**National Yiddish Book Center**

FINANCIAL STATEMENTS

for the year ended August 31, 2022
(with comparative totals for the year ended August 31, 2021)

**NATIONAL YIDDISH BOOK CENTER**

**C O N T E N T S**

MP P.C.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
National Yiddish Book Center

***Report on the Financial Statements***

***Opinion***

We have audited the accompanying financial statements of National Yiddish Book Center (a non-profit organization) which comprise the statement of financial position as of August 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

***Basis for Opinion***

We conducted our audit 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 National Yiddish Book Center 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 National Yiddish Book Center'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 auditor's report that includes our opinion. Reasonable assurance is a high level 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 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 National Yiddish Book Center'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Yiddish Book Center's ability to continue as a going concern for a reasonable period of time.

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

***Report on Summarized Comparative Information***

We have previously audited the Center's 2021 financial statements, and our report dated December 3, 2021, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MP P.C.

Springfield, Massachusetts
December 2, 2022

**NATIONAL YIDDISH BOOK CENTER**

**STATEMENTS OF FINANCIAL POSITION**

**August 31, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 4,780,702 | $ 4,821,085 |
| Restricted cash | 562,581 | 475,664 |
| Investments | 40,801,242 | 44,312,258 |
| Pledges receivable, net | 9,501,236 | 6,302,362 |
| Inventories and other assets | 186,626 | 101,590 |
| Property and equipment, net | 8,147,013 | 8,161,615 |
| TOTAL ASSETS | $ 63,979,400 | $ 64,174,574 |
| **LIABILITIES AND NET ASSETS** | | |
| **Liabilities** | | |
| Accounts payable | $ 66,043 | $ 44,270 |
| Charitable gift annuities | 176,763 | 132,611 |
| Accrued expenses | 132,871 | 106,202 |
| Deferred revenue | | 1,000 |
| Total current liabilities | 375,677 | 284,083 |
| Total liabilities | 375,677 | 284,083 |
| **Net Assets** | | |
| Without donor restrictions | | |
| Operating | $ 17,762,608 | $ 13,755,791 |
| Board designated | 14,806,558 | 16,102,887 |
| Total without donor restrictions | 32,569,166 | 29,858,678 |
| With donor restrictions | 31,034,557 | 34,031,813 |
| Total net assets | 63,603,723 | 63,890,491 |
| TOTAL LIABILITIES AND NET ASSETS | $ 63,979,400 | $ 64,174,574 |

See notes to financial statements.

**NATIONAL YIDDISH BOOK CENTER**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**for the year ended August 31, 2022**
**(with comparative totals for the year ended 2021)**

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | 2022 Total | 2021 Total |
|---|---|---|---|---|
| **Revenues** | | | | |
| Memberships | $ 821,763 | | $ 821,763 | $ 923,927 |
| Program income | 139,720 | | 139,720 | 97,025 |
| Sales | 229,186 | | 229,186 | 210,344 |
| Gifts, bequests and contributions | 7,905,574 | $ 2,513,626 | 10,419,200 | 4,137,933 |
| Dividends and interest | 278,465 | 476,999 | 755,464 | 658,744 |
| Unrealized/realized (loss) gain on investments | (1,872,241) | (4,174,278) | (6,046,519) | 7,060,938 |
| Change in split interest | | (20,173) | (20,173) | (16,569) |
| Miscellaneous income | 51,175 | | 51,175 | 35,834 |
| Net assets released from restrictions | 1,793,430 | (1,793,430) | | |
| Total revenues | 9,347,072 | (2,997,256) | 6,349,816 | 13,108,176 |
| **Expenses** | | | | |
| Program | $ 4,444,538 | | $ 4,444,538 | $ 3,476,479 |
| Management and general | 882,802 | | 882,802 | 662,544 |
| Fundraising | 1,309,245 | | 1,309,245 | 1,187,772 |
| Total expenses | 6,636,585 | | 6,636,585 | 5,326,795 |
| Change in net assets before non operating | 2,710,487 | (2,997,256) | (286,769) | 7,781,381 |
| **Non operating income** | | | | |
| Forgiviness of paycheck protection program loan | | | | 564,000 |
| Total non operating income | | | | 564,000 |
| Change in net assets | 2,710,487 | (2,997,256) | (286,769) | 8,345,381 |
| Net assets, beginning of year | 29,858,678 | 34,031,813 | 63,890,491 | 55,545,110 |
| Net assets, end of year | $ 32,569,165 | $ 31,034,557 | $ 63,603,722 | $ 63,890,491 |

See notes to financial statements.

# NATIONAL YIDDISH BOOK CENTER

## STATEMENT OF FUNCTIONAL EXPENSES

### for the year ended August 31, 2022

### (with comparative totals for the year ended 2021)

| | Program Services | Management & General | Fundraising | 2022 Total | 2021 Total |
|---|---|---|---|---|---|
| Salaries and wages | 2,066,620 | $ 397,748 | $ 520,328 | $ 2,984,696 | $ 2,446,346 |
| Payroll taxes | 137,956 | 27,378 | 31,733 | 197,067 | 158,317 |
| Employee benefits | 315,350 | 69,612 | 101,523 | 486,485 | 414,708 |
| Education and training | 47,060 | 4,007 | 1,937 | 53,004 | 11,534 |
| Direct mail | | | 406,442 | 406,442 | 302,954 |
| Printing, postage and publications | 204,639 | 28,082 | 52,124 | 284,845 | 353,049 |
| Bank charges | 16,731 | 7,950 | 27,641 | 52,322 | 44,629 |
| Insurance | 48,317 | 13,781 | 9,100 | 71,198 | 79,133 |
| Travel and special events | 67,277 | 12,997 | 54,374 | 134,648 | 16,173 |
| Consulting and professional fees | 284,945 | 53,038 | 720 | 338,703 | 160,029 |
| Contract services | 196,213 | 4,765 | 197 | 201,175 | 101,757 |
| Supplies and equipment | 53,803 | 63,376 | 22,751 | 139,930 | 117,112 |
| Facilities and occupancy | 240,935 | 20,713 | 8,197 | 269,845 | 269,587 |
| Depreciation | 300,353 | 34,934 | 13,177 | 348,464 | 343,386 |
| Grant expense | 57,587 | | | 57,587 | 65,606 |
| Systems and technology expenses | 226,272 | 130,973 | 58,627 | 415,872 | 275,785 |
| Cost of goods sold | 126,293 | | | 126,293 | 110,415 |
| Miscellaneous operating expenses | 54,187 | 13,448 | 374 | 68,009 | 56,275 |
| | $ 4,444,538 | $ 882,802 | $ 1,309,245 | $ 6,636,585 | $ 5,326,795 |

See notes to financial statements.

# NATIONAL YIDDISH BOOK CENTER

## STATEMENTS OF CASH FLOWS

### for the years ended August 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ (286,768) | $ 8,345,381 |
| Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities: | | |
| Net unrealized and realized loss (gain) on investments | 6,046,519 | (7,060,938) |
| Change in present value discount | (443,043) | 110,464 |
| Gain on forgiveness of paycheck protection program loan | | (564,000) |
| Depreciation | 348,464 | 343,386 |
| Contributions restricted for endowment | 2,997,259 | (4,600,292) |
| (Increase) decrease in operating assets | | |
| Pledges receivable, net | (2,755,831) | 345,354 |
| Inventories and other assets | (85,036) | 15,924 |
| (Decrease) increase in operating liabilities | | |
| Deferred revenue | (1,000) | |
| Accrued liabilities | 26,669 | 10,667 |
| Accounts payable | 21,773 | 43,820 |
| Net cash provided by (used in) operating activities | 5,869,006 | (3,010,234) |
| **Cash flows from investing activities** | | |
| (Purchases) proceeds of investments | (2,535,503) | 54,414 |
| Purchases of property and equipment | (333,862) | (32,832) |
| Net cash (used in) provided by investing activities | (2,869,365) | 21,582 |
| **Cash flows from financing activities** | | |
| Contributions restricted for endowment | (2,997,259) | 4,600,292 |
| Change in charitable gift annuity | 44,152 | (1,269) |
| Net cash (used in) provided by financing activities | (2,953,107) | 4,599,023 |
| Net change in cash and cash equivalents | 46,534 | 1,610,371 |
| Cash and cash equivalents, beginning of year | 5,296,749 | 3,686,378 |
| Cash and cash equivalents, end of year | $ 5,343,283 | $ 5,296,749 |
| **Reconciliation** | | |
| Cash | $ 4,780,702 | $ 4,821,085 |
| Restricted cash | 562,581 | 475,664 |
| Total cash and restricted cash | 5,343,283 | 5,296,749 |
| Total cash and restricted cash as shown above | $ 5,343,283 | $ 5,296,749 |

See notes to financial statements.

## 1. *Nature of Activities*

The National Yiddish Book Center (the "Center") is a non-profit organization working to advance a more complete understanding of modern Jewish culture by recovering Yiddish and other Jewish cultural treasures and sharing their content with the world. The primary activities include the ongoing rescue of Yiddish books and materials; the distribution of artifactual books to libraries and individuals; the posting of most Yiddish titles online through the Steven Spielberg Digital Yiddish Library; cultural preservation through the collection of oral histories; online courses and other educational programs; experiential educational opportunities for young people; teacher leadership training; an ongoing translation program; and a wide range of related programs and publications.

## 2. *Summary of Significant Accounting Policies*

### *Basis of Presentation*

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the National Yiddish Book Center as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restriction
Net assets that are not restricted by donors or the donor-imposed restrictions have expired. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net assets with donor restriction
Net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. A portion of the Center's net assets with donor restrictions are subject to donor-imposed restrictions that require the Center to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Another portion of net assets with donor restrictions stipulates that the corpus of the gifts be maintained in perpetuity. Generally, the donors of these assets permit the National Yiddish Book Center to use all, or part of the income earned on related investments for general or specific purposes.

### *Basis of Accounting*

The financial statements of the Center have been prepared on the accrual basis of accounting under generally accepted accounting principles in the United States.

### *Liquidity*

A statement of financial position that sequences assets and liabilities upon their relative liquidity is presented.

### *Revenue Recognition*

The Center generally measures revenue based on the amount of consideration the Center expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Center satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Center evaluates its revenue contracts with customers (i.e. earned revenue) based on the five-step model under Topic 606: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied.

Earned revenue is recognized as services/events are provided. Other income is recognized as it is earned.

### *Classification of Revenues and Expenses*

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on nets assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Promises to give that are scheduled to be received after the statement of financial position date, or are restricted by the donor to a specific purpose which has not been met as of the statement of financial position date, are shown as increases in net assets with donor restrictions. This revenue is reclassified to net assets without donor restrictions when the time or purpose of the restrictions are met. Promises to give which are restricted for endowments by the donor are recorded as increases in net assets with donor restrictions.

***Classification of Revenues and Expenses, continued***

The Center reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulation defines how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how these assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Dividends, interest and net gains or losses on investments of endowments and similar funds are reported as follows:

i. as increases in net assets with donor restrictions if the terms of the gift or the Center's interpretation of relevant state law requires that they be added to the principal of a permanent endowment fund;
ii. as increases in net assets with donor restriction if the terms of the gift or the Center's interpretation of relevant state law imposes restrictions on the current use of the income or net gains; and
iii. as increases in net assets without donor restriction in all other cases.

***Cash and Cash Equivalents***

The Center considers all highly liquid investments with maturities of three months or less to be cash equivalents, except those that are purchased within the Center's investment accounts.

The Center maintains its cash balances in financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The Center has not experienced any losses on these accounts. The Center believes it is not exposed to any significant credit risk on cash.

***Investments***

Investments are stated at fair value using methodologies as discussed in Fair Value Measurements (Note 5). Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on a specific identification basis. Dividend and interest income are accrued when earned. Investment activity is reported as increases and decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

***Investments, continued***

The Center's investments consist of donor restricted endowment funds, charitable gift annuities, and funds functioning as quasi-endowment funds (Note 4). Donor restricted endowments consist of gifts received with a donor stipulation that require the funds to be invested in perpetuity. Quasi-endowment funds consist of board designated funds which are internally designated.

Professional accounting standards provide guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the "Massachusetts Uniform Prudent Management of Institutional Funds Act" statute ("UPMIFA"), which serves as a model act for states to modernize their laws governing donor restricted endowment funds.

***Endowments***

National Yiddish Book Center's endowment consists of funds with donor restrictions to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed stipulations.

***Interpretation of the Law***

The Board has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary, except in such cases where the law allows the appropriation for spending of the original gift amounts. As a result of this interpretation, the Board classifies as net assets with donor restrictions (a) the original value of the gifts donated to its donor restricted-endowment, (b) the original value of subsequent gifts to its donor restricted endowment, and (c) accumulations of investment returns to donor restricted endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of its donor-restricted endowment fund includes the accumulated unspent earnings on the donor-restricted endowment funds that remains within net assets with donor restrictions until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA-MA.

The Center considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds; the duration and preservation of the funds, the purpose of the Center and the donor restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Center, and the investment policies of the Center.

### ***Investment Strategy and Spending Policy***

The Center has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Board has authorized a spending policy for its endowment where the Center may avail up to 4% of the endowments' average market value for the sixteen preceding quarters. This policy is designed to preserve the value of donor restricted endowment funds in real terms (after inflation) and to provide a predictable flow of funds to support operations. Total return utilized under this policy was $1,316,276 and $1,175,696 for the years ended August 31, 2022 and 2021, respectively.

### ***Underwater Endowment Funds***

The Center considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Center complies with the MA-UPMIFA, an enacted version of UPMIFA, and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Center has no underwater endowment funds at August 31, 2022 or 2021.

### ***Pledges Receivable***

Conditional pledges to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. There were new pledges for the year ended August 31, 2022. The discounts on those amounts are computed using the risk-free interest rate (Note 6) for the approximate period over which the promises are to be received. Amortization of the discounts is recorded as contribution revenue. In the absence of donor stipulations to the contrary, pledges with payments due in future periods are restricted to use after the due date.

Management believes all pledges are fully collectible as of August 31, 2022 and, accordingly, there is no allowance for uncollectible pledges.

***Charitable gift annuities***

The Center has irrevocable agreements with donors whereby in exchange for the gift from the donor, the Center is obligated to provide an annuity to the donor for the remainder of their life with any remainder at death reverting to the Center. The liability is recognized for the estimated present value of the annuity obligation at the time of the gift and the investment is recorded at market value. The portion attributable to the present value of the future benefits to be received by the Center is recorded in the Statement of Activities as a contribution with donor restriction in the period the obligation is established. Assets held in restricted investments or cash totaled $330,862 and $371,297 as of August 31, 2022 and 2021, respectively, and are reported at fair market value in the Center's Statement of Financial Position. The present value of the estimated future payments ($176,763 and $132,613 at August 31, 2022 and 2021, respectively) is calculated using a discount rate ranging from 4.90% - 9.50% and applicable mortality tables. Circumstances affecting these estimates can change the estimate of the liability in future periods. At August 31, 2022 and 2021, the Center had $154,865 and $186,579 respectively set aside to comply with various state requirements for a minimum reserve. The assets were held in separate and distinct funds. These amounts are included in investments as of August 31, 2022 and 2021.

***Inventories***

Inventory consisting of books and merchandise are stated at the lower of cost (determined on an average cost basis) or market.

***Property and Equipment***

Property and equipment are carried at cost less accumulated depreciation. Additions, renewals, and replacements over $1,000 for monitors, $2,000 for computers and over $5,000 for all other assets are capitalized. Depreciation is charged to expense over the estimated useful lives of the assets using straight-line method. Maintenance and repairs are expensed as incurred. The Center evaluated the carrying value of its long-lived assets and no impairment was recorded.

Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the assets as follow:

| | |
|---|---|
| Buildings | 40 years |
| Land improvements | 20 years |
| Furniture and equipment | 7 years |
| Computer equipment and software | 3-5 years |

***Contributed materials, equipment, and services***

Contributed materials, equipment, and services are recorded as contributions in the year received at their estimated fair values at date of receipt if an objective basis is available to measure such values. Such donations are reported as support without donor restriction unless the donor had restricted the donated assets to a specific purpose. The Center pays for most services requiring specific expertise. However, various individuals have chosen to volunteer their time and perform a variety of tasks to assist the Center. The value of this contributed time and service is not reflected on these statements since it is not susceptible to objective measurement or valuation.

***Collections policy***

In accordance with the practice usually followed by organizations that maintain collections, the Center does not carry its collections on the statement of financial position. Since items acquired for collections by purchase are not capitalized, the cost of those acquisitions are reported as decreases in the net assets in the statement of activities. The proceeds from items disposed of are reported as increases in the appropriate class of net assets in the statement of activities. Proceeds from the sale of deaccessioned collections are used for the acquisition of additions to the collection.

***Tax-exempt status***

The Center is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and it qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes is made in the accompanying financial statements.

***Uncertain tax positions***

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no tax positions requiring accounting recognition. The Center's tax returns are subject to examination by taxing authorities for all years ending after August 31, 2018.

***Use of estimates***

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

### *Functional Allocation of Expenses*

The cost of performing various activities has been summarized on a functional basis in the statement of activities. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported within that functional area. Expenses not directly attributed to functional categories are allocated using methodologies that reflect the proportionate utilization of resources by function. Salaries and wages, payroll taxes, and employee benefits are allocated based on estimates of time and effort. Facilities and occupancy, and depreciation are allocated based on square footage. Systems and technology expenses are allocated based on estimates of time and cost of specific technologies utilized. Insurance costs are allocated based on premiums for employee and facility related coverages.

### *Subsequent Events*

The Center has evaluated subsequent events through December 2, 2022, the date the financial statements were available to be issued. No events have occurred subsequent to year end which required recognition or disclosure.

## *3. Investments*

The Board of Directors of the Center, as the governing authority, is responsible for oversight of the Center's investments. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, has been delegated by the Board of Directors to its Investment Committee. Investments authorized by the Investment Committee include marketable equity and fixed income securities and other types of investments that may be made with the prior approval of the Investment Committee.

The Center's investment portfolio consists of an investment pool in which a number of individual funds participate in order to benefit from the diversification and economies of scale. Funds added or withdrawn from the pool are recorded at their share of the then current value of the pool. Investment income is recognized and posted on a monthly basis.

***Investments, Continued***

Investments, at August 31 are stated at market value as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Cost | Market | Cost | Market |
| Donor restricted | $ 19,879,381 | $ 25,508,957 | $ 18,154,246 | $ 27,928,946 |
| Board designated | 11,639,683 | 14,806,558 | 10,414,031 | 15,825,435 |
| Charitable gift annuities | 464,329 | 485,727 | 444,868 | 557,877 |
| | $ 31,983,393 | $ 40,801,242 | $ 29,013,145 | $ 44,312,258 |

Total investment income for the years ended August 31 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest and dividend income | $ 755,464 | $ 658,744 |
| Realized and unrealized (loss) gain on investment | (6,046,519) | 7,060,938 |
| Total investment (loss) income | $ (5,291,055) | $ 7,719,682 |

Investment management and broker fees were $4,859 and $4,017 for the year ended August 31, 2022 and 2021, respectively.

## 4. ***Endowment***

Endowments by net asset class and type at August 31, 2022 consist of:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Board designated funds | $ 14,806,558 | | $ 14,806,558 |
| Donor restricted endowment funds | | $ 25,508,957 | 25,508,957 |
| Balance, August 31, 2022 | $ 14,806,558 | $ 25,508,957 | $ 40,315,515 |

***Endowments, Continued***

Endowments by net asset class and type at August 31, 2021 consist of:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Board designated funds | $ 16,102,887 | | $ 16,102,887 |
| Donor restricted endowment funds | | $ 28,025,388 | 28,025,388 |
| Balance, August 31, 2021 | $ 16,102,887 | $ 28,025,388 | $ 44,128,275 |

The following schedule reconciles the change in endowments by net asset class for the years ended August 31, 2022 and 2021:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowments, August 31, 2020 | $ 13,285,913 | $ 23,552,874 | $ 36,838,787 |
| Investment income | 234,098 | 414,685 | 648,783 |
| Realized and unrealized gains | 2,520,583 | 4,462,315 | 6,982,898 |
| Contributions - cash received | 457,810 | 375,693 | 833,503 |
| Spending policy - operations | (395,517) | (363,770) | (759,287) |
| Spending policy - programs | | (416,409) | (416,409) |
| Endowments, August 31, 2021 | $ 16,102,887 | $ 28,025,388 | $ 44,128,275 |
| Investment income | 274,224 | 470,600 | 744,824 |
| Realized and unrealized losses | (2,224,485) | (3,740,406) | (5,964,891) |
| Contributions - cash received | 1,108,456 | 1,615,127 | 2,723,583 |
| Spending policy - operations | (454,524) | (395,392) | (849,916) |
| Spending policy - programs | | (466,360) | (466,360) |
| Endowments, August 31, 2022 | $ 14,806,558 | $ 25,508,957 | $ 40,315,515 |

## 5. *Fair Value Measurements*

The Center follows established guidelines for a fair value hierarchy that prioritizes the inputs used to measure their value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

**Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities. Market price is generally obtained from exchange or dealer markets.

**Level 2** Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2022 and 2021.

Assets and liabilities measured at fair value on a recurring basis at August 31, 2022 were as follows:

| Description | Level 1 | Level 2 | Level 3 | 2022 |
|---|---|---|---|---|
| Mutual Funds | | | | |
| Index fund | $ 28,709,964 | | | $ 28,709,964 |
| Bond fund | 12,091,278 | | | 12,091,278 |
| | $ 40,801,242 | $ | $ | $ 40,801,242 |

***Fair Value Measurements – Continued***

Assets and liabilities measured at fair value on a recurring basis at August 31, 2021 were as follows:

| Description | Level 1 | Level 2 | Level 3 | 2021 |
|---|---|---|---|---|
| Mutual Funds | | | | |
| Index fund | $ 31,279,088 | | | $ 31,279,088 |
| Bond fund | 13,033,170 | | | 13,033,170 |
| | $ 44,312,258 | $ | $ | $ 44,312,258 |

Mutual funds are reported at fair value based on quoted market prices.

## *6. __Pledges Receivable__*

A summary of unconditional promises to give at August 31 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Due within one year | $ 1,275,939 | $ 1,605,022 |
| Due between one and five years | 3,206,000 | 212,500 |
| Due after five years | 6,134,447 | 5,156,947 |
| | 10,616,386 | 6,974,469 |
| Present value discount | (1,115,150) | (672,107) |
| Pledge receivable, net | $ 9,501,236 | $ 6,302,362 |

The discount rate used on long-term pledges ranged from 0.36% - 3.43% for the years ended August 31, 2022 and 2.59% - 2.86% in 2021.

## 7. ***Property and Equipment***

A summary of property and equipment at August 31 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Land | $ 200,000 | $ 200,000 |
| Land improvements | 270,730 | 270,730 |
| Building | 11,582,525 | 11,553,530 |
| Furniture and equipment | 952,500 | 927,699 |
| Website | 420,065 | 266,908 |
| Computer equipment | 133,210 | 133,210 |
| | 13,559,030 | 13,352,077 |
| Accumulated depreciation | (6,228,445) | (5,879,981) |
| | 7,330,585 | 7,472,096 |
| Exhibits | 599,636 | 599,636 |
| Construction in progress | 216,792 | 89,883 |
| | $ 8,147,013 | $ 8,161,615 |

## 8. ***Line of Credit***

The Center has a $1,500,000 line of credit which is due on demand and bears interest at the prime rate. The line of credit is collateralized by all assets of the Center and is subject to annual renewal every January. As of August 31, 2022 and 2021, there were no borrowings against the line of credit. The prime rate at August 31, 2022 was 5.50% (3.25% - 2021).

## 9. ***Lease Commitments***

The Center leases warehouse space for the storage of books through December 2022. Rent expense was $31,320 and $31,320 for the years ended August 31, 2022 and 2021, respectively. Future minimum rental commitments for 2023 are $35,440.

## 10. *Other Long-Term Liabilities*

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small businesses and not-for-profit organizations loans. In April 2020, the Organization obtained a PPP loan in the amount of $564,000. The Center used all of the proceeds from the note for qualifying expenses and received approval of its application for the loan and related interest to be forgiven. As forgiveness was received during the year ended August 31, 2021, the Center has recorded the forgiveness as non-operating income within the statements of activities and a gain on forgiveness within the statement of cash flows.

## 11. *Net Assets*

The Center's net assets without donor restrictions are comprised of operating and Board-designated amounts, as follows at August 31:

| | 2022 | 2021 |
|---|---|---|
| Operating | $ 17,762,607 | $ 13,755,791 |
| Board-designated | 14,806,558 | 16,102,887 |
| | $ 32,569,165 | $ 29,858,678 |

Operating funds: All revenue received and all expenses for general operations are presented in this subgroup. These are the funds that are part of the budget approved by the Board of Directors and managed by departments across the Center. Unlike restricted funds, these areas are directly influenced by institutional policy and management decisions and therefore can be budgeted closely.

Board-designated funds: Designated funds include gifts for specific purposes designated by Directors. The Center's board has designated funds be set aside for the purpose of securing the Center's long-term financial viability and continuing to meet the needs of National Yiddish Book Center. These funds totaled $14,806,558 at August 31, 2022 ($16,102,887- 2021).

The Center's net assets with donor restrictions at August 31, 2022 and 2021 are available for the following specified purposes related to the preservation of the Center:

***Net Assets, Continued***

| | 2022 | 2021 |
|---|---|---|
| Endowment funds | $ 21,701,725 | $ 20,204,611 |
| Accumulated unspent endowment earnings | 8,274,213 | 12,405,771 |
| Programs and services | 854,520 | 1,182,745 |
| Charitable gift annuities | 204,099 | 238,686 |
| | $ 31,034,557 | $ 34,031,813 |

Donor restricted net assets released from restrictions for the Center's activities were for the following purposes:

| | 2022 | 2021 |
|---|---|---|
| Programs and services | $ 1,767,102 | $ 1,426,309 |
| Charitable gift annuities | 26,328 | 1,973 |
| | $ 1,793,430 | $ 1,428,282 |

## 12. *Liquidity and Availability of Resources*

The Center's financial assets available for general expenditures within one year of the statement of financial position are as follows at August 31:

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | $ 4,780,702 | $ 4,821,085 |
| Pledges receivable | 1,275,939 | 1,605,022 |
| Investments | 40,801,242 | 44,312,258 |
| Total financial assets available within one year | 46,857,883 | 50,738,365 |
| Less amounts unavailable for general expenditures within one year: | | |
| Due to contractual, legal, or donor-imposed restrictions: | | |
| Amounts subject to expenditure for specified purposes | 25,508,957 | 28,025,388 |
| Without board approval: | | |
| Funds functioning as endowments | 14,806,558 | 16,102,887 |
| Total financial assets available within one year after restrictions and Board designations | $ 6,542,368 | $ 6,610,090 |

***Liquidity and Availability of Resources, Continued***

National Yiddish Book Center is primarily supported by contributions (both with and without donor restrictions), sponsorships, and admissions revenues. Because donor restrictions require resources to be used in a particular manner or in future periods, the Center maintains sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general operations, liabilities, and other obligations require. In addition, the Center invests cash in excess of daily requirements in short-term investments. From time to time, the Board designates a portion of any operating surplus for particular or future uses; total Board designated funds were $14,806,558 at August 31, 2022 ($16,102,887 - 2021). In the event of financial distress or an immediate liquidity need resulting from events outside general operations, the Center's Board may draw upon these Board-designated funds. National Yiddish Book Center could also draw an additional $1,500,000 on its line of credit.

## *13. Retirement Plans*

A defined contribution retirement plan is provided by the Center through the Teachers Insurance and Annuity Association-College Retirement Equities Fund ("TIAA"). All employees are eligible to participate in the plan after completion of one year of service, which requires at least 1,000 hours of service. Each eligible participant will receive a contribution equal to 5% of their compensation. In addition, the Center will match 100% of a participant's contribution up to 2%.

The Center also offers a tax-deferred annuity plan through TIAA. All employees can participate in the plan immediately following employment at the Center. Participation is voluntary and the employee's contributions are subject to the limits imposed by Section 415 and Section 403(b) of the Internal Revenue Code.

The Center also has a 457(b) defined contribution plan for a member of management. The employee was eligible to participate upon creation of the plan and may contribute up to the maximum amount allowed by law. The Internal Revenue Code stipulates that all compensation deferred by an employer and its related income for a 457(b) plan remains the property of the employer until time of distribution.

The cost to the Center for the years ended August 31, 2022 and 2021 amounted to $170,067 and $154,252, respectively.

## *14. Related Party Transactions*

Several members of the Board of Directors made contributions during the year. In 2022 and 2021, the contributions from these members totaled $6,421,833 and $471,293, respectively. Pledge receivable balances from Board members were $10,202,500 and $5,071,232 at August 31, 2022 and 2021, respectively.

On occasion, members of the Board of Directors with expertise in matters unrelated to their duties as a director of the organization may be compensated for services at a rate commensurate with what would be paid for such services if otherwise procured by the Center. The Center paid two member $750 for the year ended August 31, 2022 and one member $250 for the year ended August 31, 2021.