

JBI INTERNATIONAL, INC.



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

Years Ended December 31, 2021 and 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

JBI INTERNATIONAL, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
JBI International, Inc.

Opinion

We have audited the financial statements of JBI International, Inc. ("JBI"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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.

Marks Paneth LLP

New York, NY
August 4, 2022

JBI INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2C and 13)	\$ 1,516,766	\$ 1,708,847
Investments (Notes 2D, 2E and 4)	16,970,878	15,867,067
Investments - assets held for deferred compensation (Notes 2D, 2E, 4 and 7)	431,659	406,735
Contributions receivable (Notes 2F and 2H)	43,597	103,375
Interest receivable	23,977	27,490
Inventory (Note 2I)	144,046	135,159
Prepaid expenses and other assets	101,772	101,416
Property and equipment, net (Notes 2J and 5)	5,443,458	5,810,860
Beneficial interest in trusts (Notes 4 and 6)	1,648,068	1,516,580
 TOTAL ASSETS	\$ 26,324,221	\$ 25,677,529
 LIABILITIES		
Accounts payable and accrued expenses	\$ 125,330	\$ 119,306
Rental deposits payable (Note 2K)	33,902	44,658
Deferred compensation payable (Note 7)	431,659	406,735
 TOTAL LIABILITIES	590,891	570,699
 CONTINGENCIES (Note 14)		
 NET ASSETS (Note 2B)		
Without donor restrictions:		
General operating	1,118,994	749,226
Board-designated reserve	280,200	250,354
Board-designated endowment (Note 2O)	8,054,963	7,521,888
Investment in property and equipment, net	484,777	539,941
Total net assets without donor restrictions	9,938,934	9,061,409
With donor restrictions (Notes 5, 6, 8 and 9):		
Purpose restricted	2,795,404	2,866,179
Beneficial interest in trusts	484,630	429,839
Perpetual trust	1,163,438	1,086,741
Endowment	6,392,243	6,391,743
Investment in property and equipment, net	4,958,681	5,270,919
Total net assets with donor restrictions	15,794,396	16,045,421
 TOTAL NET ASSETS	25,733,330	25,106,830
 TOTAL LIABILITIES AND NET ASSETS	\$ 26,324,221	\$ 25,677,529

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

JB I INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
SUPPORT AND REVENUE:						
Contributions and grants (Notes 2G, 2S and 15)	\$ 1,903,330	\$ 500	\$ 1,903,830	\$ 1,762,246	\$ 591	\$ 1,762,837
Legacies and bequests (Note 2L)	293,552	-	293,552	277,354	-	277,354
Rental income, net (Notes 2N and 10)	47,761	-	47,761	97,509	-	97,509
Special events revenue, net of direct benefits to donors of \$0 and \$5,459, in 2021 and 2020, respectively	-	-	-	34,602	-	34,602
Sales revenue	1,795	-	1,795	840	-	840
Investment activity, net (Notes 2D and 4)	1,162,146	673,747	1,835,893	837,722	774,565	1,612,287
Distributions from beneficial interest in trusts (Note 6)	72,427	-	72,427	81,073	-	81,073
Change in beneficial interest in trusts (Note 6)	-	131,488	131,488	-	55,225	55,225
Net assets released from restrictions (Note 8)	1,056,760	(1,056,760)	-	722,346	(722,346)	-
TOTAL SUPPORT AND REVENUE	4,537,771	(251,025)	4,286,746	3,813,692	108,035	3,921,727
EXPENSES: (Note 2R)						
Program Services:						
Libraries and library development services	1,322,841	-	1,322,841	1,234,850	-	1,234,850
Educational and cultural programs	168,245	-	168,245	126,392	-	126,392
JB I periodicals	312,283	-	312,283	288,910	-	288,910
Outreach to Europe and the Former Soviet Union	95,126	-	95,126	91,451	-	91,451
Israeli assistance program	373,992	-	373,992	108,425	-	108,425
Outreach and library recruitment	743,726	-	743,726	730,013	-	730,013
Total Program Services	3,016,213	-	3,016,213	2,580,041	-	2,580,041
Supporting Services:						
Management and general	270,014	-	270,014	313,573	-	313,573
Fundraising	374,019	-	374,019	370,616	-	370,616
Total Supporting Services	644,033	-	644,033	684,189	-	684,189
TOTAL EXPENSES	3,660,246	-	3,660,246	3,264,230	-	3,264,230
CHANGE IN NET ASSETS	877,525	(251,025)	626,500	549,462	108,035	657,497
Net assets - beginning of year	9,061,409	16,045,421	25,106,830	8,511,947	15,937,386	24,449,333
NET ASSETS - END OF YEAR	\$ 9,938,934	\$ 15,794,396	\$ 25,733,330	\$ 9,061,409	\$ 16,045,421	\$ 25,106,830

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
(With Comparative Totals for the Year Ended December 31, 2020)

	Program Services						Supporting Services			TOTAL 2021	TOTAL 2020
	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	\$ 624,721	\$ 26,280	\$ 180,586	\$ 56,698	\$ 59,187	\$ 370,311	\$ 1,317,783	\$ 84,996	\$ 117,963	\$ 1,520,742	\$ 1,454,960
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	565,577
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	2,020,537
Printing and publications	40,773	3,852	5,136	3,852	1,284	30,816	85,713	11,556	35,953	133,222	138,301
Occupancy	99,931	16,655	16,654	8,328	8,327	99,930	249,825	13,879	13,879	277,583	229,691
Library and other supplies	34,382	3,259	2,444	815	10,816	16,733	68,449	6,222	17,221	91,892	47,948
Postage	2,594	2,595	1,947	324	322	11,682	19,464	3,244	9,734	32,442	27,891
Communications	11,320	-	1,415	943	472	12,067	26,217	4,718	16,507	47,442	37,970
Conferences, conventions, meetings and travel	14,369	1,562	4,686	312	313	4,372	25,614	2,811	2,810	31,235	28,899
Insurance	-	-	-	-	-	-	-	13,881	-	13,881	14,347
Audio book digitization	7,629	-	-	-	-	-	7,629	-	-	7,629	7,520
Circulation expenses	18,533	-	-	-	-	-	18,533	-	-	18,533	20,357
Recording expenses	-	-	4,178	-	-	-	4,178	-	-	4,178	2,867
Grants and awards (Note 2M)	-	-	-	-	268,380	-	268,380	-	-	268,380	17,580
Professional services	10,275	77,821	3,022	201	201	8,213	99,733	88,738	70,592	259,063	299,514
Advertising (Note 2Q)	-	-	-	-	-	16,874	16,874	-	-	16,874	36,600
Information dissemination	16,692	12,519	8,346	-	-	20,865	58,422	-	25,037	83,459	85,556
Subscriptions, books and resource materials	583	-	628	-	-	-	1,211	-	-	1,211	974
Investment advisory fees (Note 4)	-	-	-	-	-	-	-	92,385	-	92,385	66,492
Depreciation (Note 5)	288,515	19,234	19,234	3,847	3,847	19,239	353,916	15,387	15,384	384,687	390,406
Miscellaneous	2,768	123	923	62	185	985	5,046	812	9,897	15,755	13,556
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	3,485,006
Less: expenses deducted directly from revenues on the statements of activities:											
Direct benefits of special events	-	-	-	-	-	-	-	-	-	-	(5,459)
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)	(148,825)
Investment advisory fees (Note 4)	-	-	-	-	-	-	-	(92,385)	-	(92,385)	(66,492)
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	\$ 3,264,230

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

JBI INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services						Supporting Services			TOTAL 2020
	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	\$ 601,936	\$ 24,713	\$ 166,551	\$ 54,706	\$ 56,365	\$ 357,902	\$ 1,262,173	\$ 78,823	\$ 113,964	\$ 1,454,960
Payroll taxes and employee benefits (Note 12)	233,987	9,606	64,743	21,266	21,910	139,128	490,640	30,638	44,299	565,577
Total salaries and related costs	835,923	34,319	231,294	75,972	78,275	497,030	1,752,813	109,461	158,263	2,020,537
Printing and publications	44,387	3,913	5,217	3,913	1,304	31,305	90,039	11,739	36,523	138,301
Occupancy	82,689	13,782	13,781	6,891	6,890	82,688	206,721	11,485	11,485	229,691
Library and other supplies	12,110	3,114	2,335	778	779	15,988	35,104	1,168	11,676	47,948
Postage	2,230	2,231	1,674	279	277	10,042	16,733	2,789	8,369	27,891
Communications	9,068	-	1,134	756	378	9,630	20,966	3,780	13,224	37,970
Conferences, conventions, meetings and travel	8,447	918	2,755	184	185	2,733	15,222	1,653	10,024	26,899
Insurance	-	-	-	-	-	-	-	14,347	-	14,347
Audio book digitization	7,520	-	-	-	-	-	7,520	-	-	7,520
Circulation expenses	20,357	-	-	-	-	-	20,357	-	-	20,357
Recording expenses	-	-	2,867	-	-	-	-	-	-	2,867
Grants and awards (Note 2M)	-	-	-	-	17,580	-	17,580	-	-	17,580
Professional services	11,379	43,124	3,347	223	223	8,408	66,704	151,594	81,216	299,514
Advertising (Note 2Q)	-	-	-	-	-	36,600	36,600	-	-	36,600
Information dissemination	17,111	12,833	8,556	-	-	21,389	59,889	-	25,667	85,556
Subscriptions, books and resource materials	670	-	304	-	-	-	974	-	-	974
Investment advisory fees (Note 4)	-	-	-	-	-	-	-	66,492	-	66,492
Depreciation (Note 5)	292,805	19,520	19,520	3,904	3,904	19,525	359,178	15,616	15,612	390,406
Miscellaneous	1,772	79	591	39	118	631	3,230	359	9,967	13,556
Total Expenses Before Expenses Deducted Directly from Revenues	1,346,468	133,833	293,375	92,939	109,913	735,969	2,712,497	390,483	382,026	3,485,006
Less: expenses deducted directly from revenues on the statements of activities:										
Direct benefits of special events	-	-	-	-	-	-	-	-	(5,459)	(5,459)
Cost of rental included in occupancy and depreciation	(111,618)	(7,441)	(4,465)	(1,488)	(1,488)	(5,956)	(132,456)	(10,418)	(5,951)	(148,825)
Investment advisory fees (Note 4)	-	-	-	-	-	-	-	(66,492)	-	(66,492)
TOTAL EXPENSES	\$ 1,234,850	\$ 126,392	\$ 288,910	\$ 91,451	\$ 108,425	\$ 730,013	\$ 2,580,041	\$ 313,573	\$ 370,616	\$ 3,264,230

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

JBI INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 626,500	\$ 657,497
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	384,687	390,406
Net realized gain on investments	(369,567)	(647,813)
Net unrealized gain on investments	(1,251,541)	(702,761)
Change in beneficial interest in trusts	<u>(131,488)</u>	<u>(55,225)</u>
Subtotal	(741,409)	(357,896)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Contributions receivable	59,778	(62,375)
Interest receivable	3,513	40,545
Inventory	(8,887)	6,409
Prepaid expenses and other assets	(356)	25,979
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	6,024	(26,670)
Rental deposits payable	(10,756)	(5,729)
Deferred compensation payable	<u>24,924</u>	<u>30,777</u>
Net Cash Used in Operating Activities	<u>(667,169)</u>	<u>(348,960)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	5,014,749	10,039,334
Purchases of investments	(4,522,376)	(8,995,427)
Purchases of property and equipment	<u>(17,285)</u>	<u>(22,395)</u>
Net Cash Provided by Investing Activities	<u>475,088</u>	<u>1,021,512</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(192,081)	672,552
Cash and cash equivalents - beginning of year	<u>1,708,847</u>	<u>1,036,295</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,516,766</u>	<u>\$ 1,708,847</u>

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

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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. 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 income, including realized and unrealized gains and losses, are 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, 2021 and 2020, contributions receivable are due within one year.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. **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 \$23,003 and \$2,401 of donated securities during the years ended December 31, 2021 and 2020, 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, 2021 and 2020, JBI received \$18,414 and \$23,250, respectively, of donated legal services.

There were no conditional contributions and grants that are accounted for in accordance with 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, 2021 and 2020.

- H. **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, 2021 and 2020, no allowance was deemed necessary or recorded by management.
- I. **Inventory** – Inventory of books is recorded at the lower of cost or net realizable value.
- J. **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.
- K. **Rental Deposits Payable** – Rental deposits payable include deposits from tenants to be returned at the end of the lease.
- L. **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.
- M. **Grants and Awards** – Grants and awards are recorded pursuant to the authorization of the Board of Directors.
- N. **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.
- O. **Board Designated Endowment** – The board designated endowment consists of net assets without donor restriction whose use has been designated by the Board for investment and other purposes. Interest Income earned on this fund is applied to general operating net assets.
- 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.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. **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 \$7,500 for each of the years ended December 31, 2021 and 2020. As of December 31, 2021 and 2020, JBI had no conditional grants and contracts from government agencies that have not been recorded in the accompanying financial statements.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,516,766	\$ 1,708,847
Investments	16,970,878	15,867,067
Contributions receivable	43,597	103,375
Interest receivable	<u>23,977</u>	<u>27,490</u>
	18,555,218	17,706,779
Less: Purpose restricted	(2,795,404)	(2,866,179)
Less: Endowment	(6,392,243)	(6,391,743)
Less: Board-designated endowment	(8,054,963)	(7,521,888)
Less: Board-designated reserve	<u>(280,200)</u>	<u>(250,354)</u>
	<u>\$ 1,032,408</u>	<u>\$ 676,615</u>

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 when there are timing or collection delays of accounts receivable.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Common stock	\$ 6,498,380	\$ 7,106,112
Preferred stock	229,315	212,567
Mutual funds	3,394,347	247,061
Corporate bonds	5,664,594	7,336,561
U.S. Government agencies	1,541,355	1,308,496
Beneficial interest in trusts	1,648,068	1,516,580
Cash equivalents	<u>-</u>	<u>63,005</u>
	<u>\$ 18,976,059</u>	<u>\$ 17,790,382</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>2021</u>	<u>2020</u>
Interest and dividends	\$ 307,170	\$ 328,205
Realized gain	369,567	647,813
Unrealized gain	1,251,541	702,761
Investment advisory fees	<u>(92,385)</u>	<u>(66,492)</u>
	<u>\$ 1,835,893</u>	<u>\$ 1,612,287</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, 2021 and 2020, JBI has no investments in Level 3.

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.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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>	18,976,059
Cash equivalents			<u>-</u>
TOTAL INVESTMENTS			<u>\$ 18,976,059</u>

Financial assets carried at fair value at December 31, 2020 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	\$ 7,106,112	\$ -	\$ 7,106,112
Preferred stock	212,567	-	212,567
Mutual funds	247,061	-	247,061
Corporate bonds	-	7,336,561	7,336,561
U.S. Government agencies	-	1,308,496	1,308,496
Beneficial interest in trusts	<u>-</u>	<u>1,516,580</u>	<u>1,516,580</u>
Total Investments at Fair Value	<u>\$ 7,565,740</u>	<u>\$ 10,161,637</u>	17,727,377
Cash equivalents			<u>63,005</u>
TOTAL INVESTMENTS			<u>\$ 17,790,382</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Land	\$ 122,000	\$ 122,000	
Building	9,317,517	9,317,517	20-40 years
Equipment	<u>781,669</u>	<u>764,384</u>	5 years
Total	10,221,186	10,203,901	
Less: accumulated depreciation	<u>(4,777,728)</u>	<u>(4,393,041)</u>	
Net book value	<u>\$ 5,443,458</u>	<u>\$ 5,810,860</u>	

Depreciation amounted to \$384,687 and \$390,406, respectively, for the years ended December 31, 2021 and 2020.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 – PROPERTY AND EQUIPMENT, NET (Continued)

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, 2021 and 2020, which is measured by its share of the fair value of the trust’s assets, is \$484,630 and \$429,839, 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, 2021 and 2020, which is measured by its share of the fair value of the trust’s assets, is \$1,163,438 and \$1,086,741, respectively, and is included in net assets with donor restrictions.

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

	2021	2020
Money market funds and other	\$ 65,110	\$ 59,620
Mutual funds	297,958	164,731
Fixed income	370,945	324,404
Equities	914,055	967,825
	\$ 1,648,068	\$ 1,516,580

NOTE 7 – DEFERRED COMPENSATION

JBI has 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 each of the years ended December 31, 2021 and 2020, JBI deposited \$19,500. The balance of this security account as of December 31, 2021 and 2020, included in the investments on the statements of financial position, is \$431,659 and \$406,735, respectively. Additional deposits may be made by JBI to this plan in accordance with prevailing tax law. During 2022, JBI’s President passed away. JBI is in the process of transferring the balance of the account to the beneficiary.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose and passage of time:		
Libraries and Library Development Services	\$ 1,567,703	\$ 1,632,184
Outreach and Library Recruitment	623,456	685,744
Educational and Cultural Programs	469,769	409,134
Israeli Assistance Program	-	4,640
Unappropriated Endowment Earnings	<u>134,477</u>	<u>134,477</u>
Total Purpose Restricted	2,795,405	2,866,179
Beneficial interest in trusts	484,630	429,839
Investment in property and equipment, net	4,958,681	5,270,919
Subject to JBI's spending policy and appropriation:		
Perpetual trust	1,163,437	1,086,741
Endowment corpus	<u>6,392,243</u>	<u>6,391,743</u>
Total	<u>\$ 15,794,396</u>	<u>\$ 16,045,421</u>

Net assets of \$730,202 and \$722,346 were released from restrictions during the years ended December 31, 2021 and 2020, 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. For the years ended December 31, 2021 and 2020, JBI did not incur such deficiencies in its endowment funds.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 – ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets are as follows for the 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>

Changes in endowment net assets are as follows for year ended December 31, 2020:

	Without Donor Restrictions Board Designated	<u>With Donor Restrictions</u>		Total Endowment
		Unappropriated Investment Earnings	Endowment Corpus	
Investment activity:				
Investment income, net	\$ 673,454	\$ 829,790	\$ -	\$ 1,503,244
Contributions	57,271	-	591	57,862
Amount appropriated for expenditure	(162,606)	(829,790)	-	(992,396)
Transfer	(500,000)	-	-	(500,000)
Loan to general fund	<u>(140,000)</u>	<u>-</u>	<u>-</u>	<u>(140,000)</u>
Total change in endowment net assets	(71,881)	-	591	(71,290)
Endowment net assets, beginning of year	<u>7,593,769</u>	<u>134,477</u>	<u>6,391,152</u>	<u>14,119,398</u>
Endowment net assets, end of year	<u>\$ 7,521,888</u>	<u>\$ 134,477</u>	<u>\$ 6,391,743</u>	<u>\$ 14,048,108</u>

NOTE 10 – RENTAL INCOME, NET

JBI receives rental income from leases for use of the facilities. The leases' expiration dates range from 2022 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. During the years ended December 31, 2021 and 2020, rental income, net of cost of rentals, amounted to \$47,761 and \$97,509, respectively.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 – RENTAL INCOME, NET (Continued)

Minimum rental income is due as follows for years ending after December 31, 2021:

2022	\$	80,547
2023		72,801
2024		74,986
2025		77,235
2026		79,552
Thereafter		180,471
	\$	<u>565,592</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 4% as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, there was no outstanding balance on the line of credit. As of August 4, 2022, there was no outstanding balance on the line of credit.

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, 2021 and 2020, JBI matched up to 2% of employees' compensation. Pension expense for the years ended December 31, 2021 and 2020 was \$23,502 and \$23,894, respectively.

NOTE 13 – CONCENTRATIONS

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, 2021 and 2020, there was approximately \$198,000 and \$219,000, respectively, of cash and cash equivalents held by two banks that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 14 – CONTINGENCIES

- A. JBI believes it has no uncertain tax positions as of December 31, 2021 and 2020, 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.
- B. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on JBI's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, management is currently unable to fully determine the extent of COVID-19's impact on JBI's business in future periods. JBI's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. Management continues to monitor evolving economic and general business conditions and the actual and potential impacts on JBI's financial position and results of operations.

JBI INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 15 – PAYCHECK PROTECTION PROGRAM LOAN

JBI has applied for and has received a loan from its primary lender, as a small business loan authorized lender, for a loan administered by the Small Business Administration (“SBA”) sector of the government as part of the Paycheck Protection Program (“PPP”) provision under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) that was passed by the federal government in March 2020. The loan, totaling \$313,275, has been received by JBI in April 2020. During the year ended December 31, 2020, the loan was forgiven in full by the SBA and \$313,275 was recorded as contribution revenue as conditions were substantially met.

Under the Consolidated Appropriations Act, 2021, a second round of 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 SBA and \$319,965, was recorded as contribution revenue as conditions were substantially met.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through August 4, 2022, the date the financial statements were available to be issued.

As of August 4, 2022, the investments of JBI decreased by \$1,752,050 or 7% of total assets.