

**MIKVA CHALLENGE GRANT
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

MIKVA CHALLENGE GRANT FOUNDATION, INC.

YEAR ENDED JUNE 30, 2024

CONTENTS

	Page
Independent auditors' report	1-2
Financial statements:	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-20



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, 2024, 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, 2024, 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.

Correction of an Error

As described in Note 3 to the financial statements, net assets at July 1, 2023 have been restated to correct an error related to the accounting for program expenses. 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.

January 9, 2025

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2024	
ASSETS	
Cash	\$ 2,210,575
Investments	1,367,531
Grants and contributions receivable, net	1,962,901
Accounts receivable	796,038
Prepaid expenses and deposits	236,081
Property and equipment, net	826
Operating lease right-of-use asset	52,994
<hr/>	
Total assets	\$ 6,626,946
<hr/>	
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued expenses	\$ 496,976
Deferred revenue	60,878
Operating lease liability	59,897
<hr/>	
Total liabilities	617,751
<hr/>	
Net assets:	
Without donor restrictions:	
Board-designated endowment funds	1,394,028
Undesignated	2,189,799
<hr/>	
Total without donor restrictions	3,583,827
<hr/>	
With donor restrictions	2,425,368
<hr/>	
Total net assets	6,009,195
<hr/>	
Total liabilities and net assets	\$ 6,626,946

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2024	Without donor restrictions	With donor restrictions	Total
Revenue:			
Foundation, corporate and government grants	\$ 1,505,541	\$ 2,505,950	\$ 4,011,491
Individual contributions	245,273	170,589	415,862
Special events:			
Gross proceeds	241,889		241,889
Less cost of direct benefit to donors	(19,822)		(19,822)
Contract services revenue	1,416,482		1,416,482
Net investment income	116,714		116,714
Net assets released from restrictions	2,098,605	(2,098,605)	
Total revenue	5,604,682	577,934	6,182,616
Expenses:			
Program services	4,121,392		4,121,392
Management and general	1,562,615		1,562,615
Fundraising	804,213		804,213
Total expenses	6,488,220		6,488,220
Change in net assets	(883,538)	577,934	(305,604)
Net assets:			
Beginning of year (as originally reported)	4,327,944	1,847,434	6,175,378
Prior period adjustment	139,421		139,421
Beginning of year (as restated)	4,467,365	1,847,434	6,314,799
End of year	\$ 3,583,827	\$ 2,425,368	\$ 6,009,195

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2024	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	\$ 2,834	\$ 1,053	\$ 2,158	\$ 1,423	\$ 7,468	\$ 1,800	\$ 1,336		\$ 10,604
Education, dues and subscriptions	17,010	5,744	11,778	7,768	42,300	9,825	7,290		59,415
Grants, awards and stipends	9,992	2,668	9,616	588	22,864				22,864
Occupancy	78,298	29,081	59,627	39,326	206,332	49,741	36,906		292,979
Professional services	93,039	35,376	185,473	85,327	399,215	725,319	219,810		1,344,344
Salaries and related costs	1,067,084	396,337	812,630	535,963	2,812,014	677,890	502,979		3,992,883
Supplies and office expenses	119,648	33,277	123,442	122,852	399,219	96,902	35,047	\$ 3,581	534,749
Workshops, campaign and other program events	80,735	7,038	86,153	58,054	231,980	1,138	845	16,241	250,204
Total expenses	1,468,640	510,574	1,290,877	851,301	4,121,392	1,562,615	804,213	19,822	6,508,042
Less expenses included with revenue on the statement of activities								(19,822)	(19,822)
Total expenses included in the expenses section on the statement of activities	\$ 1,468,640	\$ 510,574	\$ 1,290,877	\$ 851,301	\$ 4,121,392	\$ 1,562,615	\$ 804,213	\$ -	\$ 6,488,220

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year ended June 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ (305,604)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	10,604
Amortization of operating lease right-of-use asset	104,291
Net realized and unrealized loss on investments	3,139
Loss on disposal of office furniture and equipment	9,065
(Increase) decrease in operating assets:	
Grants and contributions receivable	(480,925)
Accounts receivable	(341,906)
Prepaid expenses and deposits	104,403
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	88,003
Deferred revenue	15,357
Operating lease liability	(116,628)
Net cash used in operating activities	(910,201)
Cash flows from investing activity:	
Purchases of investments	(47,582)
Net cash used in investing activity	(47,582)
Net decrease in cash	(957,783)
Cash, beginning of year	3,168,358
Cash, end of year	\$ 2,210,575
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	\$ 121,906

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:

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This guidance significantly changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from an incurred credit loss methodology to an expected credit loss methodology, which requires consideration of a broad range of reasonable and supportable information to measure credit loss estimates. The standard also requires additional disclosures to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Foundation that are subject to the guidance in Topic 326 are accounts receivable related to revenue from contracts with customers. The Foundation adopted this standard effective July 1, 2023. The cumulative effect of adopting Topic 326 was not material to the 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 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)

During the year ended June 30, 2024, there were no contributed goods and services.

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 receivable 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. The present value discount as of June 30, 2024 was \$23,380. As of June 30, 2024, \$1,481,840 is due within one year and \$504,441 is due in one to five years. At June 30, 2024, all amounts are considered fully collectible and an allowance for doubtful accounts is considered unnecessary and is not provided.

Accounts receivable and allowance for credit losses:

Accounts receivable consist of receivables related to contract services revenue. The Foundation receives contract services revenue from school districts and local governments for training educators in action civics. All amounts are recorded at the invoiced amount, typically outstanding for 30 to 60 days and are stated at the amount management expects to receive. Management evaluates the collectibility of accounts receivable and records an allowance for credit losses representing the estimate of the expected losses that result from all possible default events over the expected life of the receivables. The allowance is estimated using an analysis of historical loss experience, current receivables aging and management's assessment of current conditions and reasonable and supportable expectations of future conditions informed by industry and regional economic data. The allowance for credit losses as well as the write-off activity and recoveries for the year presented are not material to the financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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.

Property and equipment:

Property and equipment are stated at cost, if purchased or fair value at date of donation, if donated. Depreciation of 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 \$2,500 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 are 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, 2024.

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.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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, professional services, supplies and office expenses 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 January 9, 2025, the date the financial statements were available to be issued.

3. Prior period adjustment

The Foundation discovered an error in accounting for program expenses recorded in a prior year. These costs were previously expensed instead of being recorded to prepaid expenses. This was a result of timing differences between when expenses were paid and when the programming took place. This error resulted in net assets without donor restrictions being understated at July 1, 2023 by \$139,421. This error also resulted in the change in net assets without donor restrictions at June 30, 2023 to be understated by \$139,421.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Revenue from contracts with customers

Performance obligations:

The Foundation receives contract services revenue from school districts and local governments 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 from school districts and local governments 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.

For contracts with multiple performance obligations, the total transaction price is allocated to each separate performance obligation based on their separate stated transaction prices stated in the contract, which are at their relative standalone selling prices.

Contract services recognized both over time or at a point in time are typically billed upon completion of services or quarterly for annual contracts with payments due within 30 days of invoice.

Disaggregation of revenue:

Revenue from contracts with customers disaggregated based on the timing of the transfer of services for the year ended June 30, 2024 was as follows:

<u>Year ended June 30, 2024</u>	
Revenue recognized over time:	
Contract services revenue	\$ 1,073,845
Revenue recognized at a point in time:	
Contract services revenue	342,637
Special events	9,000
Total revenue recognized at a point in time	351,637
Total	\$ 1,425,482

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Revenue from contracts with customers (continued)

Disaggregation of revenue: (continued)

The nature, amount, timing, and uncertainty of revenue and cash flows of the Foundation are impacted by its concentration of customers, which are school districts and local governments across the country.

Contract balances:

Accounts receivable relating to contracts with customers was \$796,038 and \$454,132 at June 30, 2024 and 2023, respectively. There were no contract assets at June 30, 2024 and 2023. Contract liabilities represent amounts received by June 30 for services that will not be performed until after June 30. There were no contract liabilities at June 30, 2024 and 2023.

5. Liquidity and availability

The following represents the Foundation's financial assets available to meet general expenditures within one year at June 30, 2024.

<u>June 30, 2024</u>	
Financial assets:	
Cash	\$ 2,210,575
Investments	1,367,531
Grants and contributions receivable, net	1,962,901
Accounts receivable	796,038
	<hr/>
Total financial assets	6,337,045
	<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)	1,063,744
Board-designated endowment funds	1,394,028
	<hr/>
Total amounts not available to be used within one year	2,457,772
	<hr/>
Financial assets available to meet general expenditures within one year	\$ 3,879,273

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. 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.

6. Cash

The Foundation maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2024, cash in excess of these limits totaled approximately \$1,973,000. Management believes that the Foundation is not subject to any significant credit risk on cash.

7. 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, 2024.

8. 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)

8. 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, 2024.

June 30, 2024	Level 1
Mutual funds	\$ 1,367,531

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. 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.

9. Property and equipment

The components of property and equipment are as follows:

<u>June 30, 2024</u>	
Software	\$ 17,500
Leasehold improvements	11,560
	<u>29,060</u>
Less accumulated depreciation and amortization	<u>28,234</u>
Property and equipment, net	<u>\$ 826</u>

10. Board-designated endowment funds

As of June 30, 2024, 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.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Board-designated endowment funds (continued)

The Foundation has a spending policy that all or a portion of the income and/or capital appreciation from the general endowment fund and Ab and Zoe Legacy 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 invested 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, 2024 were as follows:

<u>Year ended June 30, 2024</u>	
General endowment fund:	
Beginning of year	\$ 1,180,188
Net investment income	44,184
<hr/>	
End of year	1,224,372
<hr/>	
Ab and Zoe Legacy Fund:	
Beginning of year	184,409
Expenditures	(14,753)
<hr/>	
End of year	169,656
<hr/>	
Total Board-designated endowment funds	\$ 1,394,028

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, 2024</u>	
Purpose restrictions:	
Youth policy making councils	\$ 203,000
Public service internships	243,660
Curricula, coaching and event support for civic educators	280,000
Management and administrative	100,000
Time restrictions:	
Operating grants	1,598,708
<hr/>	
Total net assets with donor restrictions	\$ 2,425,368

During the year ended June 30, 2024, net assets were released from donor restrictions by incurring expenses satisfying purpose and time restrictions as follows:

<u>Year ended June 30, 2024</u>	
Purpose restrictions:	
Youth policy making councils	\$ 311,000
National youth civic convenings	10,000
Curricula, coaching and event support for civic educators	74,700
Management and administrative	120,000
Public service internships	34,250
Time restrictions:	
Operating grants	1,548,655
<hr/>	
Total net assets released from restrictions	\$ 2,098,605

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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. Operating and variable lease costs are billed monthly by the lessor and are due within 30 days. The lease includes an option to renew for five years for which the Foundation was not reasonably certain to exercise. As of June 30, 2024, the weighted-average discount rate for the operating lease is 2.99% and the weighted-average remaining lease term is 0.5 years.

Future payments under the operating lease are as follows:

Year ending June 30:	Amount
2025	\$ 61,688
Less imputed interest	1,791
Present value of operating lease liability	\$ 59,897

The components of lease cost for the year ended June 30, 2024 consist of the following:

Year ended June 30, 2024	
Operating lease cost	\$ 109,569
Variable lease cost	128,660
Total lease cost	\$ 238,229

In September 2024, the Foundation amended its office space lease to extend the lease through July 31, 2032.

Future payments under the amended office space lease are as follows:

Year ending June 30:	Amount
2026	\$ 130,075
2027	89,244
2028	91,476
2029	93,762
2030	96,108
thereafter	199,488
Total	\$ 700,153

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 employer contributions paid by the Foundation during the year ended June 30, 2024 were \$53,982.

14. Concentrations

Four donors accounted for approximately 55% of grants and contributions receivable at June 30, 2024.

15. Conditional promises to receive

The Foundation records revenue with conditional promises to receive when the conditions have been substantially met. As of June 30, 2024, the Foundation has approximately \$61,000 of conditional promises related to justice advisory counsel programming which was received from a donor in advance of the conditions being met. These advance funds are recorded as deferred revenue and will be recognized as government grant revenue when the donor conditions are met.