

JBI INTERNATIONAL, INC.



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended December 31, 2022 and 2021

JBI INTERNATIONAL, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2022 AND 2021

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-16



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
JBI International, Inc.
New York, New York

Opinion

We have audited the financial statements of JBI International, Inc. ("JBI"), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of JBI as of December 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 ("GAAS"). 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 JBI 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.

Report on 2021 Financial Statements

The financial statements of JBI as of and for the year ended December 31, 2021, were audited by another auditor whose report dated August 4, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

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In performing an audit in accordance with GAAS, 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 JBI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JBI'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.

Mayer Hoffman McCann CPAs

New York, NY
July 20, 2023

JBI INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2C and 13)	\$ 1,986,972	\$ 1,516,766
Investments (Notes 2D, 2E and 4)	14,728,166	16,970,878
Investments - assets held for deferred compensation (Notes 2D, 2E, 4 and 7)	-	431,659
Contributions receivable (Notes 2F and 2G)	30,000	43,597
Interest receivable	31,312	23,977
Inventory (Note 2J)	155,228	144,046
Prepaid expenses and other assets	107,775	101,772
Property and equipment, net (Notes 2K and 5)	5,108,351	5,443,458
Beneficial interest in trusts (Notes 4 and 6)	1,263,010	1,648,068
TOTAL ASSETS	\$ 23,410,814	\$ 26,324,221
 LIABILITIES		
Accounts payable and accrued expenses	\$ 147,862	\$ 125,330
Rental deposits payable (Note 2L)	43,298	33,902
Deferred compensation payable (Note 7)	-	431,659
TOTAL LIABILITIES	191,160	590,891
 CONTINGENCY (Note 14)		
 NET ASSETS (Note 2B)		
Without donor restrictions:		
General operating	1,933,439	1,118,994
Board-designated reserve	500,240	280,200
Board-designated endowment	7,260,434	8,054,963
Investment in property and equipment, net	461,908	484,777
Total net assets without donor restrictions	10,156,021	9,938,934
With donor restrictions (Notes 5, 6, 8 and 9):		
Purpose restricted	1,797,776	2,795,404
Beneficial interest in trusts	388,103	484,630
Perpetual trust	874,907	1,163,438
Endowment	5,356,404	6,392,243
Investment in property and equipment, net	4,646,443	4,958,681
Total net assets with donor restrictions	13,063,633	15,794,396
TOTAL NET ASSETS	23,219,654	25,733,330
TOTAL LIABILITIES AND NET ASSETS	\$ 23,410,814	\$ 26,324,221

The accompanying notes are an integral part of these financial statements.

JBI INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total 2022	Without Donor Restrictions	With Donor Restrictions	Total 2021
SUPPORT AND REVENUE:						
Contributions and grants (Notes 2H, 2I and 15)	\$ 2,406,391	\$ 34,070	\$ 2,440,461	\$ 1,884,916	\$ 500	\$ 1,885,416
Donated services (Notes 2H and 2S)	218,704	-	218,704	18,414	-	18,414
Legacies and bequests (Note 2M)	1,400,811	-	1,400,811	293,552	-	293,552
Rental income, net (Notes 2O and 10)	36,977	-	36,977	47,761	-	47,761
Sales revenue	460	-	460	1,795	-	1,795
Investment activity, net (Notes 2D and 4)	(1,026,295)	(1,523,058)	(2,549,353)	1,162,146	673,747	1,835,893
Distributions from beneficial interest in trusts (Note 6)	90,214	-	90,214	72,427	-	72,427
Change in beneficial interest in trusts (Note 6)	-	(385,058)	(385,058)	-	131,488	131,488
Net assets released from restrictions (Note 8)	856,717	(856,717)	-	1,056,760	(1,056,760)	-
TOTAL SUPPORT AND REVENUE	<u>3,983,979</u>	<u>(2,730,763)</u>	<u>1,253,216</u>	<u>4,537,771</u>	<u>(251,025)</u>	<u>4,286,746</u>
EXPENSES: (Note 2R)						
Program Services:						
Libraries and library development services	1,336,761	-	1,336,761	1,322,841	-	1,322,841
Educational and cultural programs	141,136	-	141,136	168,245	-	168,245
JBI periodicals	297,403	-	297,403	312,283	-	312,283
Outreach to Europe and the Former Soviet Union	82,885	-	82,885	95,126	-	95,126
Israeli assistance program	350,248	-	350,248	373,992	-	373,992
Outreach and library recruitment	752,875	-	752,875	743,726	-	743,726
Total Program Services	<u>2,961,308</u>	<u>-</u>	<u>2,961,308</u>	<u>3,016,213</u>	<u>-</u>	<u>3,016,213</u>
Supporting Services:						
Management and general	499,394	-	499,394	270,014	-	270,014
Fundraising	306,190	-	306,190	374,019	-	374,019
Total Supporting Services	<u>805,584</u>	<u>-</u>	<u>805,584</u>	<u>644,033</u>	<u>-</u>	<u>644,033</u>
TOTAL EXPENSES	<u>3,766,892</u>	<u>-</u>	<u>3,766,892</u>	<u>3,660,246</u>	<u>-</u>	<u>3,660,246</u>
CHANGE IN NET ASSETS	217,087	(2,730,763)	(2,513,676)	877,525	(251,025)	626,500
Net assets - beginning of year	<u>9,938,934</u>	<u>15,794,396</u>	<u>25,733,330</u>	<u>9,061,409</u>	<u>16,045,421</u>	<u>25,106,830</u>
NET ASSETS - END OF YEAR	<u>\$ 10,156,021</u>	<u>\$ 13,063,633</u>	<u>\$ 23,219,654</u>	<u>\$ 9,938,934</u>	<u>\$ 15,794,396</u>	<u>\$ 25,733,330</u>

JBI INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Program Services						Supporting Services			TOTAL 2022	TOTAL 2021
	Libraries and Library Development Services	Educational and Cultural Programs	JBI Periodicals	Europe and the Former Soviet Union	Israeli Assistance Program	Outreach and Library Recruitment	Total Program Services	Management and General	Fundraising		
Salaries	\$ 640,407	\$ 24,548	\$ 167,354	\$ 47,470	\$ 49,172	\$ 355,510	\$ 1,284,461	\$ 64,992	\$ 101,589	\$ 1,451,042	\$ 1,520,742
Payroll taxes and employee benefits (Note 12)	239,107	9,166	62,484	17,724	18,359	132,738	479,578	24,263	37,929	541,770	558,004
Total salaries and related costs	879,514	33,714	229,838	65,194	67,531	488,248	1,764,039	89,255	139,518	1,992,812	2,078,746
Printing and publications	47,057	8,242	5,495	4,121	1,374	32,967	99,256	12,363	34,339	145,958	133,222
Occupancy	110,809	16,621	16,620	8,311	8,310	110,812	271,483	2,770	2,770	277,023	277,583
Library and other supplies	18,117	2,993	3,492	998	10,999	20,483	57,082	998	9,977	68,057	91,892
Postage	2,686	2,687	2,015	336	334	12,094	20,152	3,359	10,076	33,587	32,442
Communications	7,979	-	997	665	332	10,393	20,366	3,326	9,974	33,666	47,442
Conferences, conventions, meetings and travel	7,273	791	2,372	158	159	2,212	12,965	1,423	1,422	15,810	31,235
Insurance	-	-	-	-	-	-	-	14,733	-	14,733	13,881
Audio book digitization	7,467	-	-	-	-	-	7,467	-	-	7,467	7,629
Circulation expenses	15,913	-	-	-	-	-	15,913	-	-	15,913	18,533
Recording expenses	-	-	4,604	-	-	-	4,604	-	-	4,604	4,178
Grants and awards (Note 2N)	-	-	-	-	257,488	-	257,488	-	-	257,488	268,380
Professional services	7,269	47,270	2,138	143	143	9,883	66,846	311,051	45,596	423,493	259,063
Advertising (Note 2Q)	-	-	-	-	-	21,626	21,626	-	-	21,626	16,874
Information dissemination	19,937	14,953	9,698	-	-	24,921	69,509	-	29,905	99,414	83,459
Subscriptions, books and resource materials	128	-	180	-	-	-	308	-	-	308	1,211
Investment advisory fees (Note 4)	-	-	-	-	-	-	-	93,217	-	93,217	92,385
Depreciation (Note 5)	276,101	18,407	18,407	3,681	3,681	18,412	338,689	14,725	14,720	368,134	384,687
Miscellaneous	13,930	619	4,644	310	929	4,953	25,385	52,617	12,022	90,024	15,755
Total Expenses Before Expenses Deducted Directly from Revenues	1,414,180	146,297	300,500	83,917	351,280	757,004	3,053,178	599,837	310,319	3,963,334	3,858,597
Less: expenses deducted directly from revenues on the statement of activities:											
Cost of rental included in occupancy and depreciation	(77,419)	(5,161)	(3,097)	(1,032)	(1,032)	(4,129)	(91,870)	(7,226)	(4,129)	(103,225)	(105,966)
Investment advisory fees (Note 4)	-	-	-	-	-	-	-	(93,217)	-	(93,217)	(92,385)
TOTAL EXPENSES	\$ 1,336,761	\$ 141,136	\$ 297,403	\$ 82,885	\$ 350,248	\$ 752,875	\$ 2,961,308	\$ 499,394	\$ 306,190	\$ 3,766,892	\$ 3,660,246

The accompanying notes are an integral part of these financial statements.

JBI INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services						Supporting Services			TOTAL 2021
	Libraries and Library Development Services	Educational and Cultural Programs	JBI Periodicals	Outreach to Europe and the Former Soviet Union	Israeli Assistance Program	Outreach and Library Recruitment	Total Program Services	Management and General	Fundraising	
Salaries	\$ 624,721	\$ 26,280	\$ 180,586	\$ 56,698	\$ 59,187	\$ 370,311	\$ 1,317,783	\$ 84,996	\$ 117,963	\$ 1,520,742
Payroll taxes and employee benefits (Note 12)	229,229	9,643	66,263	20,804	21,718	135,881	483,538	31,187	43,279	558,004
Total salaries and related costs	853,950	35,923	246,849	77,502	80,905	506,192	1,801,321	116,183	161,242	2,078,746
Printing and publications	40,773	3,852	5,136	3,852	1,284	30,816	85,713	11,556	35,953	133,222
Occupancy	99,931	16,655	16,654	8,328	8,327	99,930	249,825	13,879	13,879	277,583
Library and other supplies	34,382	3,259	2,444	815	10,816	16,733	68,449	6,222	17,221	91,892
Postage	2,594	2,595	1,947	324	322	11,682	19,464	3,244	9,734	32,442
Communications	11,320	-	1,415	943	472	12,067	26,217	4,718	16,507	47,442
Conferences, conventions, meetings and travel	14,369	1,562	4,686	312	313	4,372	25,614	2,811	2,810	31,235
Insurance	-	-	-	-	-	-	-	13,881	-	13,881
Audio book digitization	7,629	-	-	-	-	-	7,629	-	-	7,629
Circulation expenses	18,533	-	-	-	-	-	18,533	-	-	18,533
Recording expenses	-	-	4,178	-	-	-	4,178	-	-	4,178
Grants and awards (Note 2N)	-	-	-	-	268,380	-	268,380	-	-	268,380
Professional services	10,275	77,821	3,022	201	201	8,213	99,733	88,738	70,592	259,063
Advertising (Note 2Q)	-	-	-	-	-	16,874	16,874	-	-	16,874
Information dissemination	16,692	12,519	8,346	-	-	20,865	58,422	-	25,037	83,459
Subscriptions, books and resource materials	583	-	628	-	-	-	1,211	-	-	1,211
Investment advisory fees (Note 4)	-	-	-	-	-	-	-	92,385	-	92,385
Depreciation (Note 5)	288,515	19,234	19,234	3,847	3,847	19,239	353,916	15,387	15,384	384,687
Miscellaneous	2,768	123	923	62	185	985	5,046	812	9,897	15,755
Total Expenses Before Expenses Deducted Directly from Revenues	1,402,314	173,543	315,462	96,186	375,052	747,968	3,110,525	369,816	378,256	3,858,597
Less: expenses deducted directly from revenues on the statement of activities:										
Cost of rental included in occupancy and depreciation	(79,473)	(5,298)	(3,179)	(1,060)	(1,060)	(4,242)	(94,312)	(7,417)	(4,237)	(105,966)
Investment advisory fees (Note 4)	-	-	-	-	-	-	-	(92,385)	-	(92,385)
TOTAL EXPENSES	\$ 1,322,841	\$ 168,245	\$ 312,283	\$ 95,126	\$ 373,992	\$ 743,726	\$ 3,016,213	\$ 270,014	\$ 374,019	\$ 3,660,246

The accompanying notes are an integral part of these financial statements.

JBI INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,513,676)	\$ 626,500
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	368,134	384,687
Net realized loss (gain) on investments	83,609	(369,567)
Net unrealized loss (gain) on investments	2,734,650	(1,251,541)
Change in beneficial interest in trusts	385,058	(131,488)
Subtotal	1,057,775	(741,409)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Contributions receivable	13,597	59,778
Interest receivable	(7,335)	3,513
Inventory	(11,182)	(8,887)
Prepaid expenses and other assets	(6,003)	(356)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	22,532	6,024
Rental deposits payable	9,396	(10,756)
Deferred compensation payable	(431,659)	24,924
Net Cash Provided by (Used in) Operating Activities	647,121	(667,169)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	4,728,185	5,014,749
Purchases of investments	(4,872,073)	(4,522,376)
Purchases of property and equipment	(33,027)	(17,285)
Net Cash (Used in) Provided by Investing Activities	(176,915)	475,088
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	470,206	(192,081)
Cash and cash equivalents - beginning of year	1,516,766	1,708,847
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,986,972	\$ 1,516,766

The accompanying notes are an integral part of these financial statements.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Established in 1931 as The Jewish Braille Institute, JBI International, Inc. (“JBI”) provides the visually impaired, blind, physically handicapped and reading disabled of all backgrounds and ages with free books, magazines, and special publications of Jewish and general interest in audio, large print and Braille. JBI, an affiliated library of the United States Library of Congress, enables individuals with diminished vision to understand and participate in the rich educational and cultural life of the Jewish and larger community. JBI has been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. JBI is supported primarily by contributions and grants, as well as legacies and bequests.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – JBI’s financial statements have been prepared on the accrual basis of accounting. JBI adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Basis of Presentation*** – JBI’s net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of JBI and changes therein are classified and reported as follows:
- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Board-designated reserve fund represents specific amounts determined by JBI’s Board of Directors, including accumulated earnings that will be appropriated in the future as needed upon approval by the Board of Directors. Interest income earned on this fund is applied to general operating net assets. The use of the reserve fund is for the purpose of operating cash flow and strategic investment.
 - With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of JBI or the passage of time, stipulations that they be maintained in perpetuity by JBI, and unappropriated endowment earnings.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled, the stipulated time period has elapsed, or endowment earnings are appropriated) are reported as net assets released from restrictions.

- C. ***Cash and Cash Equivalents*** – JBI considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
- D. ***Investments*** – Investments are stated at fair value. Investment activity, including realized and unrealized gains and losses, is recorded in net assets without donor restrictions, except for the endowment fund, where the donor permits the use of investment income for a restricted purpose.
- E. ***Fair Value Measurements*** – Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.
- F. ***Contributions Receivable*** – Unconditional promises to give that are expected to be collected within one year are recorded at their net present value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the barriers within the contribution are met, (i.e., when barriers within the contract are overcome and there is no longer a right of return). Interest is not charged on outstanding balances. As of December 31, 2022 and 2021, contributions receivable are due within one year.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. ***Allowance for Doubtful Contributions Receivable*** – JBI determines whether an allowance for uncollectibles should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its receivable, subsequent collections, current economic conditions and historical information. Contributions receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of December 31, 2022 and 2021, no allowance was deemed necessary or recorded by management.

H. ***Contributions and Grants*** – Unconditional contributions and grants, including promises to give cash and other assets, are reported at fair value at the date the contributions and grants are received. The gifts are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. JBI received \$45,225 and \$23,003 of donated securities during the years ended December 31, 2022 and 2021, respectively.

Donated services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. JBI records donated services at their fair value on the date received. For the years ended December 31, 2022 and 2021, JBI received \$218,704 and \$18,414, respectively, of donated legal services. These donated services are administrative in nature. They have been valued based on the hourly billable rate provided by the donors and have no associated restrictions. See Note 2S.

There were no conditional contributions and grants that are accounted for in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08 *Clarifying the Scope and Accounting Guide for Contributions Received and Contributions Made (Topic 958)* for the years ended December 31, 2022 and 2021.

I. ***Revenues from Government Sources*** – Revenue from government agency contracts is recorded as earned pursuant to the terms of the contracts. Revenue earned based on achievement of performance objectives is recognized when the objectives have been achieved. Earned revenue yet to be billed under contract terms in excess of advances is reported as earned, but unbilled receivables. Advances received from government agencies in excess of expenditures incurred for a contract still in progress are reported as government contract advances. Advances in excess of expenditures for completed contracts are reported as due to government agencies.

Government grants are nonexchange transactions accounted for under ASU 2018-08. Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion. Governmental grants are recognized as revenue when barriers within the contract are overcome and there is no longer a right of return and amounted to \$10,000 and \$7,500 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, JBI had no conditional grants and contracts from government agencies that have not been recorded in the accompanying financial statements.

J. ***Inventory*** – Inventory of books is recorded at the lower of cost or net realizable value.

K. ***Property and Equipment*** – Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. JBI capitalizes property and equipment with a cost of \$1,000 or more and a useful life of greater than one year.

L. ***Rental Deposits Payable*** – Rental deposits payable include deposits from tenants to be returned at the end of the lease.

M. ***Legacies and Bequests*** – Legacies and bequests are recorded as revenues at the time an unassailable right to the gift has been established and the proceeds are measurable.

N. ***Grants and Awards*** – Grants and awards are recorded pursuant to the authorization of the Board of Directors.

O. ***Rental Income*** – Rental income is recognized based on signed rental agreements. If applicable and material, JBI's policy is to straight-line income for any non-cancellable rental agreement over the term of the leases.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- P. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- Q. **Advertising** – Advertising expenses are expensed as incurred.
- R. **Functional Allocation of Expenses** – The costs of programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Therefore, certain costs have been allocated among the programs and supporting services benefited. Salaries, benefits and payroll taxes are allocated to different programs after discussion with department heads as to the employee's time being spent on different programs. Occupancy and depreciation are allocated on a square footage basis. Other expenses, such as printing and publications, are allocated after careful consideration of the time and effort being spent on the different programs.
- S. **Recent Accounting Pronouncements** – FASB ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (“Gifts-in-Kind”) was adopted by JBI for the year ended December 31, 2022. The core guidance in ASU 2020-07 is to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit (“NFP”) organizations, including transparency on how those assets are used and how they are valued. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs. The amendments did not change existing recognition and measurement requirements for those assets. The adoption of ASU 2020-07 did not result in changes to JBI’s financial statements.
- T. **Reclassification** – Certain line items on the December 31, 2021 statement of activities have been reclassified to conform to the December 31, 2022 presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

JBI regularly monitors liquidity required to meet its operating needs. It has various sources of liquidity at its disposal including cash and cash equivalents, marketable debt and equity securities and a line of credit which is available to meet short-term cash flow needs. Its governing board has designated a portion of its net assets without donor restrictions to a board designated endowment. These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the Board. In addition to financial assets available to meet general expenditures over the next 12 months, JBI operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted revenues.

Financial assets available to meet general expenditures over the next 12 months were as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,986,972	\$ 1,516,766
Investments	14,728,166	16,970,878
Contributions receivable	30,000	43,597
Interest receivable	<u>31,312</u>	<u>23,977</u>
	16,776,450	18,555,218
Less: Purpose restricted	(1,797,777)	(2,795,404)
Less: Endowment	(5,356,404)	(6,392,243)
Less: Board-designated endowment	(7,260,434)	(8,054,963)
Less: Board-designated reserve	<u>(500,240)</u>	<u>(280,200)</u>
	<u>\$ 1,861,595</u>	<u>\$ 1,032,408</u>

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES (Continued)

As part of JBI's liquidity management plan, JBI invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve. Additionally, the Board-designated endowment can be undesignated through a Board resolution if needed to cover general expenditures. As stated in Note 11, JBI has a line of credit available for short-term needs that is available to be used for general expenditures.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Common stock	\$ 4,952,107	\$ 6,498,380
Preferred stock	143,210	229,315
Mutual funds	2,862,000	3,394,347
Corporate bonds	5,051,998	5,664,594
U.S. Government agencies	1,718,851	1,541,355
Beneficial interest in trusts	<u>1,263,010</u>	<u>1,648,068</u>
	<u>\$ 15,991,176</u>	<u>\$ 18,976,059</u>

All of JBI's investments are subject to market volatility that could substantially change their values in the near term.

Investment activity consists of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 362,123	\$ 307,170
Realized (loss) gain	(83,609)	369,567
Unrealized (loss) gain	(2,734,650)	1,251,541
Investment advisory fees	<u>(93,217)</u>	<u>(92,385)</u>
	<u>\$ (2,549,353)</u>	<u>\$ 1,835,893</u>

The fair value hierarchy defines three levels as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. As of December 31, 2022 and 2021, JBI has no investments in Level 3.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Common stock and preferred stock - Valued at the closing price reported on the active market on which the individual securities and obligations are traded.

Corporate bonds and U.S. Government agencies - Valued using pricing models maximizing the use of observable inputs for similar securities.

Mutual funds - Valued using market prices reported on the active market on which the mutual funds are traded.

Beneficial interest in perpetual trusts - Valued based on quoted prices for similar assets or liabilities.

Financial assets carried at fair value at December 31, 2022 are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
INVESTMENTS CARRIED AT FAIR VALUE			
Common stock	\$ 4,952,107	\$ -	\$ 4,952,107
Preferred stock	143,210	-	143,210
Mutual funds	2,862,000	-	2,862,000
Corporate bonds	4,494,628	557,370	5,051,998
U.S. Government agencies	1,654,977	63,874	1,718,851
Beneficial interest in trusts	<u>-</u>	<u>1,263,010</u>	<u>1,263,010</u>
Total Investments at Fair Value	<u>\$ 14,106,922</u>	<u>\$ 1,884,254</u>	<u>\$ 15,991,176</u>

Financial assets carried at fair value at December 31, 2021 are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
INVESTMENTS CARRIED AT FAIR VALUE			
Common stock	\$ 6,498,380	\$ -	\$ 6,498,380
Preferred stock	229,315	-	229,315
Mutual funds	3,394,347	-	3,394,347
Corporate bonds	4,468,562	1,196,032	5,664,594
U.S. Government agencies	1,361,250	180,105	1,541,355
Beneficial interest in trusts	<u>-</u>	<u>1,648,068</u>	<u>1,648,068</u>
Total Investments at Fair Value	<u>\$ 15,951,854</u>	<u>\$ 3,024,205</u>	<u>\$ 18,976,059</u>

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of December 31:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Land	\$ 122,000	\$ 122,000	
Building	9,323,724	9,317,517	20-40 years
Equipment	<u>669,358</u>	<u>781,669</u>	5 years
Total	10,115,082	10,221,186	
Less: accumulated depreciation	<u>(5,006,731)</u>	<u>(4,777,728)</u>	
Net book value	<u>\$ 5,108,351</u>	<u>\$ 5,443,458</u>	

Depreciation amounted to \$368,134 and \$384,687, respectively, for the years ended December 31, 2022 and 2021. During the year ended December 31, 2022, fully depreciated equipment in the amount of \$139,131 was written off.

The renovations of JBI's building (completed in 2008) were facilitated in part by funding from the City of New York. The City of New York requires that the building may not be sold or used for any purposes other than those stated in the agreement. These restrictions expire in September 2038. Such balances are included in investment in property and equipment, net, in net assets with donor restrictions on the accompanying statements of financial position.

NOTE 6 – BENEFICIAL INTEREST IN TRUSTS

JBI is a 10.2% beneficiary of a trust. The assets in the trust are managed by a trustee other than JBI and are predominantly invested in common stock and bonds. JBI is entitled to receive its share of the annual net investment income earned from the trust's assets. In 2042, the trust will terminate and JBI will receive its share of the corpus. The reported value of JBI's portion of the beneficial interest as of December 31, 2022 and 2021, which is measured by its share of the fair value of the trust's assets, is \$388,103 and \$484,630, respectively, and is included in net assets with donor restrictions.

JBI is a 4% beneficiary of two perpetual trusts. The assets in these trusts are managed by a trustee other than JBI and are predominantly invested in common stock and bonds. JBI is entitled to receive its share of the annual net investment income earned from the trusts' assets. The reported value of JBI's portion of the beneficial interest as of December 31, 2022 and 2021, which is measured by its share of the fair value of the trust's assets, is \$874,907 and \$1,163,438, respectively, and is included in net assets with donor restrictions.

The underlying assets of these trusts consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Money market funds and other	\$ 76,186	\$ 65,110
Mutual funds	127,874	297,958
Fixed income	315,806	370,945
Equities	<u>743,144</u>	<u>914,055</u>
	<u>\$ 1,263,010</u>	<u>\$ 1,648,068</u>

NOTE 7 – DEFERRED COMPENSATION

JBI established a deferred compensation plan for its President which provides for annual deposits into a security account with the principal and accumulated earnings to be distributed upon retirement. During the year ended December 31, 2021, JBI deposited \$19,500. The balance of this security account as of December 31, 2021, included in investments on the statement of financial position, is \$431,659. During 2022, JBI's President passed away and the balance was transferred to the beneficiary.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose and passage of time:		
Libraries and Library Development Services	\$ 879,710	\$ 1,567,703
Outreach and Library Recruitment	531,385	623,456
Educational and Cultural Programs	386,681	469,769
Unappropriated Endowment Earnings	-	134,477
Total Purpose Restricted	<u>1,797,776</u>	<u>2,795,405</u>
Beneficial interest in trusts	388,103	484,630
Investment in property and equipment, net	4,646,443	4,958,681
Subject to JBI's spending policy and appropriation:		
Perpetual trust	874,907	1,163,437
Endowment corpus	<u>5,356,404</u>	<u>6,392,243</u>
Total	<u>\$13,063,633</u>	<u>\$15,794,396</u>

Net assets of \$856,717 and \$1,056,760 were released from restrictions during the years ended December 31, 2022 and 2021, respectively, by satisfying the restricted purposes.

JBI's Board of Directors established a board designated endowment fund designated for the purpose of investment and other future programmatic purposes. Interest income earned on the board designated fund can be used for general purposes.

NOTE 9 – ENDOWMENT NET ASSETS

JBI's endowment funds consist of nine individual donor-restricted endowment funds established for assistance to libraries and library development services, educational and cultural programs and the Israeli assistance program. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

JBI's Board of Directors recognizes that the New York Prudent Management of Institutional Funds Act ("NYPMIFA") created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. In addition, in accordance with NYPMIFA, any unappropriated earnings on endowment funds that would otherwise be considered without donor restriction should be reflected as donor restricted until appropriated by the Board of Directors.

In accordance with U.S. GAAP, institutions are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires JBI to retain as a fund of perpetual duration. Deficiencies of this nature are reported in either with or without donor restricted net assets. The deficiencies resulted from unfavorable market fluctuations that occurred in the economy as a whole, whereby the fair value of the donor-restricted endowment fund was below the amount that is required to be retained in perpetuity by \$1,036,339 as of December 31, 2022. There was no deficiency in the donor-restricted endowment fund as of December 31, 2021. The Board of Directors of JBI has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 – ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets are as follows for the year ended December 31, 2022:

	Without Donor Restrictions Board Designated	<u>With Donor Restrictions</u>		Total Endowment
		Unappropriated Investment Earnings	Endowment Corpus	
Investment activity:				
Investment loss, net	\$ (1,092,074)	\$ -	\$ (1,036,339)	\$ (2,128,413)
Contributions	699,545	-	500	700,045
Amount appropriated for expenditure	-	(134,477)	-	(134,477)
Transfer	<u>(402,000)</u>	<u>-</u>	<u>-</u>	<u>(402,000)</u>
Total change in endowment net assets	(794,529)	(134,177)	(1,035,839)	(1,964,845)
Endowment net assets, beginning of year	<u>8,054,963</u>	<u>134,477</u>	<u>6,392,243</u>	<u>14,581,683</u>
Endowment net assets, end of year	<u>\$ 7,260,434</u>	<u>\$ -</u>	<u>\$ 5,356,404</u>	<u>\$ 12,616,838</u>

Changes in endowment net assets are as follows for year ended December 31, 2021:

	Without Donor Restrictions Board Designated	<u>With Donor Restrictions</u>		Total Endowment
		Unappropriated Investment Earnings	Endowment Corpus	
Investment activity:				
Investment income, net	\$ 906,443	\$ 326,558	\$ -	\$ 1,233,001
Contributions	29,380	-	500	29,880
Amount appropriated for expenditure	(154,499)	(326,558)	-	(481,057)
Transfer	<u>(248,249)</u>	<u>-</u>	<u>-</u>	<u>(248,249)</u>
Total change in endowment net assets	533,075	-	500	533,575
Endowment net assets, beginning of year	<u>7,521,888</u>	<u>134,477</u>	<u>6,391,743</u>	<u>14,048,108</u>
Endowment net assets, end of year	<u>\$ 8,054,963</u>	<u>\$ 134,477</u>	<u>\$ 6,392,243</u>	<u>\$ 14,581,683</u>

NOTE 10 – RENTAL INCOME, NET

JBI receives rental income from leases for use of the facilities. The leases' expiration dates range from 2023 through 2029. The tenants who hold the long-term leases have the option to terminate the leases providing six-months' notice. Consequently, the leases are considered cancellable and, therefore, rental income is not being straight-lined over the life of the lease. For the years ended December 31, 2022 and 2021, rental income, net of cost of rentals, amounted to \$36,977 and \$47,761, respectively.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10 – RENTAL INCOME, NET (Continued)

Minimum rental income is due as follows for years ending after December 31, 2022:

2023	\$	75,822
2024		74,986
2025		77,235
2026		79,552
2027		81,939
Thereafter		<u>98,532</u>
	\$	<u>488,066</u>

NOTE 11 – LINE OF CREDIT

JBI maintains a line of credit agreement with a financial institution whereby JBI can drawdown up to \$400,000. The line of credit is secured by the cash, receivables and inventory of JBI. Interest is at 0.75% above prime rate and was 8.25% and 4% as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, there was no outstanding balance on the line of credit. The line of credit expired on June 30, 2023 and is in the process of being renewed.

NOTE 12 – EMPLOYEE PENSION PLAN

Personnel of JBI are eligible for pension benefits covered by an Equitable Life Company of America defined contribution plan through Union of American Hebrew Congregations. JBI does not contribute to this plan.

In 2007, JBI established a defined contribution retirement plan covering substantially all full-time employees that have attained the age of 21 and completed one year of service. Employees may contribute up to 2% of their compensation. During the years ended December 31, 2022 and 2021, JBI matched up to 2% of employees' compensation. Pension expense for the years ended December 31, 2022 and 2021 was \$19,407 and \$23,502, respectively.

NOTE 13 – CONCENTRATION

Cash and cash equivalents that potentially subject JBI to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of December 31, 2022 and 2021, there was approximately \$60,000 and \$198,000, respectively, of cash and cash equivalents held by two banks that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 14 – CONTINGENCY

JBI believes it has no uncertain tax positions as of December 31, 2022 and 2021, in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 15 – PAYCHECK PROTECTION PROGRAM LOAN

Under the Consolidated Appropriations Act, 2021, a second round of Paycheck Protection Program ("PPP") loans were made available. In January 2021, JBI applied for a second PPP loan in the amount of \$319,965 which was approved and received in February 2021. On October 25, 2021, the loan was forgiven in full by the Small Business Administration and \$319,965 was recorded as contribution revenue for the year ended December 31, 2021, as conditions were substantially met.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through July 20, 2023, the date the financial statements were available to be issued.