

**MIKVA CHALLENGE GRANT  
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

YEAR ENDED JUNE 30, 2023

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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 statement of financial position as of June 30, 2023, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of Mikva Challenge Grant Foundation, Inc. as of June 30, 2023, 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 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 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 Note 2 to the financial statements, Mikva Challenge Grant Foundation, Inc. has adopted ASU 2016-02, *Leases (Topic 842)*, effective July 1, 2022. 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 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.*

December 14, 2023

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## STATEMENT OF FINANCIAL POSITION

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June 30, 2023	
<b>ASSETS</b>	
Cash	\$ 3,168,358
Investments	1,323,088
Grants and contributions receivable	1,481,976
Accounts receivable	454,132
Prepaid expenses and deposits	201,063
Property and equipment, net	20,495
Operating lease right-of-use asset	157,285
<hr/>	
Total assets	\$ 6,806,397
<hr/>	
<b>LIABILITIES AND NET ASSETS</b>	
Liabilities:	
Accounts payable and accrued expenses	\$ 408,973
Deferred revenue	45,521
Operating lease liability	176,525
<hr/>	
Total liabilities	631,019
<hr/>	
Net assets:	
Without donor restrictions:	
Board-designated endowment funds	1,364,597
Undesignated	2,963,347
<hr/>	
Total without donor restrictions	4,327,944
<hr/>	
With donor restrictions	1,847,434
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Total net assets	6,175,378
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Total liabilities and net assets	\$ 6,806,397

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*See notes to financial statements.*

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## STATEMENT OF ACTIVITIES

Year ended June 30, 2023	Without donor restrictions	With donor restrictions	Total
<b>Revenue:</b>			
Foundation, corporate and government grants	\$ 1,814,751	\$ 2,520,518	\$ 4,335,269
Individual contributions	231,985	10,600	242,585
Contributed goods and services	2,629		2,629
<b>Special events:</b>			
Gross proceeds	593,270	108,315	701,585
Less cost of direct benefit to donors	(86,068)		(86,068)
Contract services revenue	947,276		947,276
Net investment income	24,918		24,918
Net assets released from restrictions	3,027,722	(3,027,722)	
<b>Total revenue</b>	<b>6,556,483</b>	<b>(388,289)</b>	<b>6,168,194</b>
<b>Expenses:</b>			
Program services	3,752,097		3,752,097
Management and general	1,297,969		1,297,969
Fundraising	610,556		610,556
<b>Total expenses</b>	<b>5,660,622</b>		<b>5,660,622</b>
<b>Change in net assets</b>	<b>895,861</b>	<b>(388,289)</b>	<b>507,572</b>
<b>Net assets:</b>			
Beginning of year	3,432,083	2,235,723	5,667,806
End of year	\$ 4,327,944	\$ 1,847,434	\$ 6,175,378

*See notes to financial statements.*

**MIKVA CHALLENGE GRANT FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2023	Program services					Support services		Cost of direct benefit to donors	Total
	Youth policy making councils	Public service internships	Curricula, coaching and event support for civic educators	National youth civic convenings	Total program services	Management and general	Fundraising		
Depreciation and amortization	\$ 1,423	\$ 1,462	\$ 1,837	\$ 2,338	\$ 7,060	\$ 1,947	\$ 1,451		\$ 10,458
Education, dues and subscriptions	4,137	2,744	8,449	6,151	21,481	14,575	2,724		38,780
Grants, awards and stipends	82,903	206,618	9,870	50,481	349,872	7,732	3,634		361,238
Occupancy	38,237	39,264	49,348	62,816	189,665	52,311	31,424	\$ 7,544	280,944
Professional services	16,078	2,182	185,709	58,046	262,015	371,050		1,350	634,415
Salaries and related costs	509,139	522,816	657,088	836,423	2,525,466	696,550	518,521	349	3,740,886
Supplies and office expenses	32,337	11,932	46,166	119,178	209,613	144,097	43,246	12,209	409,165
Workshops, campaign and other program events	68,005	2,534	33,861	82,525	186,925	9,707	9,556	64,616	270,804
<b>Total expenses</b>	<b>752,259</b>	<b>789,552</b>	<b>992,328</b>	<b>1,217,958</b>	<b>3,752,097</b>	<b>1,297,969</b>	<b>610,556</b>	<b>86,068</b>	<b>5,746,690</b>
Less expenses included with revenue on the statement of activities								(86,068)	(86,068)
<b>Total expenses included in the expenses section on the statement of activities</b>	<b>\$ 752,259</b>	<b>\$ 789,552</b>	<b>\$ 992,328</b>	<b>\$ 1,217,958</b>	<b>\$ 3,752,097</b>	<b>\$ 1,297,969</b>	<b>\$ 610,556</b>	<b>\$ -</b>	<b>\$ 5,660,622</b>

*See notes to financial statements.*

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## STATEMENT OF CASH FLOWS

Year ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ 507,572
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	10,458
Amortization of operating lease right-of-use asset	100,991
Net realized and unrealized loss on investments	43,222
(Increase) decrease in operating assets:	
Grants and contributions receivable	(398,886)
Accounts receivable	138,742
Prepaid expenses and deposits	(67,914)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	206,774
Deferred revenue	5,521
Operating lease liability	(110,390)
Net cash provided by operating activities	436,090
Cash flows from investing activities:	
Purchases of property and equipment	(9,138)
Purchases of investments	(34,827)
Net cash used in investing activities	(43,965)
Net increase in cash	392,125
Cash, beginning of year	2,776,233
Cash, end of year	\$ 3,168,358
Supplemental cash flows information related to leases is as follows:	
Cash paid for amounts included in the measurement of lease liability:	
Operating cash flows from operating lease	\$ 118,969

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 provides professional development and materials for educators across the country. 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:**

Effective July 1, 2022, the Foundation adopted ASU 2016-02, *Leases (Topic 842)* using the modified retrospective transition method. This guidance requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The Foundation elected the package of practical expedients to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any existing leases. In addition, the Foundation elected to use hindsight to determine the lease terms of existing leases and assess impairment of right-of-use assets at the adoption date.

The adoption of this standard resulted in the recognition of an operating lease right-of-use asset of \$258,276 and an operating lease liability of \$286,915 at July 1, 2022. See Note 12 for a description of lease commitments as of June 30, 2023.

# **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 statement 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, 2023. The contributed strategy consulting services are valued at estimated fair value using standard rates for similar services.

During the year ended June 30, 2023, contributed goods and services were allocated as follows:

Year ended June 30, 2023	Program services	Management and general	Fundraising	Total
Professional services		\$ 2,629		\$ 2,629

#### 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 statement of financial position. Net investment income or loss is reported in the statement 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 are recorded as receivables and revenue when received. Grants and contributions represent amounts pledged by donors or grantors, some of which are due in installments. Amounts due on dates that are more than one year in the future are recorded net of a present value discount. A discount was immaterial and was not recorded as of June 30, 2023. As of June 30, 2023, \$1,144,202 is due within one year and \$337,774 is due within two years. 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, 2023, 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)**

#### **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, 2023, all amounts are considered fully collectible and an allowance for doubtful accounts is considered unnecessary and is not provided.

#### **Leases:**

The Foundation determines whether a contract is a lease at the contract's inception. Identified leases are subsequently measured, classified, and recognized at lease commencement as either a finance lease or an operating lease. Right-of-use assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments to be made over the expected lease term. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise the option.

The lease payments are discounted to present value using a discount rate based on a term commensurate with the lease terms at the lease commencement date. The Foundation has elected to use a risk-free discount rate for all underlying assets. The portion of payments on the operating lease liability related to interest along with the amortization of the related right-of-use asset is recognized as operating lease cost. Operating lease cost is recognized on a straight-line basis over the lease term.

The Foundation elected to apply the short-term lease recognition and measurement exemption for all leases with a term of one year or less. Lease payments for short-term leases are recognized in the statement of activities on a straight-line basis over the term of the lease.

#### **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.

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

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

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

#### **Property and equipment: (continued)**

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 year ended June 30, 2023.

#### **Deferred revenue:**

Deferred revenue results from the Foundation receiving cash for conditional contributions and grants of which the conditions have not yet been met. Accordingly, revenue for contributions and grants received are deferred until the conditions are met.

#### **Expense allocation:**

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents 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 accounting principles generally accepted in the United States of America 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.

#### **Subsequent events:**

Management of the Foundation has reviewed and evaluated subsequent events through December 14, 2023, the date the financial statements were available to be issued.

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 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 year ended June 30, 2023 were as follows:

<u>Year ended June 30, 2023</u>	
Revenue recognized over time:	
Contract services revenue	\$ 823,276
Revenue recognized at a point in time:	
Contract services revenue	124,000
Special events	45,322
Total revenue recognized at a point in time	169,322
Total	\$ 992,598

#### Contract balances:

Accounts receivable relating to contracts with customers was \$454,132 and \$592,874 at June 30, 2023 and 2022, respectively. There were no contract assets at June 30, 2023 and 2022. Contract liabilities represent amounts received by June 30 for services that will not be performed until after June 30. Contract liabilities were \$-0- and \$40,000 at June 30, 2023 and 2022, respectively.

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

#### 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, 2023:

<u>June 30, 2023</u>	
Financial assets:	
Cash	\$ 3,168,358
Investments	1,323,088
Grants and contributions receivable	1,481,976
Accounts receivable	454,132
	<hr/>
Total financial assets	6,427,554
	<hr/>
Less amounts not available to be used within one year:	
Net assets with donor restrictions (net of amount available to be used within one year)	973,799
Board-designated endowment funds	1,364,597
	<hr/>
Total amounts not available to be used within one year	2,338,396
	<hr/>
Financial assets available to meet general expenditures within one year	\$ 4,089,158

# **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, 2023, cash in excess of these limits totaled approximately \$2,912,000. 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, 2023.

### **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, 2023:

June 30, 2023	Level 1
Mutual funds	\$ 1,323,088

# 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 statement of financial position.

### 8. Property and equipment

The components of property and equipment are as follows:

<u>June 30, 2023</u>	
Office furniture and equipment	\$ 41,633
Software	17,500
Leasehold improvements	11,560
	<u>70,693</u>
Less accumulated depreciation and amortization	<u>50,198</u>
Property and equipment, net	<u>\$ 20,495</u>

### 9. Line of credit

The Foundation had a \$135,000 line of credit. The line of credit was collateralized by substantially all assets of the Foundation and bore interest at Prime plus 2%. The line of credit agreement was terminated in April 2023.

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 10. Board-designated endowment funds

As of June 30, 2023, 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 youth policy making councils. 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 general endowment fund will be used to support the programs and operating expenses of the Foundation. 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.

The composition of and changes in Board-designated endowment funds for the year ended June 30, 2023 were as follows:

<u>Year ended June 30, 2023</u>	
General endowment fund:	
Beginning of year	\$ 1,187,446
Net investment loss	(7,258)
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End of year	1,180,188
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Ab and Zoe Legacy Fund:	
Beginning of year	359,318
Expenditures	(174,909)
<hr/>	
End of year	184,409
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Total Board-designated endowment funds	\$ 1,364,597

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. Net assets with donor restrictions

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

<u>June 30, 2023</u>	
Purpose restrictions:	
Youth policy making councils	\$ 233,750
Public service internships	213,621
Curricula, coaching and event support for civic educators	40,000
Time restrictions:	
Operating grants	1,360,063
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Total net assets with donor restrictions	\$ 1,847,434

During the year ended June 30, 2023, net assets were released from donor restrictions by incurring expenses satisfying purpose and time restrictions as follows:

<u>Year ended June 30, 2023</u>	
Purpose restrictions:	
Youth policy making councils	\$ 731,150
National youth civic convenings	670,000
Curricula, coaching and event support for civic educators	171,206
Management and administrative	9,518
Time restrictions:	
Operating grants	1,445,848
<hr/>	
Total net assets released from restrictions	\$ 3,027,722

### 12. Leases

The Foundation rents office space under an operating lease agreement in Chicago, Illinois with annual escalating payments through December 2024. The lease agreement includes variable costs for its share of operating expenses and real estate taxes. The lease includes an option to renew for five years for which the Foundation was not reasonably certain to exercise. As of June 30, 2023, the weighted-average discount rate for the operating lease is 2.99% and the weighted-average remaining lease term is 1.5 years.

# MIKVA CHALLENGE GRANT FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 12. Leases (continued)

Future minimum payments under the operating lease are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2024	\$ 121,906
2025	61,688
Total lease payments	183,594
<u>Less imputed interest</u>	<u>7,069</u>
Present value of operating lease liability	\$ 176,525

The Foundation also leases office space under a short-term lease agreement in the District of Columbia through October 31, 2023. In July 2023, the lease was renewed through August 31, 2025.

Future minimum payments under this lease are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2024	\$ 26,691
2025	28,680
2026	4,780
Total	\$ 60,151

The components of lease cost for the year ended June 30, 2023 consist of the following:

<u>Year ended June 30, 2023</u>	
Operating lease cost	\$ 109,569
Variable lease cost	119,726
Short-term lease cost	24,432
Total lease cost	\$ 253,727

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

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

### **13. 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 year ended June 30, 2023 were \$65,363.

### **14. Concentrations**

Two donors accounted for approximately 57% of grants and contributions receivable at June 30, 2023.

One donor accounted for approximately 15% of foundation, corporate and government grants revenue during the year ended June 30, 2023.