

**MIKVA CHALLENGE GRANT  
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

# **MIKVA CHALLENGE GRANT FOUNDATION, INC.**

YEARS ENDED JUNE 30, 2022 AND 2021

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## **Independent Auditors' Report**

Board of Directors  
Mikva Challenge Grant Foundation, Inc.

### **Opinion**

We have audited the accompanying financial statements of Mikva Challenge Grant Foundation, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mikva Challenge Grant Foundation, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mikva Challenge Grant Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mikva Challenge Grant Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mikva Challenge Grant Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mikva Challenge Grant Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Ostrow Reisin Berk & Abrams, Ltd.*

February 2, 2023

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30,	2022	2021
<b>ASSETS</b>		
Cash	\$ 2,776,233	\$ 3,002,901
Investments	1,331,483	1,477,038
Grants and contributions receivable	1,083,090	699,738
Accounts receivable	592,874	280,096
Prepaid expenses and deposits	142,695	156,053
Property and equipment, net	21,816	21,954
<b>Total assets</b>	<b>\$ 5,948,191</b>	<b>\$ 5,637,780</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 202,199	\$ 139,989
Contract liabilities	40,000	159,500
Deferred rent	38,186	49,732
<b>Total liabilities</b>	<b>280,385</b>	<b>349,221</b>
<b>Net assets:</b>		
Without donor restrictions:		
Board-designated endowment funds	1,546,764	1,684,314
Undesignated	1,885,319	1,346,228
<b>Total without donor restrictions</b>	<b>3,432,083</b>	<b>3,030,542</b>
<b>With donor restrictions</b>	<b>2,235,723</b>	<b>2,258,017</b>
<b>Total net assets</b>	<b>5,667,806</b>	<b>5,288,559</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,948,191</b>	<b>\$ 5,637,780</b>

See notes to financial statements.

**MIKVA CHALLENGE GRANT FOUNDATION, INC.**

**STATEMENTS OF ACTIVITIES**

Years ended June 30,	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Foundation and corporate grants	\$ 188,236	\$ 2,375,250	\$ 2,563,486	\$ 1,170,313	\$ 2,510,420	\$ 3,680,733
Individual contributions	755,135	220,250	975,385	384,435	111,447	495,882
Contributed goods and services	74,073		74,073			
Special events:						
Gross proceeds	644,140		644,140	640,076		640,076
Less cost of direct benefit to donors	(143,661)		(143,661)			
Contract services revenue	1,585,938		1,585,938	811,608		811,608
Forgiveness of debt - PPP loan				430,272		430,272
Net investment loss	(145,440)		(145,440)	(218)		(218)
Net assets released from restrictions	2,617,794	(2,617,794)		2,165,252	(2,165,252)	
<b>Total revenue</b>	<b>5,576,215</b>	<b>(22,294)</b>	<b>5,553,921</b>	<b>5,601,738</b>	<b>456,615</b>	<b>6,058,353</b>
Expenses:						
Program services	3,023,309		3,023,309	2,997,834		2,997,834
Management and general	1,312,812		1,312,812	733,504		733,504
Fundraising	838,553		838,553	788,885		788,885
<b>Total expenses</b>	<b>5,174,674</b>		<b>5,174,674</b>	<b>4,520,223</b>		<b>4,520,223</b>
Change in net assets	401,541	(22,294)	379,247	1,081,515	456,615	1,538,130
Net assets:						
Beginning of year	3,030,542	2,258,017	5,288,559	1,949,027	1,801,402	3,750,429
End of year	\$ 3,432,083	\$ 2,235,723	\$ 5,667,806	\$ 3,030,542	\$ 2,258,017	\$ 5,288,559

*See notes to financial statements.*

**MIKVA CHALLENGE GRANT FOUNDATION, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Year ended June 30, 2022	Program services					Support services		Cost of direct benefit to donors	Total
	Activism Programs	National Programs	Elections Program	Policymaking Programs	Total program services	Management and general	Fundraising		
Depreciation and amortization	\$ 2,373	\$ 756	\$ 119	\$ 5,631	\$ 8,879	\$ 5,956	\$ 2,034		\$ 16,869
Education, dues and subscriptions	1,116	1,076	95	636	2,923	78,721	14,482		96,126
Grants, awards and stipends	67,094	23,575	169,832	200,912	461,413		5,475		466,888
Occupancy	41,383	34,953	29,830	33,320	139,486	26,814	59,531		225,831
Professional services	11,619	50,002	5,957	18,286	85,864	428,548	140,654	\$ 41,514	696,580
Salaries and related costs	379,715	1,041,006	297,770	504,206	2,222,697	708,658	572,988		3,504,343
Supplies and office expenses	4,303	37,152	3,169	3,679	48,303	62,861	38,945	9,683	159,792
Workshops, campaign and other program events	28,691	15,259	3,505	6,289	53,744	1,254	4,444	92,464	151,906
<b>Total expenses</b>	<b>536,294</b>	<b>1,203,779</b>	<b>510,277</b>	<b>772,959</b>	<b>3,023,309</b>	<b>1,312,812</b>	<b>838,553</b>	<b>143,661</b>	<b>5,318,335</b>
Less expenses included with revenue on the statements of activities								(143,661)	(143,661)
<b>Total expenses included in the expenses section on the statements of activities</b>	<b>\$ 536,294</b>	<b>\$ 1,203,779</b>	<b>\$ 510,277</b>	<b>\$ 772,959</b>	<b>\$ 3,023,309</b>	<b>\$ 1,312,812</b>	<b>\$ 838,553</b>	<b>\$ -</b>	<b>\$ 5,174,674</b>

*See notes to financial statements.*

**MIKVA CHALLENGE GRANT FOUNDATION, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)**

Year ended June 30, 2021	Program services					Support services		
	Activism Programs	National Programs	Elections Program	Policymaking Programs	Total program services	Management and general	Fundraising	Total
Depreciation and amortization	\$ 5,942	\$ 2,923	\$ 259	\$ 10,170	\$ 19,294	\$ 4,507	\$ 5,385	\$ 29,186
Education, dues and subscriptions	2,415	1,773	1,415	2,853	8,456	22,789	11,430	42,675
Grants, awards and stipends	33,338	27,015	42,487	276,728	379,568		3,600	383,168
Occupancy	52,227	34,856	22,218	47,721	157,022	21,586	52,637	231,245
Professional services	623	100,347	8,792	27,789	137,551	267,015	175,056	579,622
Provision for uncollectible contributions receivable						46,301		46,301
Salaries and related costs	536,423	1,069,123	270,430	385,697	2,261,673	323,725	522,872	3,108,270
Supplies and office expenses	4,316	4,238	1,714	4,491	14,759	45,963	16,949	77,671
Workshops, campaign and other program events	3,419	6,071	2,596	7,425	19,511	1,618	956	22,085
<b>Total expenses</b>	<b>\$ 638,703</b>	<b>\$ 1,246,346</b>	<b>\$ 349,911</b>	<b>\$ 762,874</b>	<b>\$ 2,997,834</b>	<b>\$ 733,504</b>	<b>\$ 788,885</b>	<b>\$ 4,520,223</b>

*See notes to financial statements.*



# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS

Years ended June 30,	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 379,247	\$ 1,538,130
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Forgiveness of debt - PPP loan		(430,272)
Depreciation and amortization	16,869	29,186
Net realized and unrealized loss on investments	170,660	28,694
Deferred rent	(11,546)	(7,344)
Provision for uncollectible contributions receivable		46,301
(Increase) decrease in operating assets:		
Grants and contributions receivable	(383,352)	1,054,923
Accounts receivable	(312,778)	(113,982)
Prepaid expenses and deposits	13,358	(33,610)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	62,210	48,660
Contract liabilities	(119,500)	159,500
Net cash provided by (used in) operating activities	(184,832)	2,320,186
Cash flows from investing activities:		
Purchases of property and equipment	(16,894)	(1,595)
Purchases of investments	(24,942)	(27,511)
Net cash used in investing activities	(41,836)	(29,106)
Net increase (decrease) in cash	(226,668)	2,291,080
Cash, beginning of year	3,002,901	711,821
Cash, end of year	\$ 2,776,233	\$ 3,002,901

*See notes to financial statements.*

# **MIKVA CHALLENGE GRANT FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Organization and operations**

Mikva Challenge Grant Foundation, Inc. (the Foundation) was formed in 1997 to foster and encourage young peoples' interest in politics and civic affairs. The Foundation's mission is to develop youth to be empowered, informed, and active citizens who will promote a just and equitable society. Through its work, the Foundation looks to build a stronger, inclusive democracy that values youth voice. Its programs serve middle and high school age students and provide professional development and materials for educators across the country. Through its Elections, Activism, Policymaking, and National Programs, the Foundation works with teachers to develop curriculum and implement educational programs which offer students a variety of activities. Students learn about the political process and have the opportunity to participate in political forums, internships, policy councils, leadership and public policy development workshops, voter registration drives, voter education, election judging, polling and research.

### **2. Summary of significant accounting policies**

#### **Basis of accounting:**

The Foundation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

#### **Recent accounting pronouncement:**

During the year ended June 30, 2022, the Foundation adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit entity has received. Adoption of this standard did not have a significant impact on the Foundation's financial statements.

# **MIKVA CHALLENGE GRANT FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Basis of presentation:**

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

**Net assets without donor restrictions** - Net assets available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates and the purposes specified in its Articles of Incorporation. Voluntary resolutions by the Board of Directors to designate a portion of the Foundation's net assets without donor restrictions for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board of Directors at any time, designated net assets are included under the caption "net assets without donor restrictions." Board-designated net assets include assets over which the Board retains control and may, at its discretion, subsequently use for other purposes. Board-designated net assets represent assets used to fund future special projects or other programs of the Foundation.

**Net assets with donor restrictions** - Net assets with donor restrictions represent those for which the use by the Foundation has been limited by donors to a specific time period or purpose.

#### **Contributions and grants:**

Contributions and grants received are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

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

#### **Contributed goods and services:**

Contributed goods and services are reflected as contributions at their fair value at the date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how contributed goods and services must be used. The Foundation recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not contributed. Contributed goods are not sold and goods and services are only utilized by the Foundation.

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Contributed goods and services: (continued)

There were no donor restrictions on the use of contributed goods and services during the year ended June 30, 2022. The contributed strategy consulting services are valued at estimated fair value using standard rates for similar services.

During the year ended June 30, 2022, contributed goods and services were allocated as follows:

Year ended June 30, 2022	Program services	Management and general	Fundraising	Total
Professional services		\$ 74,073		\$ 74,073

#### Investments:

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income or loss is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

#### Grants and contributions receivable:

Grants and contributions receivable consist of unconditional promises to give. As of June 30, 2022 and 2021, \$1,083,090 and \$699,738, respectively, is due within one year. Management estimates an allowance for doubtful accounts based on experience and knowledge of circumstances that may affect the ability of donors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with agreed upon terms. At June 30, 2022 and 2021, all amounts are considered fully collectible and an allowance for doubtful accounts is considered unnecessary and is not provided.

#### Accounts receivable:

Accounts receivable consist of receivables related to contract services revenue. All amounts are due within one year and are stated at the amount management expects to receive. Management estimates an allowance for doubtful accounts based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. At June 30, 2022 and 2021, all amounts are considered fully collectible and an allowance for doubtful accounts is considered unnecessary and is not provided.

# **MIKVA CHALLENGE GRANT FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Property and equipment:**

Property and equipment are stated at cost, if purchased or fair value at date of donation, if donated. Depreciation of furniture and equipment and software is provided over three or five years using the straight-line method. Amortization of leasehold improvements is provided ratably over the lesser of the term of the lease or the estimated life of the improvements. Major additions and betterments of \$500 or more are capitalized, while maintenance and repairs which do not improve or extend the lives of the respective assets are expensed as incurred.

Property and equipment is reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the carrying value is written down to the asset's fair value. There were no indicators of asset impairment during the years ended June 30, 2022 and 2021.

#### **Deferred rent:**

The Foundation records monthly rent expense equal to total minimum payments due over the lease term, divided by the number of months in the lease term. The difference between rent expense recorded and the amount paid is charged (credited) to deferred rent which is reflected in the statements of financial position.

#### **Expense allocation:**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related costs; depreciation and amortization; education, dues and subscriptions; and occupancy are allocated on the basis of time and effort.

#### **Use of estimates:**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Subsequent events:

Management of the Foundation has reviewed and evaluated subsequent events through February 2, 2023, the date the financial statements were available to be issued.

### 3. Revenue from contracts with customers

#### Performance obligations:

The Foundation receives contract services revenue for training educators in action civics. The Foundation recognizes these fees ratably over the life of the contract as services are rendered over time. The Foundation also receives contract services revenue for providing professional development workshops and other program events. The Foundation recognizes these fees at a point in time when the workshops or events take place. Revenue from contracts with customers also includes a portion of special events revenue reflecting the exchange element based upon the fair value of direct benefits donors receive which is recognized at a point in time when the special event takes place. There is no variable consideration with these revenue streams.

#### Disaggregation of revenue:

Revenue from contracts with customers disaggregated by category for the years ended June 30, 2022 and 2021 were as follows:

<u>Years ended June 30,</u>	<u>2022</u>	<u>2021</u>
Revenue recognized over time:		
Contract services revenue	\$ 1,382,099	\$ 811,608
Revenue recognized at a point in time:		
Contract services revenue	203,839	
Special events	42,558	
Total revenue recognized at a point in time	246,397	
Total	\$ 1,628,496	\$ 811,608

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. Revenue from contracts with customers (continued)

#### Contract balances:

Accounts receivable relating to contracts with customers was \$592,874, \$280,096 and \$166,114 at June 30, 2022, 2021 and 2020, respectively. There were no contract assets as June 30, 2022, 2021 and 2020. Contract liabilities represent amounts received by June 30 for services that will not be performed until after June 30. Contract liabilities were \$40,000, \$159,500 and \$-0- at June 30, 2022, 2021 and 2020, respectively.

#### Significant judgments:

Significant judgment is required in determining the appropriate approach to applying the revenue recognition criteria. Significant judgment is also required to assess collectibility, which is assessed at the onset of the contract; and revenue is recognized at the amount management expects to collect from its customers when performance obligations have been satisfied.

### 4. Liquidity and availability

The following represents the Foundation's financial assets available to meet general expenditures within one year at June 30, 2022 and 2021:

June 30,	2022	2021
Financial assets:		
Cash	\$ 2,776,233	\$ 3,002,901
Investments	1,331,483	1,477,038
Grants and contributions receivable	1,083,090	699,738
Accounts receivable	592,874	280,096
<b>Total financial assets</b>	<b>5,783,680</b>	<b>5,459,773</b>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,235,723	2,258,017
Board-designated endowment funds	1,546,764	1,684,314
<b>Total amounts not available to be used within one year</b>	<b>3,782,487</b>	<b>3,942,331</b>
<b>Financial assets available to meet general expenditures within one year</b>	<b>\$ 2,001,193</b>	<b>\$ 1,517,442</b>

# **MIKVA CHALLENGE GRANT FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **4. Liquidity and availability (continued)**

The Foundation manages available cash to meet general expenditures following these principles:

- Meet operating needs and contractual commitments
- Maintain adequate liquid assets
- Maximize investment opportunities
- Maintain sufficient reserves to fund unexpected circumstances

Management prepares monthly budgetary projections for the upcoming year. Management monitors bank accounts daily to maintain a reserve. If unexpected circumstances arose which would require significant funds immediately, funds could be drawn from the Board-designated endowment funds to cover additional obligations. Funds are deposited into the investment account at the discretion of management. Those deposits are monitored by both management and the investment manager. The Foundation's Audit and Finance Committee reviews liquidity measures on a quarterly basis.

### **5. Cash**

The Foundation maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2022 and 2021, cash in excess of these limits totaled approximately \$2,621,000 and \$2,819,000, respectively. Management believes that the Foundation is not subject to any significant credit risk on cash.

### **6. Tax status**

The Foundation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Foundation is not a private foundation within the meaning of Section 509(a) of the Code. Management has determined that the Foundation was not required to record a liability related to uncertain tax positions as of June 30, 2022 and 2021.

### **7. Investments**

The Foundation reports its investments at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.



# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 7. Investments (continued)

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. The three levels of the fair value hierarchy are as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

Following is a description of the valuation methodology used for assets measured at fair value:

Investments in mutual funds that are traded on a national securities exchange are stated at the last reported sales price on the day of valuation. These financial investments are classified as Level 1 in the fair value hierarchy.

The method 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 management believes that its valuation method is 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 following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2022 and 2021:

June 30,	2022	2021
	(Level 1)	
Mutual funds	\$ 1,331,483	\$ 1,477,038

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 7. Investments (continued)

#### Risks and uncertainties:

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit 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 and that such changes could materially affect the amounts reported in the statements of financial position.

### 8. Property and equipment

The components of property and equipment are as follows:

June 30,	2022	2021
Office furniture and equipment	\$ 227,494	\$ 219,534
Software	28,731	28,731
Leasehold improvements	11,560	11,560
	<b>267,785</b>	259,825
Less accumulated depreciation and amortization	<b>245,969</b>	237,871
Property and equipment, net	\$ 21,816	\$ 21,954

### 9. PPP loan payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities and other allowable costs. The Foundation applied for and received \$430,272. In December 2020, the Foundation received notice from the SBA and its lender that the full loan amount of \$430,272 was fully forgiven. The Foundation has accounted for the PPP loan under the debt model and has recognized forgiveness of debt revenue of \$430,272 during the year ended June 30, 2021 upon approval of the loan forgiveness application.

# **MIKVA CHALLENGE GRANT FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **10. Line of credit**

The Foundation has a \$135,000 line of credit. The line of credit, which is collateralized by substantially all assets, bears interest at Prime plus 2% (effective interest rate of 6.75% and 5.25% at June 30, 2022 and 2021, respectively). There were no outstanding draws on the line of credit at June 30, 2022 and 2021.

### **11. Board-designated endowment funds**

As of June 30, 2022, the Foundation has two endowment funds, a general endowment fund and the Ab and Zoe Legacy Fund.

The general endowment fund is designated by the Board of Directors to support the mission of the Foundation including programs in Washington, D.C. The Ab and Zoe Legacy Fund is an endowment fund designated by the Board of Directors to support the Elections Program. Since the amounts in the endowment funds resulted from an internal designation and are not donor-restricted, the Board-designated endowment funds are classified and reported as net assets without donor restrictions.

The Foundation has a spending policy that all or a portion of the income and/or capital appreciation from the endowment funds will be used to support the programs and operating expenses of the Foundation or in the case of the Ab and Zoe Legacy Fund, to support the Elections Program. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return. To achieve that objective, the Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The general endowment fund is invested in the Vanguard Intermediate-Term Bond Index Fund and the Vanguard Short-Term Treasury Index Fund. The Ab and Zoe Legacy Fund is included in the Vanguard Short-Term Bond Index Fund and the remaining amounts are included in cash and grants and contributions receivable and will be invested in the future.

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. Board-designated endowment funds (continued)

The composition of and changes in Board-designated endowment funds for the years ended June 30, 2022 and 2021 were as follows:

Years ended June 30,	2022	2021
General endowment fund:		
Beginning of year	\$ 1,324,996	\$ 1,326,649
Net investment loss	(137,550)	(1,653)
End of year	1,187,446	1,324,996
Ab and Zoe Legacy Fund:		
Beginning of year	359,318	354,209
Contributions		5,109
End of year	359,318	359,318
Total Board-designated endowment funds	\$ 1,546,764	\$ 1,684,314

### 12. Net assets with donor restrictions

Net assets with donor restrictions are available for the following purpose and time restrictions as follows:

June 30,	2022	2021
Purpose restrictions:		
Activism Programs	\$ 321,380	\$ 118,334
National Programs	613,516	1,310,189
Development Programs		194,000
Policymaking Programs		149,252
Summer Fellows	167,871	146,954
Time restrictions:		
Operating grants	1,132,956	336,288
Grants and contributions receivable		3,000
Total net assets with donor restrictions	\$ 2,235,723	\$ 2,258,017

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 12. Net assets with donor restrictions (continued)

During the years ended June 30, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying purpose and time restrictions as follows:

<u>Years ended June 30,</u>	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Activism Programs	\$ 160,000	\$ 530,973
National Programs	2,051,248	362,471
Development Programs	193,999	68,667
Policymaking Programs	20,501	479,748
Time restrictions:		
Operating grants	192,046	708,284
Grants and contributions receivable		15,109
<u>Total net assets released from restrictions</u>	<u>\$ 2,617,794</u>	<u>\$ 2,165,252</u>

### 13. Leases

The Foundation has an office space lease agreement in Chicago, Illinois through December 2024. The lease includes an option to renew for five years.

The Foundation also leases office space in the District of Columbia through October 31, 2023. The Foundation also leased copier equipment through September 2022.

Future minimum lease payments as of June 30, 2022 are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2023	\$ 131,839
2024	126,381
2025	62,025
2026	337
<u>Total</u>	<u>\$ 320,582</u>

Rent expense for the years ended June 30, 2022 and 2021 was \$125,256 and \$124,336, respectively.

# **MIKVA CHALLENGE GRANT FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **14. Retirement plan**

The Foundation has a 401(k) retirement and savings plan covering all full-time employees. Under the plan, employees may elect to defer their compensation up to the maximum allowed. The Foundation's discretionary employer match is equal to 100% of participants' contributions to the plan up to 3% of the individual participant's annual compensation. Total contributions paid by the Foundation during the years ended June 30, 2022 and 2021 were \$57,589 and \$49,928, respectively.

### **15. Concentrations**

Three donors accounted for approximately 49% of grants and contributions receivable at June 30, 2022.

One donor accounted for approximately 32% of foundation and corporate grants revenue during the year ended June 30, 2021 and approximately 42% of grants and contributions receivable at June 30, 2021.