Spertus Institute for Jewish Learning and Leadership

Consolidated Financial Report

June 30, 2021

Contents

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Independent Auditor's Report

To the Board of Trustees
Spertus Institute for Jewish Learning and Leadership

We have audited the accompanying consolidated financial statements for Spertus Institute for Jewish Learning and Leadership and its subsidiary (collectively, the "Institute"), which comprise the consolidated statement of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spertus Institute for Jewish Learning and Leadership and its subsidiary as of June 30, 2021 and 2020 and the changes in their net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

December 22, 2021

Consolidated Statement of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 4,165,253	$ 4,493,548
Investments - Net of $42,647,642 and $35,334,749, respectively, held by the Jewish Federation of Metropolitan Chicago for the benefit of the Institute (Note 4)	19,123,654	15,800,941
Receivables:		
Student accounts receivable - Net	255,221	192,347
Pledges receivable - Net (Note 5)	428,442	651,193
Interest receivable	4,380	2,115
Other receivables	104,666	54,988
Inventories	10,363	14,851
Prepaid expenses and other assets (Note 6)	567,509	922,886
Collections - Net (Note 7)	3,716,668	3,716,668
Facilities and equipment - Net (Note 8)	37,074,267	38,515,139
Total assets	**$ 65,450,423**	**$ 64,364,676**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 91,817	$ 83,718
Fair value of swap agreements (Note 3)	4,896,443	8,338,145
Postretirement benefit liability (Note 17)	262,282	249,977
Other liabilities and accrued expenses (Note 9)	313,823	696,855
Notes payable (Note 11)	35,626,868	35,607,862
Payable to the Jewish Federation of Metropolitan Chicago (Note 11)	1,650,000	4,540,000
Total liabilities	42,841,233	49,516,557
Net Assets		
Without donor restrictions	(370,819)	(4,517,249)
With donor restrictions (Note 12)	22,980,009	19,365,368
Total net assets	22,609,190	14,848,119
Total liabilities and net assets	**$ 65,450,423**	**$ 64,364,676**

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Tuition revenue (net of scholarships and discounts of $48,300 and $200,925 for 2021 and 2020, respectively)	$ 623,719	$ -	$ 623,719	$ 496,677	$ -	$ 496,677
Gifts and bequests - Net	1,172,328	892,294	2,064,622	1,317,004	1,405,265	2,722,269
In-kind donations	65,697	-	65,697	84,669	-	84,669
Miscellaneous revenue	449,350	-	449,350	263,146	-	263,146
Auxiliary services	705,779	-	705,779	2,645,011	-	2,645,011
Jewish Federation of Metropolitan Chicago grants	484,240	391,052	875,292	604,728	420,670	1,025,398
Net realized and unrealized gains and losses on investments	-	3,327,935	3,327,935	-	301,908	301,908
Interest and dividend income - Net of investment expense	12,590	273,808	286,398	22,485	289,752	312,237
Net assets released from restrictions	1,270,448	(1,270,448)	-	1,900,172	(1,900,172)	-
Gain on forgiveness of debt	3,546,962	-	3,546,962	-	-	-
Total revenue, gains, and other support	8,331,113	3,614,641	11,945,754	7,333,892	517,423	7,851,315
Expenses						
Program expenses:						
Spertus college programs	2,735,434	-	2,735,434	3,339,355	-	3,339,355
Spertus collections programs	446,782	-	446,782	569,353	-	569,353
Auxiliary	1,115,906	-	1,115,906	2,151,959	-	2,151,959
Total program expenses	4,298,122	-	4,298,122	6,060,667	-	6,060,667
Support services:						
Management and general	1,397,417	-	1,397,417	1,262,643	-	1,262,643
Fundraising	690,530	-	690,530	503,453	-	503,453
Total support services	2,087,947	-	2,087,947	1,766,096	-	1,766,096
Total expenses	6,386,069	-	6,386,069	7,826,763	-	7,826,763
Increase (Decrease) in Net Assets - Before other items	1,945,044	3,614,641	5,559,685	(492,871)	517,423	24,552
Other items						
Amortization of guarantee	(359,064)	-	(359,064)	(348,693)	-	(348,693)
Net realized and unrealized gain (loss) on interest rate swaps	3,441,702	-	3,441,702	(4,929,203)	-	(4,929,203)
Bond interest and other debt expenses	(881,252)	-	(881,252)	(1,532,433)	-	(1,532,433)
Total other items	2,201,386	-	2,201,386	(6,810,329)	-	(6,810,329)
Increase (Decrease) in Net Assets	4,146,430	3,614,641	7,761,071	(7,303,200)	517,423	(6,785,777)
Net Assets (Deficiency in Net Assets) - Beginning of year	(4,517,249)	19,365,368	14,848,119	2,785,951	18,847,945	21,633,896
Net Assets (Deficiency in Net Assets) - End of year	**$ (370,819)**	**$ 22,980,009**	**$ 22,609,190**	**$ (4,517,249)**	**$ 19,365,368**	**$ 14,848,119**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services				Support Services			
	College	Collections	Auxiliary	Total	Management and General	Fundraising	Total	Total
Salaries	$ 1,050,277	$ 191,499	$ 311,385	$ 1,553,161	$ 672,449	$ 326,556	$ 999,005	$ 2,552,166
Payroll taxes	76,662	13,302	21,653	111,617	38,858	20,075	58,933	170,550
Employee benefits	108,818	28,772	55,671	193,261	72,533	40,095	112,628	305,889
Total salaries and related expenses	1,235,757	233,573	388,709	1,858,039	783,840	386,726	1,170,566	3,028,605
Professional services	210,704	8,714	17,619	237,037	186,929	65,791	252,720	489,757
Supplies	8,754	1,405	3,700	13,859	2,283	1,204	3,487	17,346
Equipment	74,317	11,339	50,151	135,807	28,223	16,759	44,982	180,789
Computer software and licenses	17,650	46,438	10,606	74,694	6,428	28,027	34,455	109,149
Computer maintenance	31,009	2,102	3,153	36,264	13,284	5,256	18,540	54,804
Telephones, website, and Internet	24,513	5,596	21,679	51,788	15,009	11,205	26,214	78,002
Postage, shipping, and messenger services	13,889	3,368	1,106	18,363	1,148	5,086	6,234	24,597
Public relations/marketing	78,018	3,201	22,276	103,495	2,029	7,606	9,635	113,130
Printing and copying	6,939	900	895	8,734	1,755	9,888	11,643	20,377
Meals, travel, and lodging	20,295	181	907	21,383	3,811	203	4,014	25,397
Facility rental	-	179	-	179	-	-	-	179
Insurance	68,009	8,871	40,539	117,419	25,863	10,349	36,212	153,631
Permits and fees	4,170	543	5,435	10,148	1,326	640	1,966	12,114
Dues and subscriptions	10,579	1,706	-	12,285	438	206	644	12,929
Miscellaneous expenses	3,049	50	2,678	5,777	7,256	54	7,310	13,087
Electricity	73,879	9,636	43,364	126,879	22,485	11,242	33,727	160,606
Utilities, janitorial, and security	90,385	11,789	57,407	159,581	27,508	13,754	41,262	200,843
Scholarship and instructional resources	17,913	9,382	-	27,295	-	-	-	27,295
Cost of goods sold	-	-	2,749	2,749	-	-	-	2,749
Bad debt	70,742	-	-	70,742	-	-	-	70,742
Bank fees	-	-	2,213	2,213	19,877	-	19,877	22,090
Depreciation	652,195	87,743	391,201	1,131,139	241,405	105,328	346,733	1,477,872
Credit card fees	22,668	66	49,519	72,253	6,520	11,206	17,726	89,979
Amortization of guarantee	86,766	85,022	151,218	323,006	26,773	9,285	36,058	359,064
Bond interest and other debt expenses	212,950	208,669	371,138	792,757	65,707	22,788	88,495	881,252
Total functional expenses	**$ 3,035,150**	**$ 740,473**	**$ 1,638,262**	**$ 5,413,885**	**$ 1,489,897**	**$ 722,603**	**$ 2,212,500**	**$ 7,626,385**

See notes to consolidated financial statements.

Spertus Institute for Jewish Learning and Leadership

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services				Support Services			
	College	Collections	Auxiliary	Total	Management and General	Fundraising	Total	Total
Salaries	$ 1,279,182	$ 256,212	$ 796,528	$ 2,331,922	$ 613,487	$ 317,063	$ 930,550	$ 3,262,472
Payroll taxes	83,781	16,891	54,214	154,886	33,915	22,441	56,356	211,242
Employee benefits	114,195	36,930	72,360	223,485	33,154	30,901	64,055	287,540
Total salaries and related expenses	1,477,158	310,033	923,102	2,710,293	680,556	370,405	1,050,961	3,761,254
Professional services	307,404	19,969	9,452	336,825	203,451	9,164	212,615	549,440
Supplies	31,164	5,951	27,545	64,660	6,515	891	7,406	72,066
Equipment	102,615	15,590	103,463	221,668	23,198	5,956	29,154	250,822
Computer software and licenses	14,894	42,169	14,850	71,913	4,893	28,418	33,311	105,224
Computer maintenance	35,729	2,750	7,925	46,404	12,021	2,750	14,771	61,175
Telephones, website, and Internet	18,420	4,407	42,037	64,864	8,437	6,141	14,578	79,442
Postage, shipping, and messenger services	8,223	3,053	1,635	12,911	524	3,455	3,979	16,890
Public relations/marketing	79,054	9,085	20,759	108,898	868	10,648	11,516	120,414
Printing and copying	44,125	6,299	3,049	53,473	3,098	18,275	21,373	74,846
Meals, travel, and lodging	241,433	7,008	6,398	254,839	16,646	19,786	36,432	291,271
Facility rental	3,269	-	25,341	28,610	-	-	-	28,610
Insurance	56,645	7,724	53,308	117,677	19,608	1,287	20,895	138,572
Permits and fees	6,613	852	16,365	23,830	1,494	149	1,643	25,473
Dues and subscriptions	9,803	1,976	951	12,730	14	402	416	13,146
Miscellaneous expenses	25,118	1,455	10,044	36,617	3,121	668	3,789	40,406
Electricity	93,139	12,701	82,555	188,395	21,168	2,117	23,285	211,680
Utilities, janitorial, and security	142,763	19,267	181,266	343,296	32,111	3,211	35,322	378,618
Scholarship and instructional resources	11,439	13,249	-	24,688	-	-	-	24,688
Cost of goods sold	-	-	41,403	41,403	-	-	-	41,403
Bad debt	8,562	-	-	8,562	-	-	-	8,562
Bank fees	-	-	2,512	2,512	15,177	-	15,177	17,689
Depreciation	615,776	85,797	552,276	1,253,849	209,625	16,812	226,437	1,480,286
Credit card fees	6,009	18	25,723	31,750	118	2,918	3,036	34,786
Amortization of guarantee	83,000	81,332	149,869	314,201	25,610	8,882	34,492	348,693
Bond interest and other debt expenses	364,769	357,436	658,642	1,380,847	112,552	39,034	151,586	1,532,433
Total functional expenses	**$ 3,787,124**	**$ 1,008,121**	**$ 2,960,470**	**$ 7,755,715**	**$ 1,400,805**	**$ 551,369**	**$ 1,952,174**	**$ 9,707,889**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 7,761,071	$ (6,785,777)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation	1,477,872	1,480,286
Loss on disposal of facilities and equipment	-	5,883
Bad debt expense	70,742	8,562
Amortization of loan guarantee	359,064	348,693
Amortization of bond issuance costs	-	491,845
Amortization of note payable issuance costs	19,006	7,920
Contributions restricted for permanent endowment	(1,000)	(729,032)
Gain on forgiveness of debt	(3,546,962)	-
Non cash donations received	(38,386)	-
Net realized and unrealized gains on investments	(3,327,935)	(301,908)
Change in fair value of interest rate swaps	(3,441,702)	4,929,203
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(62,321)	448,562
Inventories	4,488	(4,204)
Prepaid expenses and other assets	(3,687)	(14,939)
Accounts payable	8,099	10,580
Accrued and other liabilities	(383,032)	(299,236)
Postretirement benefits	12,305	(18,586)
Net cash and cash equivalents used in operating activities	(1,092,378)	(422,148)
Cash Flows from Investing Activities		
Purchase of facilities and equipment	(37,000)	(540,007)
Purchases of investments	(1,018,856)	(1,678,631)
Proceeds from sales and maturities of investments	1,062,464	1,406,624
Net cash and cash equivalents provided by (used in) investing activities	6,608	(812,014)
Cash Flows from Financing Activities		
Proceeds from notes payable	656,962	35,656,962
Payments on bond payable	-	(34,960,000)
Notes payable issuance costs	-	(57,020)
Proceeds from contributions restricted for permanent endowment	100,513	369,213
Net cash and cash equivalents provided by financing activities	757,475	1,009,155
Net Decrease in Cash and Cash Equivalents	(328,295)	(225,007)
Cash and Cash Equivalents - Beginning of year	4,493,548	4,718,555
Cash and Cash Equivalents - End of year	**$ 4,165,253**	**$ 4,493,548**
Supplemental Cash Flow Information - Cash paid for interest	$ 863,467	$ 937,783

See notes to consolidated financial statements.

Note 1 - Nature of Business

Spertus Institute for Jewish Learning and Leadership (Spertus) is a Jewish institution grounded in Jewish values that invites people of all ages and backgrounds to explore the multifaceted Jewish experience. Through its innovative public programming, exhibitions, collections, research facilities, and degree programs, Spertus inspires learning; serves diverse communities; and fosters understanding for Jews and people of all faiths locally, regionally, and around the world. In 2018, Spertus was reaccredited by the North Central Association for a 10-year period, the maximum accreditation awarded by that body. Spertus is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law except for taxes pertaining to unrelated business income, if any. Activities are conducted from its facilities in Chicago, Illinois.

In June 2018, Venue Six10 Services, LLC (Venue Six10) was formed under the Illinois Limited Liability Company Act. Venue Six10 provides various services related to special event rentals at Spertus' building located at 610 S. Michigan Avenue in Chicago, Illinois. Venue Six10 is a wholly owned subsidiary of Spertus.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of Spertus Institute for Jewish Learning and Leadership and its subsidiary (collectively, the "Institute") have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Principles of Consolidation

The financial statements include the accounts of Spertus and Venue Six10, its wholly owned subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

Classification of Net Assets

Net assets of the Institute are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Institute.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Institute or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Cash Equivalents

For the purpose of the accompanying financial statements, the Institute considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The carrying amount reported in the consolidated statement of financial position for cash and cash equivalents approximates fair value due to the short-term nature of these investments.

The Institute maintains its cash and cash equivalent balances in bank accounts that at times may exceed federally insured limits. The Institute has not experienced any losses in such accounts, and management believes that the Institute is not exposed to any significant credit risk on cash.

Note 2 - Significant Accounting Policies (Continued)

Investments

Investments in marketable equity securities with readily determinable fair values are valued at their fair values in the consolidated statement of financial position. Interest and dividend income and unrealized and realized gains are reported as income on the consolidated statement of activities and changes in net assets and as an increase in net assets. Interest and dividend income is recorded on the accrual basis. Realized gains and losses are recognized on a specific identification basis of cost.

The Institute 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 participants' account balances and the amounts reported in the financial statements.

Other Assets

Other assets consist of the unamortized value of guarantees on swap agreements, plus prepaid expenses and escrowed funds.

The Institute received guarantees of its interest rate swap agreements from the Jewish Federation of Metropolitan Chicago, which enabled the Institute to obtain a lower interest rates on its borrowings. The guarantees were initially recorded at their estimated fair value, which represented the discounted present value of the difference between the interest payments using the actual swap rates and the interest payments using an estimated market rate on its interest swap agreements. The guarantees are being amortized as interest expense over the life of the swap agreements using the effective interest method.

Collections

Items within the Institute's rare and valuable collection are not valued in the consolidated statement of financial position except for items contributed after June 30, 1995, which carry a value established by an independent appraisal or the actual cost as of the date of acquisition, and library materials.

The Institute has stewardship over approximately 20,000 rare and valuable collectible items, including artwork in many different media, rare books, antique audio recordings, antique maps, and rare manuscripts. Those acquired prior to June 30, 1995 carry a value of $1.

The Institute considers library materials to be cultural and historical treasures and inexhaustible assets; therefore, these items are not subject to depreciation. Library materials are charged to expense only when withdrawn from service due to loss, damage, disposal, or when available at public libraries in the local area.

Collection items are to be held permanently. If an item is deaccessioned, proceeds received will be used to reinvest in collection items.

Facilities and Equipment

Facilities and equipment are recorded at cost and are capitalized if the expenditure is in excess of $2,500. The straight-line method is used for computing depreciation and amortization. Donated items are recorded at their estimated fair value at the date of receipt. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Note 2 - Significant Accounting Policies (Continued)

Paycheck Protection Program Loans

Funding received under the Paycheck Protection Program (PPP) is from a lending institution and has the potential to be forgiven in part or wholly by the Small Business Administration. The proceeds from the loans, therefore, remain recorded as a liability until either (1) the loans are partially or wholly forgiven and the Institute has been legally released or (2) the Institute pays off the loans to the creditor. Once the loans are partially or wholly forgiven and the legal release is received, the liability is reduced by the amount forgiven, and a gain on debt forgiveness is recorded. See Note 11 for additional information on the terms and conditions of the PPP agreements.

Debt Issuance Costs

Debt issuance costs were incurred by the Institute in connection with the issuance of bonds and notes payable. These costs are recorded as a reduction in the recorded balance of the outstanding bond and notes payable. The costs are amortized over the term of the related debt and reported as a component of interest expense.

Revenue Recognition

The Institute's revenue streams under contracts with customers are composed of student tuition fees; facility space rentals; and related auxiliary services, such as labor and equipment costs, associated with the space rental. These streams are included under the tuition revenue and auxiliary services in the consolidated statement of activities and changes in net assets. Net revenue from customer contracts from tuition revenue totaled $623,719 and $496,677 for the years ended June 30, 2021 and 2020, respectively. Revenue from customer contracts from space rentals and the related auxiliary services totaled $211,985 and $1,962,980 for the years ended June 30, 2021 and 2020, respectively.

For student tuition fees, the Institute has performance obligations related to providing educational and instructional services over the agreed-upon academic term. The revenue is recognized ratably over time, as the customers (students) simultaneously receive and consume the benefit of these services as the contract is completed.

For facility space rental and the related auxiliary services, the Institute has performance obligations related to providing event space and setup or equipment services with one-time events. A new contract is created for each space rental and event service. Therefore, the revenue is recognized at the point in time when the event takes place and the services are completed.

The transaction price is calculated as the amount of consideration to which the Institute expects to be entitled. Tuition fees are determined on an annual basis and presented net of any scholarships awarded that are set at the time the contract is created. Scholarships awarded totaled $48,300 and $200,925 for the years ended June 30, 2021 and 2020, respectively. Event space rentals and services are set at a merchant price, including any applicable rental space deposits.

In some situations, the Institute bills customers and collects cash prior to the satisfaction of the performance obligation, which results in the Institute recognizing contract liabilities. Tuition collected for academic terms that have not yet taken place is recorded as deferred revenue and included in other liabilities and accrued expenses in the consolidated statement of financial position. Deposits for space rentals for events that have not yet taken place are recorded as customer deposits and included in other liabilities and accrued expenses in the consolidated statement of financial position. Deferred tuition revenue as of June 30, 2021 and 2020 was $12,425 and $97,313, respectively. Customer deposits for future rental events as of June 30, 2021 and 2020 were $98,099 and $169,139, respectively. No contract assets resulted from contracts with customers as of June 30, 2021 and 2020.

Note 2 - Significant Accounting Policies (Continued)

Student Accounts Receivable

Student accounts receivable represent amounts due from students and are stated net of an allowance for doubtful accounts of $144,187 and $85,007 as of June 30, 2021 and 2020, respectively. The allowance is determined based on historical collection experience and analysis of specific accounts. Uncollectible accounts are written off in the year they are deemed to be uncollectible.

Contributions

Unconditional promises to give cash and other assets to the Institute are reported at fair value on the date the promise is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. As of June 30, 2021, the Institute is eligible to receive and recognize $320,000 of these conditional contributions upon the occurrence of future qualifying expenses. As of June 30, 2020, the Institute was eligible to receive and recognize $250,000 of these conditional contributions.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is 4 percent for fiscal years 2021 and 2020. Amortization of the discount is included in contribution revenue. Based on historical collection experience and review of individual receivable balances, management has determined that no allowance for uncollectible pledges was necessary as of June 30, 2021 and 2020.

Donated Services

Certain donated services are recognized as support in the consolidated statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. As of June 30, 2021 and 2020, $65,697 and $84,669, respectively, has been recognized in the consolidated statement of activities and changes in net assets as in-kind donations and as expenses for attorney fees and other professional services.

Other volunteer services are not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America.

Jewish Federation of Metropolitan Chicago Grants

Grants received from the Jewish Federation of Metropolitan Chicago (the "Jewish Federation") are recorded in the period received as without donor restrictions or with donor restrictions based on the grants' specified purpose.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort towards those programs. Expenses deemed to be indirect to employee work, such as professional services, depreciation, insurance, and supplies, are considered to be management and general expenses unless used specifically by a program. Other expenses utilized by all employees, such as occupancy, utilities, and training, are also allocated on the basis of time and effort. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Derivative Financial Instruments

The Institute holds derivative financial instruments for the purpose of hedging certain identifiable and anticipated transactions. These instruments are interest rate swaps related to the notes payable liabilities to hedge against the variability of future earnings and cash flows caused by interest rate changes. The interest rate swaps have been designated as fair value hedges for financial reporting purposes and are recognized in the accompanying consolidated statement of financial position at fair value. Changes in fair value are recognized currently in income.

Derivatives are held only for the purpose of hedging such risks, not for speculation. Generally, the Institute enters into hedging relationships such that changes in the fair value of cash flows of items and transactions being hedged are expected to be offset by corresponding changes in the values of the derivatives.

Postretirement Benefits

The Institute discontinued offering a postretirement benefit plan to provide supplemental medical and dental benefits. For the employees in the plan at the time it was discontinued, an obligation is recognized as a liability in the consolidated statement of financial position. The benefit obligation is the accumulated postretirement benefit obligation that represents the actuarial present value of postretirement benefits attributed to employee service already rendered.

Income Taxes

Spertus is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Venue Six10 is treated as a corporation for federal income tax purposes and subject to income tax on its taxable income.

Note 2 - Significant Accounting Policies (Continued)

Risks and Uncertainties from COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

The Institute continues to monitor and follow the recommended state and local health and safety standards for use of its building for classrooms and events. These disruptions in normal operations have resulted in a decrease in auxiliary services revenue. The Institute was able to offset reductions in auxiliary services revenue with reductions in related expenses. In addition, as further disclosed in Note 11, the Institute received funding from the Paycheck Protection Program.

Management acknowledges there is ongoing financial uncertainty related to COVID-19 that could impact the Institute's future financial position, changes in net assets, and timing of cash flows. The full future impact of the pandemic cannot be estimated at this time.

Upcoming Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which addresses the accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate (LIBOR). The ASU provides optional expedients and exceptions to contracts, hedging relationships, and other transactions impacted by reference rate reform. The provisions of the ASU are effective upon issuance (March 2020) and generally can be applied through December 31, 2022. The Institute has not yet been contacted by its bank to change the rate.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Institute’s year ending June 30, 2022 and will be applied using the retrospective method.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including December 22, 2021, which is the date the consolidated financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access.

Note 3 - Fair Value Measurements (Continued)

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Institute's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below:

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Assets				
Equity securities:				
U.S. large cap	$ 7,442,961	$ -	$ -	$ 7,442,961
U.S. small/mid cap	137,445	-	-	137,445
International	2,346,664	-	-	2,346,664
Emerging markets	218,283	-	-	218,283
Real estate based	733,111	-	-	733,111
Total equity securities	10,878,464	-	-	10,878,464
Debt securities:				
Corporate bonds (1)	-	6,060,598	-	6,060,598
State of Israel bonds (1)	-	50,000	-	50,000
Investment in the Jewish Federation PEP (2)	-	2,134,592	-	2,134,592
Total debt securities	-	8,245,190	-	8,245,190
Total assets	$ 10,878,464	$ 8,245,190	$ -	$ 19,123,654
Liabilities - Interest rate swap agreements (3)	$ -	$ 4,896,443	$ -	$ 4,896,443

Note 3 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
Assets				
Equity securities:				
U.S. large cap	$ 6,043,573	$ -	$ -	$ 6,043,573
U.S. small/mid cap	105,310	-	-	105,310
International	1,849,838	-	-	1,849,838
Emerging markets	157,352	-	-	157,352
Real estate based	576,673	-	-	576,673
Total equity securities	8,732,746	-	-	8,732,746
Debt securities:				
Corporate bonds (1)	-	5,228,854	-	5,228,854
State of Israel bonds (1)	-	50,000	-	50,000
Investment in the Jewish Federation PEP (2)	-	1,789,341	-	1,789,341
Total debt securities	-	7,068,195	-	7,068,195
Total assets	$ 8,732,746	$ 7,068,195	$ -	$ 15,800,941
Liabilities - Interest rate swap agreements (3)	$ -	$ 8,338,145	$ -	$ 8,338,145

(1) The corporate bonds and State of Israel bonds are valued at June 30, 2021 and 2020 using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures.

(2) The fair value of the investment in the Jewish Federation Pooled Endowment Portfolio (PEP) is based on the Institute's percentage ownership of the portfolio as of year end, as determined by the Jewish Federation of Metropolitan Chicago. The Jewish Federation is the manager and administrator of the PEP and is also the majority owner of the PEP. The PEP invests in various types of investments, including mutual funds, equity and debt securities, alternative investments, and other investment vehicles. The Institute does not own or have any interest in the underlying investments held by the PEP. The Institute has the ability to contribute funds or withdraw funds from this account on the first day of each month. Withdrawal requests are required to be submitted to the PEP in writing at least 15 days prior to the beginning of each month, and withdrawals representing more than 80 percent of an investor's assets are paid within 60 days. There are no unfunded commitments as of June 30, 2021 and 2020.

(3) The fair value of the interest rate swap agreements is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the interest rate swap. This analysis reflects the contractual terms of the interest rate swaps, including the period to maturity, and uses observable market-based inputs, including LIBOR curves.

Note 4 - Investments

The details of the Institute's investments at June 30 are as follows:

	2021	2020
Equity securities	$ 10,878,464	$ 8,732,746
Debt securities:		
Corporate	6,060,598	5,228,854
State of Israel	50,000	50,000
Jewish Federation PEP	2,134,592	1,789,341
Funds held by the Jewish Federation on behalf of the Institute	42,647,642	35,334,749
Subtotal	61,771,296	51,135,690
Funds held by the Jewish Federation on behalf of the Institute	(42,647,642)	(35,334,749)
Total investments	$ 19,123,654	$ 15,800,941

The Jewish Federation holds various funds that are for the benefit of the Institute. Because the Jewish Federation has variance power over these funds and the funds were contributed to the Jewish Federation, they are not considered assets of the Institute. The Institute has included these amounts in investments for informational purposes but offsets the amounts for an impact on net assets of $0. These funds consist of the following:

(i) Funds intended for specific programs and activities of the Institute with a market value of $8,391,516 and $7,126,537 as of June 30, 2021 and 2020, respectively. The Institute received distributions of and $391,052 and $420,670 from the Jewish Federation in relation to these funds in fiscal years 2021 and 2020, respectively, which are reported as grants with donor restrictions from the Jewish Federation of Metropolitan Chicago in the consolidated statement of activities and changes in net assets.

(ii) A board-designated project endowment fund with a market value of $34,256,126 and $28,208,212 as of June 30, 2021 and 2020, respectively. The project endowment fund is intended for the benefit of the Institute primarily to cover its debt service obligations, including the repayment of its note payable liability at maturity in February 2023. A total of 65 percent of the funds remaining in the project endowment fund after satisfaction of the note payable liability will be payable to the Institute. The Institute received distributions for operations of $484,240 and $604,728 in fiscal years 2021 and 2020, respectively, which are reported as without donor restrictions grants from the Jewish Federation of Metropolitan Chicago in the consolidated statement of activities and changes in net assets.

Note 5 - Pledges Receivable

Included in pledges receivable are several unconditional promises to give. They are included as follows:

	2021	2020
Gross promises to give before unamortized discount	$ 468,070	$ 720,996
Less allowance for net present value discount	(39,628)	(69,803)
Net contributions receivable	$ 428,442	$ 651,193
Amounts due in:		
Less than one year	$ 168,070	$ 170,996
One to five years	300,000	550,000
Total	$ 468,070	$ 720,996

Note 6 - Prepaid Expenses and Other Assets

Prepaid expenses and other assets as of June 30 consist of the following:

	2021	2020
Guarantee on swap agreements, net of accumulated amortization of $1,953,912 and $1,594,848	$ 432,424	$ 791,488
Facility lease escrow	50,000	50,000
Prepaid expenses	85,085	81,398
Total	$ 567,509	$ 922,886

Amortization expense on guarantee on swap agreements was $359,064 and $348,693 for the years ended June 30, 2021 and 2020, respectively.

Note 7 - Collections

Collections at June 30 consist of the following:

	2021	2020
Rare and valuable collections acquired prior to June 30, 1995	$ 1	$ 1
Rare and valuable collections acquired after June 30, 1995	1,578,394	1,578,394
Collection of library materials - Net	2,138,273	2,138,273
Total	$ 3,716,668	$ 3,716,668

Collection of library materials is reported net of allowance for lost or missing library materials of $98,750 for 2021 and 2020.

Note 8 - Facilities and Equipment

Facilities and equipment are summarized as follows:

	2021	2020	Depreciable Life - Years
Buildings	$ 49,011,334	$ 49,011,334	40
Land	3,048,620	3,048,620	-
Furniture and fixtures	6,533,189	6,218,537	3-10
Building improvements	1,416,863	2,097,569	3-10
Computer equipment and software	375,689	375,689	3-5
Total cost	60,385,695	60,751,749	
Accumulated depreciation	23,311,428	22,236,610	
Net facilities and equipment	$ 37,074,267	$ 38,515,139	

Depreciation expense for 2021 and 2020 was $1,477,872 and $1,480,286, respectively.

Note 9 - Other Liabilities and Accrued Expenses

The following is the detail of other liabilities and accrued expenses:

	2021	2020
Facility rental deposits	$ 98,099	$ 169,139
Deferred tuition	12,425	97,313
Accrued vacation	68,168	87,656
Other	135,131	342,747
Total	$ 313,823	$ 696,855

Note 10 - Line of Credit

During 2021, the Institute entered into a line of credit agreement with a bank for available borrowings of approximately $1,000,000. Borrowings are limited to formulas based on the pledge short-term cash investments held with the bank of $1,249,039 as of June 30, 2021. Interest is payable monthly at a rate of 3.125 percent above the London Interbank Offered Rate, an effective rate of 3.99 percent as of June 30, 2021. The line of credit is collateralized by the short-term cash investments held with the bank. No borrowings are outstanding as of June 30, 2021.

Note 11 - Long-term Debt

Long-term debt at June 30 is as follows:

	2021	2020
On March 15, 2021, the Institute received a PPP term note through a bank of $656,962 (PPP2). The note structure requires institute officials to certify certain statements that permitted the Institute to qualify for the loan and provides loan forgiveness for a portion up to all of the borrowed amount if the Institute uses the loan proceeds for the permitted loan purpose described in the note agreement and maintains certain full-time equivalent and salary levels; the portion not forgiven will be required to be paid back by the Institute in full in March 2026, with interest at 1.00 percent. The Institute has the right to repay any amount outstanding at any time without penalty. Subsequent to June 30, 2021, the Institute received notice of full forgiveness of the loan balance effective November 13, 2021	$ 656,962	$ -
On May 6, 2020, the Institute received a PPP term note through a bank of $656,962 (PPP1). The note structure required institute officials to certify certain statements that permitted the Institute to qualify for the loan and provides loan forgiveness for a portion up to all of the borrowed amount if the Institute uses the loan proceeds for the permitted loan purpose described in the note agreement and maintains certain full-time equivalent and salary levels. The Institute received notice of forgiveness on April 24, 2021 that the note was forgiven in full at which time the liability was relieved and revenue was recognized as a gain on forgiveness of debt	-	656,962

Note 11 - Long-term Debt (Continued)

	2021	2020
Note payable to a financial institution, which requires interest-only payments through February 2023, at which time the entire balance is due. Funding from the note was used to pay off the bond payable in February 2020. The note bears a fixed annual interest at 0.30 percent plus LIBOR. The effective interest rate as of June 30, 2021 and 2020 was 0.39 and 0.47 percent, respectively. Additionally, interest is paid under am interest rate swap agreement at a fixed rate of 2.94 percent. The loan is secured by a guarantee from the Jewish Federation of Metropolitan Chicago. In turn, the Jewish Federation of Metropolitan Chicago's guarantee is secured by a mortgage on the building owned by the Institute located at 610 South Michigan Avenue effective December 30, 2020	$ 35,000,000	$ 35,000,000
Long-term liability payable to the Jewish Federation of Metropolitan Chicago related to the sale of the building at 618 South Michigan Avenue. The liability initially consisted of (1) funds collected from donors related to the building totaling $2,890,000 and (2) the Jewish Federation's minimum share of the profits from the sale totaling $1,650,000. Effective December 30, 2020, the Jewish Federation of Metropolitan Chicago forgave the $2,890,000 payable, at which time the liability was relieved and the revenue was recognized as a gain on forgiveness of debt. The remaining payable is due should the 610 South Michigan Avenue building ever be sold. The payment amount will be the lesser of an amount equal to 16 percent of the net sale proceeds or a sum equal to $1,650,000 plus 4 percent compounded annually beginning on September 1, 2015, which represents the refinancing date of debt related to the building located at 610 South Michigan Avenue	1,650,000	4,540,000
Unamortized debt issuance costs	(30,094)	(49,100)
Long-term debt less unamortized debt issuance costs	$ 37,276,868	$ 40,147,862

The balance of the above debt matures as follows:

Years Ending	Amount
2022	$ 65,694
2023	35,131,388
2024	131,388
2025	131,388
2026	197,104
Thereafter	1,650,000
Unamortized debt issuance costs	(30,094)
Total	$ 37,276,868

Interest expense for 2021 and 2020 was $862,810 and $999,183, respectively. Amortization expense of debt issuance costs was $19,006 and $499,765 for 2021 and 2020, respectively.

The Institute entered into an interest rate swap agreement with a maturity date of September 1, 2022. The swap converted the fixed interest rate of the Series W-1 Bonds to a variable rate. Upon redemption of the bond payable in February 2020, the interest rate swap agreement was terminated. The fair value of the swap agreement at the time of termination of $142,887 was paid to the Institute and recognized in the consolidated statement of activities and changes in net assets under the net realized and unrealized loss on interest rate swaps line item.

Note 11 - Long-term Debt (Continued)

In addition to the swap agreement noted above, the Institute entered into a separate interest rate swap agreement maturing on September 1, 2035 with a notional amount of $35,000,000. This swap converts the variable interest rate to a fixed annual rate of 2.9432 percent and is still in effect over the new note payable after the bond was paid off in February 2020.

These interest rate swaps are recognized in the accompanying consolidated statement of financial position at fair value. Changes in the fair value of the interest rate swaps are recognized on the consolidated statement of activities and changes in net assets. Realized gains and losses are recognized as a component of interest expense, and net realized gains (losses) totaling $3,441,702 and $(4,929,203) have been recognized for 2021 and 2020, respectively.

The interest rate swap agreements are guaranteed by the Jewish Federation, which enabled the Institute to obtain a lower effective interest rate on the note and bond payable. The fair value of the guarantee of $2,386,336 recorded in fiscal year 2016 represented the discounted present value of the estimated interest savings using a discount rate of 4 percent. The estimated interest savings represent the difference between the interest payments using the actual swap rate and the interest payments using a market rate, which is estimated as the rate the Institute would otherwise pay had the guarantor not provided the guarantee. The guarantee is recorded as another asset and is being amortized over the life of the debt using the effective interest method.

Note 12 - Donor-restricted Net Assets

Net assets with donor restrictions as of June 30, 2021 and 2020 are available for the following purposes:

	2021	2020
Subject to expenditures for a specified purpose:		
Academic	$ 1,914,960	$ 1,684,701
Asher Library	1,289	1,289
Spertus Museum	65,999	15,999
Total subject to expenditures for a specified purpose	1,982,248	1,701,989
Invested in perpetuity, the income from which is expendable to support:		
Academic	9,963,312	9,857,172
Asher Library	2,637,605	2,637,605
Building	21,500	21,500
Spertus Museum	2,833,878	2,833,878
Operations	3,065,701	3,065,701
Endowment pledges	300,640	400,333
Accumulated investment earnings (losses)	2,175,125	(1,152,810)
Total invested in perpetuity	20,997,761	17,663,379
Total net assets with donor restrictions	$ 22,980,009	$ 19,365,368

Note 13 - Donor-restricted Endowments

The Institute's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 13 - Donor-restricted Endowments (Continued)

Interpretation of Relevant Law

The Institute is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Institute had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Institute 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 Institute has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Institute and the donor-restricted endowment fund
- 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 Institute
- The investment policies of the Institute

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ -	$ 18,521,996	$ 18,521,996
Accumulated investment earnings	-	2,175,125	2,175,125
Donor-restricted borrowings	(850,000)	-	(850,000)
Total	$ (850,000)	$ 20,697,121	$ 19,847,121

Note 13 - Donor-restricted Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ (1,020,000)	$ 17,263,047	$ 16,243,047
Investment return	-	3,601,743	3,601,743
Contributions	-	106,139	106,139
Repayments	170,000	-	170,000
Appropriation of endowment assets for expenditure	-	(273,808)	(273,808)
Endowment net assets - End of year	$ (850,000)	$ 20,697,121	$ 19,847,121

	Endowment Net Asset Composition by Type of Fund as of June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ -	$ 18,415,857	$ 18,415,857
Accumulated investment losses	-	(1,152,810)	(1,152,810)
Donor-restricted borrowings	(1,020,000)	-	(1,020,000)
Total	$ (1,020,000)	$ 17,263,047	$ 16,243,047

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ (1,190,000)	$ 16,632,439	$ 15,442,439
Investment return	-	591,660	591,660
Contributions	-	328,700	328,700
Repayments	170,000	-	170,000
Appropriation of endowment assets for expenditure	-	(289,752)	(289,752)
Endowment net assets - End of year	$ (1,020,000)	$ 17,263,047	$ 16,243,047

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Institute to retain as a fund of perpetual duration. Deficiencies of this nature existed in the donor-restricted endowment fund as of June 30, 2020. The endowment fund had an original gift value of $18,415,857, a current fair value of $16,619,200, and a deficiency of $1,796,657 as of June 30, 2020. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of trustees. This deficiency also related to the Institute borrowing $1,700,000 in fiscal year 2009 to fund operations, of which $1,020,000 remained unpaid as of June 30, 2020.

Note 13 - Donor-restricted Endowments (Continued)

In 2009, the Institute's board of trustees approved the temporary use of $1,700,000 in donor-restricted endowment funds with the intention of gradually reimbursing the funds as soon as reasonably practicable. The Institute did not obtain written permission from donors to borrow the funds, and, therefore, such borrowings may not have been in strict compliance with some donor restrictions. Although management has not received any notifications from donors, an assertion by a donor of noncompliance with donor restrictions could have consequences for the Institute, including the return of funds to donors. In June 2016, the board authorized an internally developed plan to repay the borrowing through transfers from the Institute's operating cash account to an endowment investment account in equal quarterly installments from October 2016 through June 2027. The implementation of this plan is serving the Institute's dual objective of strategically growing the Institute's programmatic offerings, while repaying the borrowing over a reasonable period of time. The Institute repaid $170,000 during fiscal years 2021 and 2020.

Return Objectives and Risk Parameters

The Institute has adopted the investment objective of reducing overall risk while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, the Institute invests in a portfolio mix of equities, fixed-income securities, and the Jewish Federation Pooled Endowment Portfolio.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute annually determines an appropriate spending rate for each of its endowment funds that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. In fiscal years 2021 and 2020, the Institute spent endowment earnings based on programmatic needs and as approved for appropriation by the board through the annual budgetary process. The Institute budgets its appropriations based on investment information received from the Jewish Federation and actual investment performance over several years.

Note 14 - Intercompany Transactions

The following is a description of transactions between the Institute and related parties:

Accounts Receivable

At June 30, 2021 and 2020, the Institute had accounts receivable from Venue Six10 totaling $535,182 and $354,741, respectively. The amount is eliminated in consolidation.

Administration and Personnel Fees

For the years ended June 30, 2021 and 2020, the Institute received revenue related to administration fees from Venue Six10 of $182,864 and $659,582, respectively. The amount is eliminated in consolidation.

Note 15 - Operating Leases - Lessor

The Institute has a lease agreement with an unrelated third party to lease space in the building for a 10-year period ending in December 2021. In accordance with the lease agreement, the Institute paid approximately $48,000 to reimburse the tenant for improvements in its space and $20,000 for relocation expenses. These amounts are capitalized in facilities and equipment and are being amortized on a straight-line basis over the term of the lease. Rental revenue was $288,734 and $283,857 for the years ended June 30, 2021 and 2020, respectively, and is included in auxiliary services on the consolidated statement of activities and changes in net assets. The lease also requires the Institute to maintain an escrow account of $50,000, which is included in other assets on the consolidated statement of financial position.

Note 15 - Operating Leases - Lessor (Continued)

The Institute entered into a license agreement with an unrelated third party to use space in the building through May 2025. In accordance with the original license agreement, the Institute paid $85,735 to reimburse the licensee for improvements to the space used by the licensee. In accordance with the amended agreement, the Institute paid an additional $594,971 to reimburse the licensee for improvements to the space used by the licensee. These amounts are capitalized in facilities and equipment and are being amortized on a straight-line basis over the term of the license agreement. Fee rental revenue was $205,060 and $398,174 for the years ended June 30, 2021 and 2020, respectively, and is included in auxiliary services on the consolidated statement of activities and changes in net assets. Effective January 29, 2021, the lease was be terminated in accordance with lease terms at the request of the third party. Per the license agreement, there was no termination fee, but the third party is not entitled to the unamortized portion of the retrofitting cost abatement. The balance of the cost abatement recognized in miscellaneous income in the consolidated statement of activities and changes in net assets was approximately $190,000.

Lastly, the Institute entered into a lease agreement with an unrelated third party to use space in the building commencing subsequent to June 30, 2021 and through May 2022.

Future minimum rent on noncancelable leases as of June 30, 2021 for each of the next five years, and in the aggregate, is as follows:

Year Ending June 30	Amount
2022	$ 484,361

Note 16 - Liquidity and Availability of Resources

The Institute has $2,604,210 and $3,385,640 of unrestricted financial assets available within one year of June 30, 2021 and 2020 to meet cash needs for general expenditure consisting consist of cash of $938,344 and $1,484,013, contributions and trade accounts receivable of $416,827 and $351,658, and short-term investments of $1,249,039 and $1,549,969, respectively.

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date. Net assets with donor restrictions for purposes are held in separate restricted cash and receivable accounts that are excluded in the above disclosure but are included in the consolidated statement of financial position. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year and can be used for general expenditures.

The Institute has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Institute targets maintaining sufficient liquidity, including cash and short-term investments, on hand to meet six months of normal operating expenses. As part of its liquidity management, the Institute invests cash in various short-term investments, including short-term treasury instruments.

The Institute's endowment funds consist of donor-restricted endowments of $18,521,966 and $18,415,857 at June 30, 2021 and 2020, respectively. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

Note 17 - Retirement Plans and Postretirement Benefits

The Institute sponsors a 403(b) plan for substantially all employees. The Spertus Institute of Jewish Studies Retirement Plan (the "Plan") is a defined contribution plan covering all eligible full-time personnel. The Plan does not require matching contributions from the Institute.

Note 17 - Retirement Plans and Postretirement Benefits (Continued)

The Institute provides postretirement benefits in the form of reimbursement for Medicare supplemental health insurance premiums and for continuing dental insurance coverage up to a monthly maximum dollar amount not to exceed the most recent premium cost paid for full-time regular employees. By policy, this benefit will not exceed $333 per month per retired employee; therefore, a health cost trend rate of 0 percent was assumed.

The Institute follows the accounting guidance applicable to postretirement pension and other defined benefit plans. As of June 30, 2021 and 2020, the Institute accrued $262,282 and $249,977, respectively, for the accumulated postretirement benefit obligation (APBO), using a discount rate of 4 percent, as the Institute's estimated cost for this benefit through the fiscal year ending June 30, 2067, which is the last fiscal year of actuarial life expectancy per Table I of the Internal Revenue Service's Publication 939 for any current employee who may become eligible for this benefit. The Plan is unfunded, and annual expenses incurred are funded through operations.

The Institute's estimated APBO for fiscal years 2021 and 2020 is recorded as a liability on the consolidated statement of financial position and is as follows:

	2021	2020
Active participants	$ 262,282	$ 249,977

Net postretirement health care costs include the following components:

	2021	2020
Service cost benefits earned during the year	$ 34,588	$ 33,719
Interest cost on accumulated postretirement benefit obligations	10,491	9,999
Total	$ 45,079	$ 43,718

Estimated future benefit payments are as follows:

2022	$ 16,000
2023	16,000
2024	16,000
2025	16,000
2026	16,000
Thereafter	183,000
Total	$ 263,000