash pending investment purchases | 1,148,431 | 73,114 | - | 73,114 | 1,221,545 | 6,124,256 |
| Investments - other | 202,429 | 2,650,653 | - | 2,650,653 | 2,853,082 | 16,500,202 |
| Investments (Notes 7 and 10) | 154,814,346 | 282,366,925 | 147,752,448 | 430,119,373 | 584,933,719 | 689,243,273 |
| Due from broker | - | - | - | - | - | 8,572,325 |
| Grants receivable | 37,542,797 | - | - | - | 37,542,797 | 24,414,947 |
| Contributions receivable, net (Note 9) | 147,304 | 29,836,998 | - | 29,836,998 | 29,984,302 | 33,520,949 |
| Other receivables and other assets | 5,237,060 | 4,351,146 | 5,409 | 4,356,555 | 9,593,615 | 11,887,009 |
| Right-of-use asset (Note 6) | 20,284,362 | - | - | - | 20,284,362 | - |
| Fixed assets, net (Note 8) | 54,762,141 | 2,176,192 | - | 2,176,192 | 56,938,333 | 53,145,785 |
| Assets held for sale (Note 8) | 840,205 | - | - | - | 840,205 | 1,913,216 |
| Total assets | \$ 384,987,704 | \$ 323,291,074 | \$ 156,701,271 | \$ 479,992,345 | \$ 864,980,049 | \$ 925,000,445 |
| LIABILITIES AND NET ASSETS | | | | | | |
| Liabilities | | | | | | |
| Accounts payable and accrued expenses (Note 11) | \$ 24,058,313 | \$ - | \$ 2,927,942 | \$ 2,927,942 | \$ 26,986,255 | \$ 29,577,127 |
| Pension plan obligation (Note 3) | 9,838,107 | - | - | - | 9,838,107 | 16,146,428 |
| Other liabilities to employees (Note 4) | 27,128,059 | - | - | - | 27,128,059 | 35,024,596 |
| Annuity obligations (Note 10) | - | 2,169,235 | - | 2,169,235 | 2,169,235 | 2,403,990 |
| Loans payable (Note 5) | 10,644,331 | - | - | - | 10,644,331 | 12,012,535 |
| Due to others | - | 3,217,290 | - | 3,217,290 | 3,217,290 | 3,573,018 |
| Lease liability (Note 6) | 24,977,357 | - | - | - | 24,977,357 | - |
| Total liabilities | 96,646,167 | 5,386,525 | 2,927,942 | 8,314,467 | 104,960,634 | 98,737,694 |
| Total net assets (Notes 13, 14, and 15) | 288,341,537 | 317,904,549 | 153,773,329 | 471,677,878 | 760,019,415 | 826,262,751 |
| Total liabilities and net assets | \$ 384,987,704 | \$ 323,291,074 | \$ 156,701,271 | \$ 479,992,345 | \$ 864,980,049 | \$ 925,000,445 |

The accompanying notes are an integral part of this consolidated financial statement.

The American Jewish Joint Distribution Committee, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2022, with comparative totals for the year ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | | | 2022 Total | 2021 Total |
|----------------------------------------------------------------------|----------------------------|-------------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| | | JDC | Wohl Charitable Foundation | Total | | |
| Revenues, gains and other support | | | | | | |
| Contributions (including JFNA) | \$ 61,248,946 | \$ 159,407,450 | \$ - | \$ 159,407,450 | \$ 220,656,396 | \$ 147,247,067 |
| Grants | 195,545,320 | - | - | - | 195,545,320 | 192,128,748 |
| Other income | 3,630,719 | 888,788 | - | 888,788 | 4,519,507 | 5,890,519 |
| Investment return used for operations (Note 7) | 8,125,591 | 15,143,088 | 10,690,000 | 25,833,088 | 33,958,679 | 24,930,019 |
| Actuarial loss on annuity obligations (Note 10) | - | (272,519) | - | (272,519) | (272,519) | (341,600) |
| Net assets released from restriction and reclassifications (Note 14) | 157,637,731 | (146,099,785) | (11,537,946) | (157,637,731) | - | - |
| Total revenues, gains and other support | 426,188,307 | 29,067,022 | (847,946) | 28,219,076 | 454,407,383 | 369,854,753 |
| Expenses | | | | | | |
| Program services | 372,760,226 | - | - | - | 372,760,226 | 310,128,423 |
| Support services | | | | | | |
| Management and general | 20,537,095 | - | - | - | 20,537,095 | 20,624,228 |
| Fund raising | 10,162,646 | - | - | - | 10,162,646 | 9,826,468 |
| Total support services | 30,699,741 | - | - | - | 30,699,741 | 30,450,696 |
| Total expenses | 403,459,967 | - | - | - | 403,459,967 | 340,579,119 |
| Change in net assets before other changes | 22,728,340 | 29,067,022 | (847,946) | 28,219,076 | 50,947,416 | 29,275,634 |
| Non-operating changes in net assets | | | | | | |
| (Deficiency)/Excess of investment return, net (Note 7) | (48,035,145) | (41,516,376) | (38,373,911) | (79,890,287) | (127,925,432) | 67,002,143 |
| Contributions for capital projects | - | 1,059,600 | - | 1,059,600 | 1,059,600 | 8,142,833 |
| (Loss)/gain on disposal of fixed assets | (216,513) | - | - | - | (216,513) | 1,162,530 |
| Actuarial adjustment for pension plan (Note 3) | 5,447,585 | - | - | - | 5,447,585 | 6,905,756 |
| Actuarial adjustment for non-qualified plans (Note 4) | 4,444,008 | - | - | - | 4,444,008 | (1,531,294) |
| Net assets released from restriction for capital projects (Note 14) | 7,142,693 | (7,142,693) | - | (7,142,693) | - | - |
| CHANGES IN NET ASSETS | (8,489,032) | (18,532,447) | (39,221,857) | (57,754,304) | (66,243,336) | 110,957,602 |
| Net assets - beginning of year | 296,830,569 | 336,436,996 | 192,995,186 | 529,432,182 | 826,262,751 | 715,305,149 |
| Net assets - end of year | <u>\$ 288,341,537</u> | <u>\$ 317,904,549</u> | <u>\$ 153,773,329</u> | <u>\$ 471,677,878</u> | <u>\$ 760,019,415</u> | <u>\$ 826,262,751</u> |

The accompanying notes are an integral part of this consolidated financial statement.

The American Jewish Joint Distribution Committee, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022, with comparative totals for the year ended December 31, 2021

| | Program Services | | | | | Supporting Services | | Total |
|-----------------------------------------------------------------|---------------------------|-----------------------|----------------------|----------------------|-----------------------|------------------------|----------------------|-----------------------|
| | Former Soviet Union (FSU) | Israel* | Europe | Other | Total | Management and General | Fund Raising | |
| Grants to supported organizations and affiliates | | | | | | | | |
| Saving Jewish lives | \$ 193,806,323 | \$ 51,125,949 | \$ 10,831,157 | \$ 1,876,188 | \$ 257,639,617 | \$ - | \$ - | \$ 257,639,617 |
| Building Jewish life | 6,009,594 | - | 3,163,446 | 965,085 | 10,138,125 | - | - | 10,138,125 |
| Other/multifunctional | - | 2,747,464 | 76,354 | 2,691,768 | 5,515,586 | - | - | 5,515,586 |
| Wohl grants to others | - | 59,000 | - | - | 59,000 | - | - | 59,000 |
| Regrants | - | - | - | 455,227 | 455,227 | - | - | 455,227 |
| Total of grants to supported organizations and affiliates | 199,815,917 | 53,932,413 | 14,070,957 | 5,988,268 | 273,807,555 | - | - | 273,807,555 |
| Other expenses | | | | | | | | |
| Payroll, benefits, and other staff costs | 11,577,200 | 37,038,581 | 4,309,121 | 7,848,342 | 60,773,244 | 12,584,386 | 7,159,636 | 80,517,266 |
| Conferences, seminars, media and public relations | 133,006 | 5,337,347 | 549,503 | 305,139 | 6,324,995 | 850,780 | 298,474 | 7,474,249 |
| Consultants, professional services, supplies and other expenses | 2,822,929 | 10,198,050 | 3,930,367 | 3,130,620 | 20,081,966 | 3,781,875 | 2,079,074 | 25,942,915 |
| Occupancy, facilities, equipment, and repairs | 2,042,125 | 1,743,692 | 458,785 | 782,530 | 5,027,132 | 2,076,305 | 150,669 | 7,254,106 |
| Travel | 429,255 | 353,903 | 490,576 | 1,293,531 | 2,567,265 | 386,728 | 320,976 | 3,274,969 |
| Interest expense | 18,766 | 114 | - | 451,496 | 470,376 | 141,913 | - | 612,289 |
| Building impairment | 660,760 | - | - | - | 660,760 | - | - | 660,760 |
| Depreciation and amortization | 1,256,441 | 1,253,781 | 517,358 | 19,353 | 3,046,933 | 715,108 | 153,817 | 3,915,858 |
| Total of other expenses | 18,940,482 | 55,925,468 | 10,255,710 | 13,831,011 | 98,952,671 | 20,537,095 | 10,162,646 | 129,652,412 |
| Total expenses | <u>\$ 218,756,399</u> | <u>\$ 109,857,881</u> | <u>\$ 24,326,667</u> | <u>\$ 19,819,279</u> | <u>\$ 372,760,226</u> | <u>\$ 20,537,095</u> | <u>\$ 10,162,646</u> | <u>\$ 403,459,967</u> |
| Total expenses 2021 | <u>\$ 158,375,084</u> | <u>\$ 120,725,092</u> | <u>\$ 14,390,109</u> | <u>\$ 16,638,138</u> | <u>\$ 310,128,423</u> | <u>\$ 20,624,228</u> | <u>\$ 9,826,468</u> | <u>\$ 340,579,119</u> |

*JDC's programs in Israel aid all populations at risk.

The accompanying notes are an integral part of this consolidated financial statement.

The American Jewish Joint Distribution Committee, Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2022, with comparative totals for the year ended December 31, 2021

| | 2022 | 2021 |
|---------------------------------------------------------------------------------------------|-----------------------|----------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (66,243,336) | \$ 110,957,602 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,915,858 | 3,556,654 |
| Impairment charges | 660,760 | 160,772 |
| Permanently restricted contributions | (4,674,297) | (5,094,720) |
| Realized and unrealized losses/(gains) on investments | 96,535,685 | (93,246,596) |
| Change in discount and allowance on contributions receivable | 1,153,697 | 338,457 |
| Noncash items | 875,274 | (369,761) |
| Loss/(Gain) on disposal of fixed assets | 216,513 | (1,162,530) |
| Changes in assets and liabilities: | | |
| Cash pending investment purchases | 4,902,711 | 14,511,121 |
| Due from broker | 8,572,325 | (1,057,713) |
| Grants receivable | (13,127,850) | (43,063) |
| Contributions receivable | 2,382,950 | (10,709,815) |
| Other receivables and other assets | 2,293,394 | (3,802,349) |
| Right-of-use asset | (20,284,362) | - |
| Accounts payable and accrued expenses | (2,590,872) | 3,813,033 |
| Pension plan obligation | (6,308,321) | (7,515,010) |
| Other liabilities to employees | (7,896,537) | (2,107,250) |
| Annuity obligations | (234,755) | (120,063) |
| Due to others | (355,728) | 375,539 |
| Lease liability | 24,977,357 | - |
| Net cash provided by operating activities | 24,770,466 | 8,484,308 |
| Cash flows from investing activities: | | |
| Purchases of investments | (65,334,551) | (240,076,485) |
| Proceeds from sale of investments | 86,079,186 | 232,146,332 |
| Purchases of fixed assets | (8,369,166) | (8,010,150) |
| Proceeds from sale of fixed assets | 657,578 | 1,756,861 |
| Net cash provided by/(used in) investing activities | 13,033,047 | (14,183,442) |
| Cash flows from financing activities: | | |
| Repayment of loans | (1,368,204) | (7,823,102) |
| Proceeds from loans | - | 4,000,000 |
| Proceeds from permanently restricted contributions | 4,674,297 | 5,094,720 |
| Net cash provided by financing activities | 3,306,093 | 1,271,618 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 41,109,606 | (4,427,516) |
| Cash and cash equivalents, beginning of year | 79,678,483 | 84,105,999 |
| Cash and cash equivalents, end of year | <u>\$ 120,788,089</u> | <u>\$ 79,678,483</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | <u>\$ 616,725</u> | <u>\$ 673,827</u> |
| Net cash (paid)/refunded during the year for UBIT | <u>\$ (9,530)</u> | <u>\$ 31,147</u> |
| Operating cash flows from operating leases | <u>\$ 1,663,216</u> | <u>\$ -</u> |

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

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - NATURE OF ORGANIZATION

The American Jewish Joint Distribution Committee, Inc. ("JDC") was established in 1914 to channel funds being raised to aid Jews in Europe and Palestine. Today, over 100 years later, JDC is still serving as the overseas arm of the American Jewish community, sponsoring programs of relief, rescue, and reconstruction primarily to meet Jewish needs around the globe.

JDC is supported primarily by general contributions, funds from The Jewish Federations of North America ("JFNA"), and funds from the Conference on Jewish Material Claims Against Germany.

JDC is a not-for-profit organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code ("IRC") as an organization described under Section 501(c)(3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Consolidated Financial Statements

Consolidated in these financial statements are the following entities related through common board control and economic interest: The American Jewish Joint Distribution Committee, Inc., Joint (JDC) - Israel (CC) (Joint Israel), JDC International Ltd., the Jack G. Buncher Charitable Fund for the American Jewish Joint Distribution Committee, the Swergold Family Foundation for Children in Crises, the Thalheimer Family-JDC Support Foundation, Inc., AJJDC Real Estate Company Limited, the Taub Center for Social Policy Studies in Israel, and the Maurice and Vivienne Wohl Charitable Foundation. All intercompany transactions and balances have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure 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 those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with maturities when acquired of three months or less.

Concentrations of Credit Risk

Financial instruments that potentially subject JDC to concentrations of credit risk consist principally of cash, cash equivalents, receivables, and investments. JDC maintains its cash in various bank accounts that may exceed federally insured limits at times. JDC's cash and investment accounts were placed with high-credit quality financial institutions. JDC has not experienced, nor does it anticipate, any losses with respect to such accounts.

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Investments - Other

Certificates of deposit held for investment that are not debt securities are included in investments - other in the accompanying consolidated statements of financial position.

Investments

Investments are recorded at fair value. JDC invests in various investment securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in JDC's consolidated financial statements.

Fair Value Measurements and Disclosures

Fair value measurements and disclosures establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that JDC has the ability to access.

Level 2 - Inputs to the valuation methodology include other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

U.S. Government and Agency Obligations, Bonds, Mortgage-Backed Securities, Agency-Backed Bonds and Common Stock

Valued at the closing price reported on the active market on which the individual securities are traded.

State of Israel Bonds

Valued at cost, which approximates fair value.

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Alternative Investments

Estimated fair values, in the absence of readily ascertainable market values, have been determined by the investment managers and reviewed by management for reasonableness. The methods and procedures used to value these investments may include but are not limited to: (1) performing comparisons with prices of comparable or similar securities; (2) obtaining valuation-related information from issuers; and/or (3) other analytical data relating to the investment and using other available indications of value. JDC's alternative investments are generally reported at the net asset value ("NAV") reported by the fund managers. NAV is used as a practical expedient to estimate the fair value of JDC's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while JDC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The estimated fair values for the aforementioned securities and interests may differ from the values that would have been used had a ready market for the investments existed, and the differences could be material.

See Note 7 for the table that sets forth the assets at fair value as of December 31, 2022 and 2021.

Contributions Receivable, Net

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value (net of allowance for doubtfully collectible pledges). Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows (net of allowance for doubtfully collectible pledges). The discounts on those amounts are computed using credit adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

Allowance for Doubtfully Collectible Pledges

Factors used to determine whether an allowance should be recorded for contributions receivable and other receivables include the age of the receivable, the creditworthiness of the donors, account activity, and a review of payments subsequent to year end.

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution 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. The gifts are reported as "with donor restrictions" if they are received with donor stipulations that limit the use of the donated assets. If a gift has no such stipulations, it is reported as "without donor restrictions." When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released from restriction and reported in the consolidated statement of activities as net assets released from restrictions.

At December 31, 2022 and 2021, conditional promises to give approximating \$19.99 million and \$5.72 million, respectively, have not been recognized in the accompanying consolidated statement of activities because the conditions on which they depend have not yet been met.

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Risk of Operating Outside the United States

JDC is subject to the risks of doing business outside the United States, including, among other risks, foreign currency exchange rate risks, tax laws and political or labor disturbances.

Grant Revenue

A portion of the JDC's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when JDC has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures or prior to the grant period are recorded as deferred grant revenue. In 2022 and 2021, JDC received advance payments totaling \$1,155,347 and \$826,217, respectively, which are included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

JDC receives a significant amount of funding from the Conference on Jewish Material Claims Against Germany and the government of Israel. This funding is subject to audit. Management is of the opinion that disallowances, if any, would not have a significant effect on the consolidated financial position or changes in net assets of JDC.

Leases

As of January 1, 2022, JDC adopted Accounting Standards Update ("ASU") 2016-02, *Leases*. The standard requires JDC to record operating lease assets and corresponding lease liabilities on the consolidated statement of financial position.

Under ASU 2016-02, JDC assesses contracts at inception to determine whether an arrangement includes a lease, which conveys JDC's right to control the use of an identified asset for a period of time in exchange for consideration. If it is determined that JDC is the lessee in a lease contract, a right-of use ("ROU") asset and lease liability are recognized in the accompanying consolidated statement of financial position. JDC measures its lease assets and liabilities based on the present value of the future minimum lease payments over the lease term at the commencement date. JDC considers the likelihood of exercising renewal or termination terms in measuring the ROU assets and liabilities. Leases with a lease term of 12 months or less at inception are not recorded in the accompanying consolidated statement of financial position. Operating lease expense is recognized on a straight-line basis over the lease term in the consolidated statement of activities. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. JDC has included renewal periods in its assessment of lease terms when provided for in the leases. JDC's lease payments are based on fixed payments. There are no variable or short-term leases. The leases contain no termination options or residual value guarantee.

Fixed Assets, Net

Fixed assets are stated at cost. Items costing in excess of \$25,000, which have an estimated useful life of more than one year, are subject to capitalization. Depreciation and amortization of fixed assets are calculated on the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the lease term.

Impairment of Fixed Assets

JDC reviews periodically the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it

The American Jewish Joint Distribution Committee, Inc.

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is not possible to estimate the recoverable amount of an individual asset, JDC estimates the recoverable amount of the asset group to which the asset belongs.

The carrying amount of an asset (or asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected from the entity's use and eventual disposition of the asset (or asset group), which is an entity-specific measure. If the asset (or asset group) is not recoverable, the impairment loss is measured as the difference between the carrying amount of the asset (or asset group) and its fair value, which is market participant based.

If an impairment loss is recognized, the adjusted carrying amount of the long-lived asset shall be its new cost basis. For a depreciable long-lived asset, the new-cost basis shall be depreciated (amortized) over the remaining useful life of that asset. Restoration of a previously recognized impairment loss is prohibited.

Fair Value of Financial Instruments

The carrying amounts of cash, cash equivalents, other receivables and other assets, and accounts payable and accrued expenses approximate fair value due to the short maturity of these financial instruments.

Measure of Operations

Included in operating net assets without donor restrictions are resources used for the general support of JDC's operations. Investment return used for operations includes the annual appropriation of endowment assets for expenditure, amounts received from the Wohl Charitable Foundation in the current fiscal year for JDC's operations, as well as additional draws from non-endowment investment assets for operating purposes.

Nonoperating activities include: (1) pension-related activity other than net periodic pension cost; (2) excess (deficiency) of investment return, net; and (3) other items considered to be unusual or nonrecurring in nature.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. In addition, net assets without donor restrictions include resources which are set aside for board-designated purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions include funds whose use has been limited by donors to a specific time period or purpose. Also included in this category are net assets to be maintained in perpetuity at the behest of the donor and the income generated by such funds is utilized for operating purposes except if otherwise indicated by the donor.

Reclassifications

Certain reclassifications have been made to the 2021 consolidated financial statements to conform to the current year's presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2021 consolidated financial statements.

Functional Allocation of Expenses

The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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Exchange Rates

The U.S. dollar equivalents of the local currencies were calculated either at the actual rates of exchange or at an average of the rates during the year.

Income Taxes

JDC is exempt from federal income tax under IRC Section 501(a) as an organization described under 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. JDC is, likewise, exempt from income tax under comparable state statutes. JDC does derive revenue from an unrelated trade or business through its partnership investments; accordingly, it had a federal and state income tax expense of \$9,558, which has been netted against investment income, for December 31, 2022.

JDC follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

JDC 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 in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. JDC has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements as of December 31, 2022.

New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies the presentation and disclosure of contributed nonfinancial assets. The provisions of ASU 2020-07 are effective for annual reporting periods beginning after June 15, 2021, and retrospective application is required. JDC has adopted ASU 2020-07 retrospectively for the year ended December 31, 2022, which resulted in no material impact on the consolidated financial statements.

Subsequent Events

JDC evaluated its December 31, 2022 consolidated financial statements for subsequent events through June 30, 2023, the date the consolidated financial statements were available to be issued.

On February 24, 2022, the Russian Federation invaded Ukraine ("the Event"), which has a significant impact on JDC's operations in the Former Soviet Union region. As of the date the consolidated financial statements were available to be issued, the crisis in the region continues to evolve as military activities progress. In addition to the impact of these events on JDC's branches and controlled entities operating in Russia, Ukraine and Belarus, the crisis is increasingly affecting ongoing activities in other Former Soviet Union countries. In addition to providing its core services in the region, JDC is responding to the new needs of its served populations by providing evacuation services, refugee shelters and, assistance with food and medicines. In 2022, JDC spent \$52.4 million for rescue and relief efforts necessitated by the Event, included in Program Services on the Statements of Functional Expenses. Management expects to continue its rescue and relief programs in response to the crisis in Ukraine in 2023 and beyond. In 2023, JDC expects to spend an additional \$47.0 million in response to the crisis.

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Additionally, a portion of JDC's buildings, with a net book value of \$16.5 million and \$17.7 million as of December 31, 2022 and 2021, respectively, is located in Russia and Ukraine. Since the inception of the Event and as of the date the consolidated financial statements were available to be issued, there has not been any significant damage to these properties.

Management is continuing to closely monitor the situation in the affected region and is likewise continuing to evaluate the full impact of the Event on the results of JDC's operations.

NOTE 3 - RETIREMENT PLAN

JDC sponsors a noncontributory defined benefit pension plan ("Retirement Plan") covering its New York staff and overseas foreign service personnel. Prior service cost has been fully funded.

Effective December 31, 2012, the plan has been amended to eliminate future benefit accruals for employees who have not attained age 30 by December 31, 2012. The accrued pension benefits of employees who have not attained age 30 by December 31, 2012 will remain frozen at their current level.

The Retirement Plan was amended effective January 1, 2018, as follows: active participants whose salary was above \$120,000 ("Highly Compensated Employees") had their benefits frozen in the American Jewish Joint Distribution Committee, Inc. Employees' Retirement Plan ("Qualified Plan") and automatically became participants in the American Jewish Joint Distribution Committee, Inc. Supplemental Pension Plan (a non-qualified plan). Alternatively, some elected to receive their future benefits under the qualified 403(b) Defined Contribution Plan. This allowed the Qualified Plan to pass the participation, coverage, and non-discrimination tests under the IRC.

Effective January 1, 2020, all Highly Compensated Employees resumed participation in the Retirement Plan prospectively. Benefits earned in the period of January 1, 2018 through January 1, 2020 are excluded from accrued pension benefits.

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December 31, 2022 and 2021

The following table summarizes the benefit obligation, fair value of plan assets, the Retirement Plan's funded status and other information as of December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------------------------------|-----------------------|------------------------|
| Reconciliation of projected benefit obligation: | | |
| Projected benefit obligation, beginning of year | \$ 83,608,965 | \$ 85,308,885 |
| Service cost including expenses | 1,139,264 | 1,390,746 |
| Interest cost | 2,320,575 | 2,094,892 |
| Actuarial gain | (16,675,178) | (1,488,712) |
| Benefits payments | (3,755,808) | (3,543,694) |
| Expected expenses | <u>(151,530)</u> | <u>(153,152)</u> |
| Projected benefit obligation, end of year | <u>\$ 66,486,288</u> | <u>\$ 83,608,965</u> |
| Change in plan assets: | | |
| Fair value of assets, beginning of year | \$ 67,462,537 | \$ 61,647,447 |
| Actual return on assets | (8,899,102) | 7,510,314 |
| Employer contributions | 2,000,000 | 2,000,000 |
| Benefits payments | (3,755,808) | (3,543,694) |
| Actual expenses | <u>(159,446)</u> | <u>(151,530)</u> |
| Fair value of assets, end of year | <u>\$ 56,648,181</u> | <u>\$ 67,462,537</u> |
| Funded status | <u>\$ (9,838,107)</u> | <u>\$ (16,146,428)</u> |
| Accumulated benefit obligation | <u>\$ 63,873,512</u> | <u>\$ 78,939,004</u> |
| Net periodic pension cost: | | |
| Service cost | \$ 1,139,264 | \$ 1,390,746 |
| Interest cost | 2,320,575 | 2,094,892 |
| Expected return on assets | (4,090,775) | (3,669,735) |
| Amortization of prior service cost | 287,020 | 287,020 |
| Amortization of net actuarial loss | <u>782,069</u> | <u>1,002,346</u> |
| Net periodic pension cost | <u>\$ 438,153</u> | <u>\$ 1,105,269</u> |
| Other changes recognized in unrestricted net assets: | | |
| Actuarial gain | \$ (3,677,385) | \$ (5,330,913) |
| Prior service cost | - | - |
| Amortization of prior service cost | (287,020) | (287,020) |
| Amortization of net loss | <u>(782,069)</u> | <u>(1,002,346)</u> |
| Pension related activity other than net periodic pension cost | <u>\$ (4,746,474)</u> | <u>\$ (6,620,279)</u> |

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December 31, 2022 and 2021

The assumptions used to determine the benefit obligation as of December 31, 2022 and 2021 follow:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|-------------|-------------|
| Weighted-average assumptions: | | |
| Discount rate | 5.22% | 2.81% |
| Expected return on plan assets | N/A | N/A |
| Rate of compensation increase | 3.00% | 3.00% |

The assumptions used to determine the net periodic pension cost for the years ended December 31, 2022 and 2021 follow:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|-------------|-------------|
| Weighted-average assumptions: | | |
| Discount rate | 2.81% | 2.48% |
| Expected return on plan assets | 6.25% | 6.25% |
| Rate of compensation increase | 3.00% | 3.00% |

Plan Assets

The composition of the Plan's investments as of December 31, 2022 and 2021 was as follows:

| | <u>2022</u> | |
|----------------------------------------------|----------------------|----------------------|
| | <u>Level 1</u> | <u>Total</u> |
| Common stocks | \$ 3,021,096 | \$ 3,021,096 |
| Mutual funds | 17,016,519 | 17,016,519 |
| | <u>\$ 20,037,615</u> | <u>20,037,615</u> |
| Alternative investments at net assets value: | | |
| Equity fund | | 2,365,203 |
| Hedge fund | | 11,201,947 |
| Private equity | | 5,433,305 |
| Collective investment trust | | 11,346,349 |
| Cash and cash equivalents | | <u>6,263,762</u> |
| | | <u>\$ 56,648,181</u> |
| Fair value of plan assets | | |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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| | 2021 | |
|----------------------------------------------|----------------------|----------------------|
| | Level 1 | Total |
| Common stocks | \$ 3,633,007 | \$ 3,633,007 |
| Mutual funds | 21,232,016 | 21,232,016 |
| Total investments, at fair value | <u>\$ 24,865,023</u> | 24,865,023 |
| Alternative investments at net assets value: | | |
| Equity fund | | 2,763,072 |
| Hedge fund | | 16,438,434 |
| Private equity | | 5,538,056 |
| Collective investment trust | | 14,195,623 |
| Cash and cash equivalents | | <u>3,662,329</u> |
| Fair value of plan assets | | <u>\$ 67,462,537</u> |

The Retirement Plan is invested in various alternative investments that are not available to retail investors and are not publicly traded. The fair value estimates of these investments are based on NAV as provided by the respective investment managers. Because JDC uses NAV as a practical expedient for fair value, these investments are excluded from the fair value hierarchy.

Information with respect to redemption terms, strategies, risks, and funding commitments for these investments is as follows:

| | 2022 | | | | |
|--------------------------------------------|-----------------|----------------------|----------------------|----------------------|--------------------------|
| | Number of Funds | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Alternative investments | | | | | |
| Equity fund ^(a) | 1 | \$ 2,365,203 | \$ - | Monthly | 15 days |
| Hedge fund ^(b) | 6 | 11,201,947 | - | Quarterly, | 60-120 days |
| Private equity ^(c) | 2 | 5,433,305 | 1,600,000 | 3 years | N/A |
| Collective investment trust ^(d) | 4 | 11,346,349 | - | N/A | N/A |
| Total | | <u>\$ 30,346,804</u> | | Daily | N/A |
| | 2021 | | | | |
| | Number of Funds | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Alternative investments | | | | | |
| Equity fund ^(a) | 1 | \$ 2,763,072 | \$ - | Monthly | 15 days |
| Hedge fund ^(b) | 7 | 16,438,434 | - | Quarterly, | 60-120 days |
| Private equity ^(c) | 2 | 5,538,056 | 2,015,000 | semiannually, | N/A |
| Collective investment trust ^(d) | 4 | 14,195,623 | - | 3 years | N/A |
| Total | | <u>\$ 38,935,185</u> | | N/A | N/A |
| | | | | Daily | N/A |

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- (a) *Equity fund* - This comingled equity fund's objective is to provide long-term capital appreciation by investing primarily in U.S. companies in the medium market capitalization segment. The fund identifies companies undergoing "corporate change" and generating large amounts of free cash flow.
- (b) *Hedge fund* - These funds invest in various diversified strategies, including private investment companies. The purpose is to generate appreciation while managing risk through diversification.
- (c) *Private equity fund* - Shares in the investments of various partnerships whose portfolios include debt securities, equity securities, and investments and various limited liability corporations. The purpose is to generate appreciation while managing risk thru diversification.
- (d) *Collective investment trust* - The purpose of the group trust is to provide for the collective investment and reinvestment of assets of certain tax-exempt employee benefit plans.

Investment Policies

The Retirement Plan's investment policies are designed to ensure adequate plan assets will be available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, JDC formulates its investment portfolio to comprise an optimal combination of equity and debt securities.

The expected returns on plan assets are developed in conjunction with actuaries and investment advisors and take into account long-term expectations for future returns and investment strategy. Amounts are compared to historical averages for reasonableness.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

Year Ending December 31,

| | |
|-----------|--------------|
| 2023 | \$ 4,735,475 |
| 2024 | 4,549,568 |
| 2025 | 5,168,932 |
| 2026 | 4,383,208 |
| 2027 | 4,439,484 |
| 2028-2032 | 20,081,915 |

JDC expects to contribute approximately \$6.0 million to the Retirement Plan in fiscal year 2023.

NOTE 4 - OTHER LIABILITIES TO EMPLOYEES

In addition to the Retirement Plan, JDC provides additional benefits to participants of four non-qualified plans.

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Supplemental Plan

Under the American Jewish Joint Distribution Committee, Inc. Supplemental Plan ("Supplemental Plan"), JDC provides additional benefits to five former employees. Of the five employees, four employees participate in the Retirement Plan and receive these benefits as a supplement to their current pension payments. The remaining employee is not part of the Retirement Plan and receive these payments in lieu of pension payments. The estimated liability for this supplemental benefit plan is \$484,265 and \$656,535 as of December 31, 2022 and 2021, respectively, and is included in other liabilities to employees in the accompanying consolidated statement of financial position.

The following table summarizes the projected benefit obligation, net periodic pension cost, and pension-related activity other than net periodic pension cost related to the Supplemental Plan as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---------------------------------------------------------------------------------------------|--------------------|--------------------|
| Reconciliation of projected benefit obligation: | | |
| Projected benefit obligation, beginning of year | \$ 656,535 | \$ 701,894 |
| Interest cost | 11,526 | 8,342 |
| Actuarial (gain)/loss | (78,518) | 55,331 |
| Benefits payments | 105,278 | (109,032) |
| | <u>\$ 484,265</u> | <u>\$ 656,535</u> |
| Net periodic pension cost: | | |
| Interest cost | \$ 11,526 | \$ 8,342 |
| Amortization of prior service cost | 2,668 | 2,668 |
| Amortization of net actuarial (gain)/loss | (14,006) | (26,915) |
| | <u>\$ 188</u> | <u>\$ (15,905)</u> |
| Other changes recognized in unrestricted net assets: | | |
| Actuarial (gain)/loss | \$ (78,518) | \$ 55,331 |
| Amortization of prior service cost | (2,668) | (2,668) |
| Amortization of net actuarial gain | 14,006 | 26,915 |
| | <u>\$ (67,180)</u> | <u>\$ 79,578</u> |
| Pension-related activity other than net periodic pension cost/(income) | | |
| | <u>\$ (67,180)</u> | <u>\$ 79,578</u> |
| Discount rate assumption used to determine the benefit obligation, as of December 31, | 4.89% | 1.92% |
| Discount rate assumption used to determine the net periodic pension cost as of December 31, | 1.92% | 1.29% |

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SERP

JDC provides additional benefits to eight former employees in addition to the Retirement Plan under the American Jewish Joint Distribution Committee, Inc. Supplemental Pension Plan ("SERP"). Additionally, Highly Compensated Employees were accruing future benefits under this non-qualified plan in 2018 and 2019. During 2020, four executive managers were granted supplemental benefits under the SERP by JDC's Board of Directors, to restore benefits that would have otherwise been reduced due to the limitation contained in the Federal Omnibus Budget Reconciliation Act of 1993 ("OBRA 93"). The estimated liability for this supplemental benefit plan is \$5,228,893 and \$8,740,145 as of December 31, 2022 and 2021, respectively, and is included in other liabilities to employees in the accompanying consolidated statement of financial position.

The following table summarizes the projected benefit obligation, net periodic pension cost, and pension-related activity other than net periodic pension cost related to the SERP as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---------------------------------------------------------------------------------------------|-----------------------|---------------------|
| Reconciliation of projected benefit obligation: | | |
| Projected benefit obligation, beginning of year | \$ 8,740,145 | \$ 7,456,256 |
| Service cost including expenses | 106,353 | 149,020 |
| Interest cost | 212,924 | 233,084 |
| Actuarial (gain)/loss | (3,722,739) | 978,760 |
| Benefits payments | (107,790) | (76,975) |
| | <u>\$ 5,228,893</u> | <u>\$ 8,740,145</u> |
| Projected benefit obligation, end of year | | |
| Net periodic pension cost: | | |
| Service cost | \$ 106,353 | \$ 149,020 |
| Interest cost | 212,924 | 233,084 |
| Amortization of prior service cost | 418,686 | 418,686 |
| Amortization of net loss | - | 123,376 |
| | <u>\$ 737,963</u> | <u>\$ 924,166</u> |
| Net periodic pension cost | | |
| Other changes recognized in unrestricted net assets: | | |
| Actuarial (gain)/loss | \$ (3,722,739) | \$ 978,760 |
| Amortization of prior service cost | (418,686) | (418,686) |
| Amortization of net actuarial loss | - | (123,376) |
| | <u>\$ (4,141,425)</u> | <u>\$ 436,698</u> |
| Pension-related activity other than net periodic pension cost/(income) | | |
| Discount rate assumption used to determine the benefit obligation, as of December 31, | 5.29% | 2.91% |
| Discount rate assumption used to determine the net periodic pension cost as of December 31, | 2.91% | 2.67% |

Benefit Restoration Plan

JDC has a Benefit Restoration Plan ("BRP") to restore certain pension benefits to specified executive managers whose benefits were reduced due to the limitation contained in the OBRA 93. The BRP attempts

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to equalize benefits to these managers as compared to all other JDC employees covered by the Retirement Plan. Under the BRP, the covered employees are entitled to receive a supplemental benefit, paid by JDC, consisting of the difference between the retirement benefit computed pursuant to the BRP and the statutory benefit computed pursuant to the Retirement Plan. The supplemental benefit is reserved by JDC in a separate restricted fund, on a current basis, in accordance with computations made by JDC's actuary. Currently, four retired executive managers participate in the BRP.

The balance of the BRP is approximately \$4,563,499 and \$5,836,857 as of December 31, 2022 and 2021, respectively, and is included in other liabilities to employees in the accompanying consolidated statement of financial position.

The following table summarizes the projected benefit obligation, net periodic pension cost, and pension-related activity other than net periodic pension cost related to the BRP as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---------------------------------------------------------------------------------------------|-----------------------|---------------------|
| Reconciliation of projected benefit obligation: | | |
| Projected benefit obligation, beginning of year | \$ 5,836,857 | \$ 6,128,298 |
| Interest cost | 144,214 | 125,724 |
| Actuarial gain | (1,011,415) | (18,967) |
| Benefits payments | (406,157) | (398,198) |
| | <u>\$ 4,563,499</u> | <u>\$ 5,836,857</u> |
| Net periodic pension cost: | | |
| Interest cost | \$ 144,214 | \$ 125,724 |
| Amortization of prior service cost | 249,764 | 249,764 |
| Amortization of net actuarial loss | 127,493 | 131,015 |
| | <u>\$ 521,471</u> | <u>\$ 506,503</u> |
| Other changes recognized in unrestricted net assets: | | |
| Actuarial gain | \$ (1,011,415) | \$ (18,967) |
| Amortization of prior service cost | (249,764) | (249,764) |
| Amortization of net loss | (127,493) | (131,015) |
| | <u>\$ (1,388,672)</u> | <u>\$ (399,746)</u> |
| Pension-related activity other than net periodic pension cost | | |
| | <u>\$ (1,388,672)</u> | <u>\$ (399,746)</u> |
| Discount rate assumption used to determine the benefit obligation, as of December 31, | 5.14% | 2.56% |
| Discount rate assumption used to determine the net periodic pension cost as of December 31, | 2.56% | 2.12% |

Deferred Compensation

JDC offers its executive managers a non-matching deferred compensation plan. Participants can opt to defer a portion of their salary into an independently managed investment account owned by JDC. These investments are not part of JDC's pooled investment accounts. Currently, five executive managers participate in the plan. These deferred compensation arrangements total \$1,566,153 and \$1,868,658 as of December 31, 2022 and 2021, respectively, and are included in investments and other liabilities to

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employees in the accompanying consolidated statement of financial position. For the years ended December 31, 2022 and 2021, employee contributions totaled \$79,000 and \$46,126, respectively.

In addition to the non-qualified retirement plans described above, included in other liabilities to employees are accrued salaries and benefits earned worldwide by JDC's employees of \$15,285,249 and \$17,922,401 as of December 31, 2022 and 2021, respectively.

NOTE 5 - LOANS PAYABLE

JPMorgan Chase

JDC has a credit line agreement with JPMorgan Chase in the amount of \$26,500,000 in 2022 and 2021. The line of credit is secured by JDC's investments held at JPMorgan Chase with a value at December 31, 2022 and 2021 of \$59,130,635 and \$67,523,647, respectively. The outstanding balance at December 31, 2022 and 2021 was \$0. In March 2023, the rate was changed from LIBOR +0.65% to the Secured Overnight Financing Rate (SOFR) + SOFR adjustment of 0.10% +0.75% and was extended for three years to be renewed on March 31, 2026. During 2022 and 2021, the interest rate ranged from 0.75% to 5.04% and 0.72% to 0.79%, respectively.

The terms of the line of credit require the maintenance of covenants, including financial reporting requirements and liquidity ratio minimums, which the bank may waive or modify at any time at their discretion.

Bank of America

JDC has a revolving line of credit agreement with Bank of America for \$50,000,000. There are two tranches: \$20,000,000 collateralized by fixed income and \$30,000,000 collateralized by hedge funds. The line of credit is secured by JDC's investments held at Bank of America with a value as of December 31, 2022 and 2021 of \$79,978,072 and \$86,309,067, respectively. The outstanding balance at December 31, 2022 and 2021 was \$0.

On November 30, 2021, the line matured and was renewed for another two years to be renewed on November 30, 2023. The interest rates on the tranches were changed from LIBOR +0.45% for fixed income and LIBOR +0.70% for hedge funds to Bloomberg Short-Term Bank Yield Index rate ("BSBY") +0.50% for fixed income and BSBY +0.90% for hedge funds. During 2022 and 2021, the interest rate ranged from 0.56% to 5.29%, and 0.52% to 0.99%, respectively. The terms of the line of credit require the maintenance of covenants, including financial reporting requirements and maintaining a minimum of assets without donor restrictions, which the bank may waive or modify at any time at their discretion.

TD Bank

JDC has a \$25,000,000 credit line agreement with TD Bank. The line is secured by JDC investments held at TD Bank with a value at December 31, 2022 and 2021 of \$35,739,515 and \$38,100,535, respectively. The outstanding balance at December 31, 2022 and 2021 was \$0. In 2020, the line of credit was extended for another three years to be renewed on October 22, 2023. In May 2023, the rate was changed from LIBOR +0.65% to SOFR + SOFR adjustment of 0.11% +0.65% and was extended for another year to be renewed on October 31, 2024. During 2022 and 2021, the total interest rate ranged from 0.75% to 5.04% and 0.72% to 0.79%, respectively.

In March 2018, JDC opened a second line of credit with TD Bank for \$18,500,000 with a similar interest rate. The duration and renewal dates are the same as the first line.

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

On July 31, 2019, JDC converted the second line of credit to a \$15,000,000 term loan for 10 years to fund the renovation of the JDC building in Israel. Payments of principal and interest are due monthly in the amount of \$151,641. The interest rate on the loan is 3.91% and matures on August 1, 2029. The balance of principal as of December 31, 2022 and 2021 was \$10,644,331 and \$12,012,535, respectively. The line is secured by JDC investments held at TD Bank with a value at December 31, 2022 and 2021 of \$25,411,739 and \$30,374,920. Future principal payments as are as follows:

| | |
|-----------|----------------------|
| 2023 | \$ 1,423,441 |
| 2024 | 1,479,902 |
| 2025 | 1,540,652 |
| 2026 | 1,602,851 |
| 2027 | 1,667,560 |
| 2028-2029 | <u>2,929,925</u> |
| | <u>\$ 10,644,331</u> |

NOTE 6 - LEASES

In February of 2017, JDC entered into a contractual agreement for a minimum of 31 years for its new global headquarters location in New York City, for which a ROU asset and lease liability are recorded in the accompanying consolidated statement of financial position for the year ended December 31, 2022.

Supplemental consolidated statement of financial position information related to operating leases at December 31, 2022:

| | |
|--------------------------|----------------------|
| ROU asset | \$ 20,609,296 |
| Accumulated amortization | <u>(324,934)</u> |
| | <u>\$ 20,284,362</u> |

| | |
|----------------------------------------|----------|
| Weighted-average remaining lease term: | 26 years |
| Weighted-average discount rate: | 6.75% |

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of December 31, 2022, and a reconciliation to the lease liability:

| | |
|---------------------------------------------|----------------------|
| 2023 | \$ 1,765,708 |
| 2024 | 1,765,708 |
| 2025 | 1,765,708 |
| 2026 | 1,765,708 |
| 2027 | 1,816,351 |
| Thereafter | <u>47,511,051</u> |
| Total lease liability, gross | 56,390,234 |
| Less: amounts representing interest (6.75%) | <u>(31,412,877)</u> |
| Total lease liability | <u>\$ 24,977,357</u> |

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Rent expense for all JDC offices worldwide for the years ended December 31, 2022 and 2021 totaled approximately \$2.7 million and \$2.6 million, respectively. During the current year, there were no new lease agreements.

The components of lease cost for the year ended December 31, 2022 are as follows:

| | |
|----------------------|--------------|
| Operating lease cost | \$ 2,097,106 |
|----------------------|--------------|

Supplemental cash flow information related to operating leases for the year ended December 31, 2022 is as follows:

| | |
|--------------------------------------------|--------------|
| Operating cash flows from operating leases | \$ 1,663,216 |
|--------------------------------------------|--------------|

NOTE 7 - INVESTMENTS

The composition of JDC's investments as of December 31, 2022 and 2021 was as follows:

| | 2022 | | | Total |
|-----------------------------------------|-----------------------|-------------|----------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | |
| U.S. government and agency obligations: | | | | |
| U.S. treasury notes | \$ 97,256 | \$ - | \$ - | \$ 97,256 |
| U.S. treasury bonds | 176,454 | - | - | 176,454 |
| Common stock | 56,523,293 | - | - | 56,523,293 |
| Mutual funds common stock | 122,450,824 | - | - | 122,450,824 |
| Mutual funds fixed income | 43,292,057 | - | - | 43,292,057 |
| Alternative investments: | | | | |
| Real estate | - | - | 13,375,448 | 13,375,448 |
| | <u>\$ 222,539,884</u> | <u>\$ -</u> | <u>\$ 13,375,448</u> | 235,915,332 |
| Alternative investments valued at NAV | | | | 348,993,387 |
| State of Israel bonds (at cost) | | | | <u>25,000</u> |
| Total investments | | | | <u>\$ 584,933,719</u> |

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

| | 2021 | | | |
|-----------------------------------------|-----------------------|-------------|----------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| U.S. government and agency obligations: | | | | |
| U.S. treasury notes | \$ 103,033 | \$ - | \$ - | \$ 103,033 |
| U.S. treasury bonds | 192,207 | - | - | 192,207 |
| Municipal bonds | 230,972 | - | - | 230,972 |
| Corporate bonds | 125,669 | - | - | 125,669 |
| Common stock | 62,103,468 | - | - | 62,103,468 |
| Mutual funds common stock | 153,032,599 | - | - | 153,032,599 |
| Mutual funds fixed income | 56,010,107 | - | - | 56,010,107 |
| Alternative investments: | | | | |
| Real estate | - | - | 13,995,800 | 13,995,800 |
| | <u>\$ 271,798,055</u> | <u>\$ -</u> | <u>\$ 13,995,800</u> | 285,793,855 |
| Alternative investments valued at NAV | | | | 403,424,418 |
| State of Israel bonds (at cost) | | | | <u>25,000</u> |
| Total investments | | | | <u>\$ 689,243,273</u> |

The following tables summarize the changes in JDC's Level 3 investments for the years ended December 31, 2022 and 2021:

| | 2022 |
|----------------------------------------|----------------------|
| Beginning of the year | \$ 13,995,800 |
| Realized and unrealized losses | (620,352) |
| Redemptions | - |
| End of the year | <u>\$ 13,375,448</u> |
| | 2021 |
| Beginning of the year | \$ 13,995,800 |
| Realized and unrealized gains/(losses) | - |
| Redemptions | - |
| End of the year | <u>\$ 13,995,800</u> |

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

JDC uses the NAV per share or its equivalent to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments by major category as of December 31, 2022 and 2021, which are reported at fair value using an NAV:

| | 2022 | | | | |
|-------------------------------------|-----------------|-----------------------|----------------------|-----------------------------------------------------------|--------------------------|
| | Number of Funds | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Alternative investments: | | | | | |
| Real estate ^(a) | 3 | \$ 39,601 | \$ 877,144 | N/A | N/A |
| | | | | Monthly, quarterly, annually, 3-year lockup | 15-180 days |
| Hedge funds ^(b) | 29 | 251,186,351 | 2,653,741 | N/A | N/A |
| Private equity funds ^(c) | 33 | 93,957,974 | 25,026,590 | Daily | Daily |
| Common trust funds ^(d) | 13 | 3,809,461 | - | | |
| Total | | <u>\$ 348,993,387</u> | | | |
| | 2021 | | | | |
| | Number of Funds | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Alternative investments: | | | | | |
| Real estate ^(a) | 3 | \$ 379,764 | \$ 877,144 | N/A | N/A |
| | | | | Monthly, quarterly, annually, tri-annually, 3-year lockup | 15-180 days |
| Hedge funds ^(b) | 32 | 300,151,742 | 1,741,602 | N/A | N/A |
| Private equity funds ^(c) | 30 | 98,041,478 | 23,398,534 | Daily, thrice monthly | Daily |
| Common trust funds ^(d) | 13 | 4,851,434 | - | | |
| Total | | <u>\$ 403,424,418</u> | | | |

(e) *Real estate* - Shares in the investments of Apollo Real Estate Funds, LP (various real estate funds) to benefit from the various diversified strategies that Apollo Real Estate Funds, LP invests in, including real estate equity securities. The purpose is to generate appreciation while managing risk through diversification.

(f) *Hedge funds* - Shares in the investments of various partnerships whose portfolios include foreign and domestic debt/equity securities, long/short equity, natural resources, commodities, derivatives, and investments in other private equity funds and limited partnerships. The purpose is to generate appreciation while managing risk through diversification.

(g) *Private equity funds* - Shares in the investments of various partnerships whose portfolios include debt securities, equity securities, and investments in various limited liability corporations. The purpose is to generate appreciation while managing risk through diversification.

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

- (h) *Common trust funds* - Shares in commingled vehicles encompassing several investment assets within a common management strategy, which includes indexes, bond funds and treasuries. The purpose is to generate appreciation while managing risk through diversification.

The following tables summarize the significant unobservable inputs JDC used to value one investment categorized as Level 3. The tables below are not meant to be all inclusive, but instead capture the significant unobservable inputs relevant to determination of fair value at December 31, 2022 and 2021.

| 2022 | | | | |
|----------------------|---------------|---------------------|-----------------------------------------------------------|---------------------|
| Assets Type | Fair Value | Valuation Technique | Unobservable Inputs | Capitalization Rate |
| Voting common shares | \$ 13,375,448 | Income approach | Capitalization rate an average of net income before taxes | 6.9% |

| 2021 | | | | |
|----------------------|---------------|---------------------|-----------------------------------------------------------|---------------------|
| Assets Type | Fair Value | Valuation Technique | Unobservable Inputs | Capitalization Rate |
| Voting common shares | \$ 13,995,800 | Income approach | Capitalization rate an average of net income before taxes | 8.5% |

Investment return consisted of the following for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|------------------------------------------------|------------------|---------------|
| Interest and dividends | \$ 3,955,132 | \$ 3,877,987 |
| Unrealized (losses)/gains on investments | (91,258,578) | 52,514,478 |
| Realized (losses)/gains on investments | (5,277,107) | 40,732,118 |
| | (92,580,553) | 97,124,583 |
| Unrelated business income tax (expense)/refund | (9,558) | 31,147 |
| Investment fees | (1,376,642) | (5,223,568) |
| Total investment (loss)/income | (93,966,753) | 91,932,162 |
| Less: investment return used for operations | (33,958,679) | (24,930,019) |
| (Deficiency)/Excess of investment returns, net | \$ (127,925,432) | \$ 67,002,143 |

Amounts reflected as cash pending investment purchases on the accompanying consolidated statement of financial position reflect cash disbursed to an investment fund or cash identified for immediate investment that has not yet been credited to JDC's investment account as of December 31, 2022 and 2021, respectively. Such purchases settled subsequent to December 31, 2022 and 2021, respectively.

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 8 - FIXED ASSETS, NET

Fixed assets, net consisted of the following as of December 31, 2022 and 2021:

| | 2022 | | | |
|------------------------------------|---------------|-----------------------------|---------------|---------------------------|
| | Cost | Accumulated Depreciation | Net | Estimated Useful Lives |
| <i>Headquarters, New York</i> | | | | |
| Leasehold improvements | \$ 4,171,489 | \$ 2,077,392 | \$ 2,094,097 | 10 years |
| Software project costs | 791,120 | 751,797 | 39,323 | 5 years |
| Furniture and equipment | 1,366,297 | 1,263,059 | 103,238 | 5 years |
| Total headquarters, New York | 6,328,906 | 4,092,248 | 2,236,658 | |
| <i>Overseas</i> | | | | |
| <i>Argentina</i> | | | | |
| Buildings | 280,500 | 125,480 | 155,020 | 50 years |
| <i>Israel</i> | | | | |
| Land | 600,000 | - | 600,000 | |
| Buildings and improvements | 21,640,979 | 3,106,948 | 18,534,031 | 50 years |
| Equipment | 5,431,190 | 2,176,340 | 3,254,850 | 5 - 10 years |
| <i>Former Soviet Union</i> | | | | |
| Buildings | 40,246,587 | 19,099,483 | 21,147,104 | 50 years |
| Furniture and equipment | 1,111,870 | 533,592 | 578,278 | 5 years |
| <i>Hungary</i> | | | | |
| Buildings and improvements | 10,575,444 | 483,413 | 10,092,031 | 3 - 17 years |
| <i>Other Overseas Fixed Assets</i> | 1,161,867 | 821,506 | 340,361 | 5 - 15 years |
| Total overseas | 81,048,437 | 26,346,762 | 54,701,675 | |
| Total | \$ 87,377,343 | \$ 30,439,010 | \$ 56,938,333 | |

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

| | 2021 | | | |
|------------------------------------|---------------|-----------------------------|---------------|---------------------------|
| | Cost | Accumulated Depreciation | Net | Estimated Useful Lives |
| <i>Headquarters, New York</i> | | | | |
| Leasehold improvements | \$ 4,171,486 | \$ 1,699,684 | \$ 2,471,802 | 10 years |
| Software project costs | 791,120 | 634,062 | 157,058 | 5 years |
| Furniture and equipment | 1,366,297 | 1,110,235 | 256,062 | 5 years |
| Total headquarters, New York | 6,328,903 | 3,443,981 | 2,884,922 | |
| <i>Overseas</i> | | | | |
| <i>Argentina</i> | | | | |
| Buildings | 280,500 | 119,870 | 160,630 | 50 years |
| <i>Israel</i> | | | | |
| Land | 600,000 | - | 600,000 | |
| Buildings and improvements | 21,162,739 | 2,967,348 | 18,195,391 | 50 years |
| Equipment | 4,778,566 | 1,211,187 | 3,567,379 | 5 - 10 years |
| <i>Former Soviet Union</i> | | | | |
| Buildings | 40,774,945 | 18,022,024 | 22,752,921 | 50 years |
| Furniture and equipment | 1,118,557 | 493,730 | 624,827 | 5 years |
| <i>Hungary</i> | | | | |
| Buildings and improvements | 4,342,593 | 371,340 | 3,971,253 | 3 - 17 years |
| <i>Other Overseas Fixed Assets</i> | 1,131,569 | 743,107 | 388,462 | 5 - 15 years |
| Total overseas | 74,189,469 | 23,928,606 | 50,260,863 | |
| Total | \$ 80,518,372 | \$ 27,372,587 | \$ 53,145,785 | |

Assets held for sale totaled \$840,205 and \$1,913,216, net of impairment of \$0 and \$160,772, as of December 31, 2022 and 2021, respectively. These buildings were approved by the board to be sold and are actively being marketed. During 2022, one building held for sale was sold, which resulted in a net loss on sale of \$216,513. The rest of the buildings held for sale are still actively being marketed.

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 9 - CONTRIBUTIONS RECEIVABLE, NET

All unconditional contributions receivable have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using discount rates ranging from 4.4% to 4.6%. Included in the discount rate is a credit risk adjustment of 1.5% for fiscal years 2022 and 2021. As of December 31, 2022 and 2021, contributions receivable consisted of the following:

| | <u>2022</u> |
|----------------------------------------------------|----------------------|
| Amounts due in: | |
| 2023 | \$ 25,095,702 |
| 2024 | 5,304,499 |
| 2025 | 1,322,708 |
| 2026 | 767,439 |
| 2027 | 199,047 |
| Thereafter | <u>457,158</u> |
| | 33,146,553 |
| Less: discount to present value | (979,691) |
| Less: allowance for doubtfully collectible pledges | <u>(2,182,560)</u> |
| Contributions receivable, net | <u>\$ 29,984,302</u> |
| | |
| | <u>2021</u> |
| Amounts due in: | |
| 2022 | \$ 22,769,186 |
| 2023 | 6,483,891 |
| 2024 | 4,586,483 |
| 2025 | 629,943 |
| 2026 | 570,000 |
| Thereafter | <u>490,000</u> |
| | 35,529,503 |
| Less: discount to present value | (410,428) |
| Less: allowance for doubtfully collectible pledges | <u>(1,598,126)</u> |
| Contributions receivable, net | <u>\$ 33,520,949</u> |

NOTE 10 - SPLIT-INTEREST AGREEMENTS

JDC is a beneficiary under certain split-interest agreements in which the donor has established a charitable remainder trust or charitable gift annuity. JDC invests these assets on behalf of these beneficiaries until the agreement expires and the assets are distributed. The fair value of the investments related to split-interest agreements totaled \$5,191,708 and \$6,365,757 as of December 31, 2022 and 2021, respectively, and are included in investments on the consolidated statement of financial position. Contribution revenues for split-interest agreements are recognized at the date the agreement is established, net of the liability recorded for the present value of the future payments to be made to the respective donors and/or other beneficiaries. The present value of payments to beneficiaries is calculated using a discount rate which ranged from 0.4% to 9.8%. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

are recorded as increases or decreases in the respective net asset class in the consolidated statement of activities.

At December 31, 2022 and 2021, JDC's obligations to annuitants pertaining to split-interest agreements are classified as Level 3 within the fair value hierarchy, which are reported as annuity obligations in the accompanying consolidated statement of financial position. The following table summarizes the changes in split-interest agreement liabilities for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---------------------------------------------|---------------------|---------------------|
| Beginning of the year | \$ 2,403,990 | \$ 2,524,053 |
| New agreements | - | 49,291 |
| Payments to annuitants | (507,274) | (510,954) |
| Change in value due to actuarial valuations | 272,519 | 341,600 |
| End of the year | <u>\$ 2,169,235</u> | <u>\$ 2,403,990</u> |

NOTE 11 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|-------------------------------------------|----------------------|----------------------|
| Liabilities in respect of programs | \$ 15,182,072 | \$ 12,940,927 |
| Wohl Charitable Foundation grants payable | 2,927,942 | 4,547,379 |
| Deferred rent | - | 4,345,158 |
| Deferred grant revenue | 1,155,347 | 826,217 |
| Liabilities to Government of Israel | - | 791,807 |
| Other | 7,720,894 | 6,125,639 |
| | <u>\$ 26,986,255</u> | <u>\$ 29,577,127</u> |

NOTE 12 - INCOME TAXES

AJJDC Real Estate Company Limited ("AREC") is subject to tax on its profits in each jurisdiction in which it operates. JDC accounts for deferred taxes under the assets and liabilities method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statement and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Calculation of Tax Provision for AREC

| | <u>2022</u> | <u>2021</u> |
|---------------------------|------------------|------------------|
| Income tax - current year | \$ 66,967 | \$ 32,119 |
| Charge for the year | <u>\$ 66,967</u> | <u>\$ 32,119</u> |

AREC is subject to corporate tax on its taxable profits at the rate of 12.5% in 2022 and 2021. Under certain conditions, interest income may be subject to defense contribution at the rate of 30%. In such cases, this interest will be exempt from corporate tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 17%. Gains on disposal of qualifying investment assets (including stocks, bonds, and other debentures) are exempt from Cyprus income tax.

The applicable tax rates for income tax in other jurisdictions are as follows for the years ended December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---------|-------------|-------------|
| Russia | 20% | 20% |
| Ukraine | 18% | 18% |

The open tax years of the head office and its branches as of December 31, 2022 are as follows:

| | |
|-----------------------|-----------|
| Head office | 2014-2022 |
| Moscow branch | 2020-2022 |
| St. Petersburg branch | 2020-2022 |
| Ukraine branch | 2020-2022 |

NOTE 13 - NET ASSETS WITHOUT DONOR RESTRICTIONS

| | <u>2022</u> | <u>2021</u> |
|------------------------|-----------------------|-----------------------|
| Undesignated | \$ 139,448,123 | \$ 148,879,703 |
| Board-designated funds | 94,131,273 | 95,187,768 |
| Plant funds | <u>54,762,141</u> | <u>52,763,098</u> |
| | <u>\$ 288,341,537</u> | <u>\$ 296,830,569</u> |

Board-designated funds include quasi-endowment and accumulated quasi-endowment investment income for specific purposes designated by JDC's Board of Directors.

Plant funds include JDC's fixed assets, including the net assets of AJJDC Real Estate Company Limited, as well as all related depreciation, amortization, and impairment expenses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2022 and 2021, which are subject to expenditure for specified purposes or time restrictions, or funds restricted to investment in perpetuity, the income from which is expendable to support activities of JDC, are available for the following:

| | 2022 | | |
|------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------|-----------------------|
| | Donor Restricted for Time or Purpose | Endowment Funds Maintained in Perpetuity | Total |
| Saving Jewish lives | \$ 94,685,199 | \$ 5,364,161 | \$ 100,049,360 |
| Building Jewish life | 45,173,855 | 20,596,578 | 65,770,433 |
| Research institutes in Israel | 51,688,774 | 6,826,486 | 58,515,260 |
| Awaiting appropriation for program | 25,517,417 | 36,596,365 | 62,113,782 |
| Restricted for time | 11,016,698 | - | 11,016,698 |
| Wohl Charitable Foundation and other consolidated entities | 174,212,345 | - | 174,212,345 |
| | <u>\$ 402,294,288</u> | <u>\$ 69,383,590</u> | <u>\$ 471,677,878</u> |
| | 2021 | | |
| | Donor Restricted for Time or Purpose | Endowment Funds Maintained in Perpetuity | Total |
| Saving Jewish lives | \$ 68,596,778 | \$ 5,364,161 | \$ 73,960,939 |
| Building Jewish life | 45,344,496 | 17,069,529 | 62,414,025 |
| Research institutes in Israel | 64,492,667 | 6,957,769 | 71,450,436 |
| Awaiting appropriation for program | 35,503,556 | 35,454,876 | 70,958,432 |
| Restricted for time | 14,195,962 | - | 14,195,962 |
| Wohl Charitable Foundation and other consolidated entities | 236,452,388 | - | 236,452,388 |
| | <u>\$ 464,585,847</u> | <u>\$ 64,846,335</u> | <u>\$ 529,432,182</u> |

During the years ended December 31, 2022 and 2021, net assets with donor restrictions were released from restrictions by incurring expenses satisfying the following restricted purposes:

| | 2022 | 2021 |
|----------------------------------------|-----------------------|-----------------------|
| Saving Jewish lives | \$ 110,222,012 | \$ 42,746,315 |
| Building Jewish life | 45,442,293 | 45,686,027 |
| Other | 1,973,426 | 2,381,442 |
| Capital projects in Israel and Hungary | 7,142,693 | 10,466,618 |
| | <u>\$ 164,780,424</u> | <u>\$ 101,280,402</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 15 - ENDOWMENT FUNDS

General

JDC's endowments consist of individual donor-restricted endowment funds established to support activities of JDC, as well as accumulation of income from these funds. It also includes funds designated by JDC's Board of Directors to function as an endowment (quasi-endowment). As required by US GAAP, net assets associated with endowment funds, including funds designated by JDC's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

JDC has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation 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, JDC classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is investment income from endowments until those amounts are appropriated for expenditure by JDC in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of JDC and the donor-restricted endowment fund;
- General economic conditions;
- The possible effects of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of JDC;
- The investment policies of JDC; and
- Where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on JDC.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Return Objectives, Strategies Employed and Spending Policy

The following tables summarize endowment net asset composition by type of fund as of December 31, 2022 and 2021.

| | 2022 | | |
|----------------------------------------------------------------------------|-------------------------------|-------------------------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| | (Board Designated) | (Endowment Funds and Accumulations) | Total |
| Endowment net assets, beginning of year | \$ 95,187,768 | \$ 98,535,941 | \$ 193,723,709 |
| Investment loss | (7,028,575) | (11,923,030) | (18,951,605) |
| Contributions and board designations | 7,290,660 | 4,674,297 | 11,964,957 |
| Actuarial loss on annuity obligations | - | (47,291) | (47,291) |
| Appropriation of endowment assets for expenditure and reclassifications | (1,318,580) | (5,404,535) | (6,723,115) |
| Endowment net assets, end of year | <u>\$ 94,131,273</u> | <u>\$ 85,835,382</u> | <u>\$ 179,966,655</u> |
| | 2021 | | |
| | Without Donor Restrictions | With Donor Restrictions | |
| | (Board Designated) | (Endowment Funds and Accumulations) | Total |
| Endowment net assets, beginning of year | \$ 70,911,515 | \$ 91,149,474 | \$ 162,060,989 |
| Investment gain | 7,102,022 | 11,115,656 | 18,217,678 |
| Contributions and board designations | 1,742,897 | 5,094,720 | 6,837,617 |
| Actuarial loss on annuity obligations | - | (46,481) | (46,481) |
| Appropriation of endowment assets for expenditure and reclassifications | 15,431,334 | (8,777,428) | 6,653,906 |
| Endowment net assets, end of year | <u>\$ 95,187,768</u> | <u>\$ 98,535,941</u> | <u>\$ 193,723,709</u> |

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 16 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects JDC's financial assets at year end, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

| | 2022 | 2021 |
|-----------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Financial assets (excluding Wohl Charitable Foundation): | | |
| Cash and cash equivalents | \$ 111,844,675 | \$ 76,972,124 |
| Cash pending investment purchases | 1,221,545 | 6,124,256 |
| Investments | 440,034,353 | 514,291,933 |
| Due from broker | - | 5,277,288 |
| Grants receivable | 37,542,797 | 24,414,947 |
| Contributions receivable, net | 29,984,302 | 33,520,949 |
| | <hr/> | <hr/> |
| Total financial assets, end of year | 620,627,672 | 660,601,497 |
| | <hr/> | <hr/> |
| Less: | | |
| Contractual, legal, or donor-imposed restrictions: | | |
| Endowment funds maintained in perpetuity: | | |
| Contributions receivable | 501,832 | 622,712 |
| Investments | 69,087,465 | 64,441,917 |
| | <hr/> | <hr/> |
| | 69,589,297 | 65,064,629 |
| | <hr/> | <hr/> |
| Donor-restricted funds for time and purpose: | | |
| Contributions receivable restricted for time | 6,961,160 | 12,224,889 |
| Investments of JDC Support Foundations and Myers-JDC Brookdale Institute | 20,747,181 | 26,795,309 |
| Investments for split-interest agreements | 4,748,147 | 6,100,594 |
| Donor-advised funds | 2,626,642 | 3,495,695 |
| | <hr/> | <hr/> |
| | 35,083,130 | 48,616,487 |
| | <hr/> | <hr/> |
| Other: | | |
| Investments restricted by lender as collateral | 154,542,374 | 167,898,567 |
| Investments held on behalf of other entities | 3,217,290 | 3,573,018 |
| | <hr/> | <hr/> |
| | 157,759,664 | 171,471,585 |
| | <hr/> | <hr/> |
| Total amounts unavailable for general expenditures within one year | 262,432,091 | 285,152,701 |
| | <hr/> | <hr/> |
| Total amounts available for general expenditures before Board designations | 358,195,581 | 375,448,796 |
| | <hr/> | <hr/> |
| Board designations: | | |
| Funds functioning as endowments (quasi-endowments) | 94,131,273 | 95,187,768 |
| | <hr/> | <hr/> |
| Total amounts unavailable to management without Board approval | 94,131,273 | 95,187,768 |
| | <hr/> | <hr/> |
| Total financial assets available to meet cash needs for general expenditures within one year after Board designations | \$ 264,064,308 | \$ 280,261,028 |
| | <hr/> | <hr/> |

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Liquidity

JDC is substantially supported by contributions (both with and without donor restrictions) and grants from the Conference of Jewish Material Claims Against Germany ("Claims Conference") and the government of Israel. Because donor restrictions require resources to be used in a particular manner or in future periods, JDC must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

In addition, grants from the Claims Conference and the government of Israel are received on a reimbursement basis and, therefore, JDC funds programs and operations in advance of receiving the grants.

As part of liquidity management, JDC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. JDC invests cash in excess of daily requirements in accordance with JDC's investment policies.

Lines of Credit

As described in Note 5, JDC has lines of credit arrangements with three financial institutions aggregating \$101,500,000 in 2022 and 2021, of which \$50,000,000 is a revolving line of credit. JDC has the ability to draw upon these lines of credit as needed during the year to manage cash flows.

As of December 31, 2022 and 2021, the total outstanding balances on these three lines of credits were \$0.

Endowment Draw

JDC's endowments consist of individual donor-restricted endowment funds established to support activities of JDC, as well as accumulation of income from these funds. It also includes funds designated by JDC's Board of Directors to function as an endowment (quasi-endowment). As required by US GAAP, net assets associated with endowment funds, including funds designated by JDC's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The objective of JDC is to maintain the principal endowment funds at the historical dollar value designated by the donor. The investment policy to achieve this objective is to invest in a diversified portfolio of securities. JDC has a policy of appropriating for distribution between 4.25% and 4.5% of its endowment fund average fair value over the prior 20 quarters for permanently restricted endowment funds and over the prior 12 quarters for temporarily restricted and quasi-endowment funds.

NOTE 17 - TRANSACTIONS WITH RELATED PARTIES

Supported Organizations in the Former Soviet Union ("FSU")

JDC carries out its programs through various organizations in the FSU. JDC made distributions of \$188,724,170 and \$143,788,953 during 2022 and 2021, respectively, for various program services to these organizations. These expenditures are reflected in the consolidated statement of functional expenses.

The American Jewish Joint Distribution Committee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Projects for the Public Benefit in Israel

JDC through Joint Israel works in partnership with the Government of Israel and other third parties to support projects in Israel for the public benefit.

ALFANAR - A company for public benefit (incorporated in 2013) dedicated to the development of employment opportunities and professionalism in the Arab Sector.

HOTAM - Also known as Teach First Israel, HOTAM promotes equal opportunity in Israel by developing and training a high-quality community of educators, outstanding teachers, and leaders who work together to enable every child to choose their own future, regardless of their parents' income, level of education, or social standing.

JDC incurred expenditures on behalf of ALFANAR of \$144,663 and \$127,070 during 2022 and 2021, respectively. JDC incurred expenditures on behalf of HOTAM of \$6,645,124 and \$4,486,822 during 2022 and 2021, respectively.

Included in due to others in the accompanying consolidated statement of financial position is \$3,217,290 and \$3,573,018 held on behalf of other entities as of December 31, 2022 and 2021, respectively.

NOTE 18 - MAURICE AND VIVienne WOHL CHARITABLE FOUNDATION (THE "FOUNDATION")

This independent foundation is a British West Indies charity established by a trust deed dated May 21, 1998. The objectives of the Foundation are that the income and capital of the trust is held for the benefit of recognized charitable organizations as the trustee(s) shall in its discretion determine to benefit the Jewish people, whether in the State of Israel or in the Diaspora, and in particular for the advancement of general and vocational education; the promotion of Jewish religion and studies; cultural programs; programs for the disabled, special education needs, and physically impaired; medical facilities, services, and medical research; rehabilitation services; programs for the aged; programs for immigrants and other social welfare programs; and general relief of poverty, indigence, and distress. To achieve this objective, it is the goal of the Foundation to make annual grants of approximately 5% of the fund value for these purposes.

With the death of both Maurice and Vivienne Wohl, JDC was designated the "Appointor" and was directed to ensure that the charitable mission of the Maurice and Vivienne Wohl Charitable Foundation is carried out. It was the stated intention of Maurice and Vivienne Wohl that when fully funded the Foundation would fall under the protective umbrella of JDC. It was JDC whom they entrusted with the role of acting as the "Appointor" of the Protectors of the Foundation in their place.

The Appointor has the authority to add or remove members of the Protector Committee. The Protector Committee has the power to appoint the trustees. The trustees are responsible for the day-to-day operations of the trust and make recommendations for grants in accordance with the charitable mission of the Foundation.

The Foundation operates as a separate independent grant-making body in accordance with the terms of its mission statement as defined in the Trust Deed agreement. It is consolidated with JDC due to common board control and economic interest as required by US GAAP.

During the years ended December 31, 2022 and 2021, the Foundation gave grants totaling \$34,025,000 and \$8,330,000, respectively, to JDC. These amounts have been eliminated in consolidation.