

**JEWISH FAMILY SERVICE**

West Bloomfield, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended May 31, 2016 and 2015

# JEWISH FAMILY SERVICE

## TABLE OF CONTENTS As of and for the Years Ended May 31, 2016 and 2015

---

<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to Financial Statements	8 - 18



Baker Tilly Virchow Krause, LLP  
2000 Town Center, Suite 900  
Southfield, MI 48075-1103  
tel 248 372 7300  
fax 248 368 8950  
bakertilly.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Jewish Family Service  
West Bloomfield, Michigan

We have audited the accompanying financial statements of Jewish Family Service (the "Organization"), which comprise the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Board of Directors  
Jewish Family Service

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2016 and 2015, 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.

*Baker Tilly Virchow Maize LLP*

Southfield, Michigan  
December 5, 2016

# JEWISH FAMILY SERVICE

## STATEMENTS OF FINANCIAL POSITION As of May 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,100,393	\$ 347,862
Restricted cash	202,347	174,847
Accounts Receivable		
Program service fees	349,700	296,297
Contributions receivable, net	300,993	718,577
Grants and allocations, net	2,183,959	1,456,488
Prepaid expenses and other current assets	239,863	200,187
Investments	<u>1,732,423</u>	<u>1,875,891</u>
Total Current Assets	6,109,678	5,070,149
<b>BENEFICIAL INTEREST IN ENDOWMENT FUNDS</b>	2,989,278	3,207,672
<b>PROPERTY AND EQUIPMENT, NET</b>	525,487	536,625
<b>COLLECTIONS</b>	<u>129,880</u>	<u>129,880</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,754,323</u>	<u>\$ 8,944,326</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 304,492	\$ 221,118
Accrued liabilities	553,541	528,601
Other current liabilities	<u>75,847</u>	<u>95,135</u>
Total Current Liabilities	933,880	844,854
<b>NET ASSETS</b>		
Unrestricted	2,462,956	2,290,854
Temporarily restricted	4,534,094	4,007,270
Permanently restricted	<u>1,823,393</u>	<u>1,801,348</u>
Total Net Assets	8,820,443	8,099,472
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,754,323</u>	<u>\$ 8,944,326</u>

See accompanying notes to financial statements.

# JEWISH FAMILY SERVICE

## STATEMENTS OF ACTIVITIES For the Years Ended May 31, 2016 and 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
<b>PUBLIC SUPPORT</b>								
Grants	\$ 4,586,284	1,162,471	\$ 22,045	\$ 5,772,800	\$ 4,592,447	\$ 957,996	\$ -	\$ 5,550,443
Contributions	687,600	958,476	-	1,646,076	384,084	444,158	-	828,242
In-kind contributions	156,346	-	-	156,346	588,110	-	-	588,110
Net assets released from restrictions	1,499,530	(1,499,530)	-	-	1,248,173	(1,248,173)	-	-
Total Public Support	<u>6,931,760</u>	<u>621,417</u>	<u>22,045</u>	<u>7,575,222</u>	<u>6,812,814</u>	<u>153,981</u>	<u>-</u>	<u>6,966,795</u>
<b>REVENUE</b>								
Program fees								
Outpatient Mental Health Counseling, Net of Contractual Allowance (\$346,850 and \$224,817)	591,271	-	-	591,271	536,765	-	-	536,765
Eldercare Solutions of Michigan	240,398	-	-	240,398	186,549	-	-	186,549
Home Care Copayments, net	64,432	-	-	64,432	60,632	-	-	60,632
Transportation	348,562	-	-	348,562	294,963	-	-	294,963
Other	258,844	-	-	258,844	269,527	-	-	269,527
Total Program Fees	<u>1,503,507</u>	<u>-</u>	<u>-</u>	<u>1,503,507</u>	<u>1,348,436</u>	<u>-</u>	<u>-</u>	<u>1,348,436</u>
Allocations	2,761,055	-	-	2,761,055	2,743,620	-	-	2,743,620
Net gain (loss) on investments	(48,074)	(53,418)	-	(101,492)	47,351	35,645	-	82,996
Gain on sale of fixed assets	16,000	-	-	16,000	2,000	-	-	2,000
Investment income	325	-	-	325	240	-	-	240
Increase (decrease) in beneficial interest in endowment	(66,288)	(41,175)	-	(109,463)	-	99,979	46,838	146,817
Other	78,300	-	-	78,300	30,191	-	-	30,191
Total Revenue	<u>4,242,825</u>	<u>(94,593)</u>	<u>-</u>	<u>4,148,232</u>	<u>4,171,838</u>	<u>135,624</u>	<u>46,838</u>	<u>4,354,300</u>
Total Public Support and Revenue	<u>11,174,585</u>	<u>526,824</u>	<u>22,045</u>	<u>11,723,454</u>	<u>10,984,652</u>	<u>289,605</u>	<u>46,838</u>	<u>11,321,095</u>
<b>EXPENSES</b>								
Program Services								
Older adult services	5,542,881	-	-	5,542,881	4,782,719	-	-	4,782,719
Family life center services	2,052,966	-	-	2,052,966	2,381,197	-	-	2,381,197
Safety net services	1,851,740	-	-	1,851,740	2,959,653	-	-	2,959,653
Shared program support	487,481	-	-	487,481	-	-	-	-
Total program services	<u>9,935,068</u>	<u>-</u>	<u>-</u>	<u>9,935,068</u>	<u>10,123,569</u>	<u>-</u>	<u>-</u>	<u>10,123,569</u>
Support services								
Management and general	543,683	-	-	543,683	867,454	-	-	867,454
Fundraising	523,732	-	-	523,732	319,175	-	-	319,175
Total support services	<u>1,067,415</u>	<u>-</u>	<u>-</u>	<u>1,067,415</u>	<u>1,186,629</u>	<u>-</u>	<u>-</u>	<u>1,186,629</u>
Total Expenses	<u>11,002,483</u>	<u>-</u>	<u>-</u>	<u>11,002,483</u>	<u>11,310,198</u>	<u>-</u>	<u>-</u>	<u>11,310,198</u>
<b>CHANGE IN NET ASSETS</b>								
	172,102	526,824	22,045	720,971	(325,546)	289,605	46,838	10,897
NET ASSETS - Beginning of Year	<u>2,290,854</u>	<u>4,007,270</u>	<u>1,801,348</u>	<u>8,099,472</u>	<u>2,616,400</u>	<u>3,717,665</u>	<u>1,754,510</u>	<u>8,088,575</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ - 2,462,956</u>	<u>\$ 4,534,094</u>	<u>\$ 1,823,393</u>	<u>\$ 8,820,443</u>	<u>\$ 2,290,854</u>	<u>\$ 4,007,270</u>	<u>\$ 1,801,348</u>	<u>\$ 8,099,472</u>

See accompanying notes to financial statements.

## JEWISH FAMILY SERVICE

### STATEMENTS OF CASH FLOWS For the Years Ended May 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 720,971	\$ 10,897
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	161,175	181,900
Bad debt expense	148,802	143,891
Change in beneficial interest, net	240,439	(926,346)
Change in postretirement plan liability	-	(8,673)
Gain on sale of assets	(16,000)	(2,000)
Net realized and unrealized (gain) loss on investments	101,492	(82,996)
Changes in assets and liabilities		
Restricted cash	(27,500)	(147,531)
Accounts receivable	(512,092)	487,004
Prepaid expenses and other current assets	(39,676)	(57,234)
Accounts payable	83,374	26,501
Accrued liabilities	24,940	57,318
Other current liabilities	(19,288)	69,875
Net Cash Flows from Operating Activities	866,637	(247,394)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	(134,037)	(156,411)
Proceeds from sale of investments	19,931	197,928
Net Cash Flows from Investing Activities	(114,106)	41,517
<b>Net Change in Cash and Cash Equivalents</b>	752,531	(205,877)
CASH AND CASH EQUIVALENTS - Beginning of Year	347,862	553,739
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,100,393</b>	<b>\$ 347,862</b>
<b>Supplemental cash flow disclosures</b>		
Value of noncash rent expense for use of facilities	\$ 144,283	\$ 576,000

See accompanying notes to financial statements.

## JEWISH FAMILY SERVICE

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended May 31, 2016

	Older Adult Services	Family Life Center Services	Safety Net Services	Shared Program Support	Total Program	Management and General	Fundraising	Total Support	Total
Salaries and wages	\$ 2,118,169	\$ 1,205,704	\$ 746,247	\$ 286,789	\$ 4,356,909	\$ 371,139	\$ 233,698	\$ 604,837	\$ 4,961,746
Employee benefits	615,567	350,393	216,869	83,345	1,266,174	107,858	67,916	175,774	1,441,948
Total Salaries and Related Expenses	2,733,736	1,556,097	963,116	370,134	5,623,083	478,997	301,614	780,611	6,403,694
Financial assistance	1,796,886	-	714,576	-	2,511,462	-	-	-	2,511,462
Occupancy	251,234	112,285	74,564	30,410	468,493	26,632	18,519	45,151	513,644
Professional fees	297,909	148,492	31,272	52,845	530,518	9,466	52,558	62,024	592,542
Advertising and printing	14,933	3,731	1,718	2,922	23,304	797	79,085	79,882	103,186
Local travel/vehicle	134,766	6,720	8,362	4,520	154,368	626	5,215	5,841	160,209
Telephone	48,779	14,509	15,691	5,465	84,444	2,656	2,461	5,117	89,561
Depreciation	122,768	16,442	10,918	4,453	154,581	3,882	2,712	6,594	161,175
Conferences and conventions	61,439	16,979	8,089	5,094	91,601	7,567	34,061	41,628	133,229
Supplies	26,505	15,077	9,376	5,401	56,359	6,226	15,495	21,721	78,080
Other office expense	21,637	10,845	7,169	2,924	42,575	2,549	2,180	4,729	47,304
Bad debt expense	8,510	138,348	-	-	146,858	1,944	-	1,944	148,802
Postage and shipping	7,983	3,948	2,693	1,083	15,707	932	8,546	9,478	25,185
Licenses and professional memberships	9,607	3,294	2,417	1,254	16,572	778	843	1,621	18,193
Subscriptions and reference materials	6,189	6,199	1,779	976	15,143	631	443	1,074	16,217
<b>Total Expenses</b>	<b>\$ 5,542,881</b>	<b>\$ 2,052,966</b>	<b>\$ 1,851,740</b>	<b>\$ 487,481</b>	<b>\$ 9,935,068</b>	<b>\$ 543,683</b>	<b>\$ 523,732</b>	<b>\$ 1,067,415</b>	<b>\$ 11,002,483</b>

See accompanying notes to financial statements.



## JEWISH FAMILY SERVICE

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended May 31, 2015

	Older Adult		Family Life		Safety Net		Management and		Total
	Services	Center	Services	Center	Services	General	General	Total Support	
Salaries and wages	\$ 1,899,504	\$ 1,360,870	\$ 909,642	\$ 4,170,016	\$ 288,847	\$ 218,426	\$ 507,273	\$ 4,677,289	
Employee benefits	453,164	319,300	200,956	973,420	319,490	48,094	367,584	1,341,004	
<b>Total Salaries and Related Expenses</b>	<b>2,352,668</b>	<b>1,680,170</b>	<b>1,110,598</b>	<b>5,143,436</b>	<b>608,337</b>	<b>266,520</b>	<b>874,857</b>	<b>6,018,293</b>	
Financial assistance	1,433,143	-	1,474,630	2,907,773	-	-	-	2,907,773	
Occupancy	346,930	215,971	234,507	797,408	177,447	2,160	179,607	977,015	
Professional fees	230,689	175,356	43,589	449,634	8,445	4,182	12,627	462,261	
Advertising and printing	20,214	16,788	6,735	43,737	(3,938)	34,567	30,629	74,366	
Local travel/vehicle	135,464	10,411	8,295	154,170	3,379	460	3,839	158,009	
Telephone	35,615	18,327	16,370	70,312	11,296	485	11,781	82,093	
Depreciation	132,879	22,969	19,399	175,247	6,653	-	6,653	181,900	
Conferences and conventions	26,122	56,657	12,675	95,454	7,733	1,506	9,239	104,693	
Supplies	29,578	24,261	16,246	70,085	5,475	1,654	7,129	77,214	
Other office expense	14,195	8,520	8,409	31,124	32,629	1,461	34,090	65,214	
Bad debt expense	5,177	137,394	-	142,571	1,320	-	1,320	143,891	
Postage and shipping	7,835	4,746	3,916	16,497	(1,257)	4,677	3,420	19,917	
Licenses and professional memberships	10,133	6,766	3,602	20,501	620	600	1,220	21,721	
Subscriptions and reference materials	2,077	2,861	682	5,620	9,315	903	10,218	15,838	
<b>Total Expenses</b>	<b>\$ 4,782,719</b>	<b>\$ 2,381,197</b>	<b>\$ 2,959,653</b>	<b>\$ 10,123,569</b>	<b>\$ 867,454</b>	<b>\$ 319,175</b>	<b>\$ 1,186,629</b>	<b>\$ 11,310,198</b>	

See accompanying notes to financial statements.

## JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended May 31, 2016 and 2015

---

### **NOTE 1 - Summary of Significant Accounting Policies**

---

#### *Nature of Activities*

Jewish Family Service (the "Organization") is a not-for-profit corporation located in West Bloomfield, Michigan, dedicated to helping individuals and families cope, survive, and thrive in an ever-changing world. The Organization is focused on the needs of the Jewish community while providing services to all.

The Organization is made up of the following programs:

Older Adult Services - The Organization provides case management services, home care services, Meals on Wheels, transportation, translation, and volunteer services for seniors in the community in need. The Organization provides resettlement, acculturation, citizenship preparation classes, and Holocaust survivor restitution services to refugees who have settled in the community.

Family Life Center Services - The Organization provides counseling, domestic violence intervention, substance abuse counseling, assistance in divorce situations, mentoring services, and outreach to schools for families in the community who are in need.

Safety Net Services - The Organization provides significant support and resources to move individuals and families from crisis to self sufficiency

Shared Program Support - Shared services include the central intake and resource and information line as well as volunteer services, including the legal referral service and friendly visitor program which are open to and service clients across all Jewish Family Service programs.

#### *Cash and Cash Equivalents*

Jewish Family Service defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash equivalents also include \$1,732,423 and \$1,875,891 at May 31, 2016 and 2015, respectively, in funds invested in a pooled investment fund through the United Jewish Foundation of Metro Detroit ("UJF"). The Organization retains the right to withdraw all or part of the funds upon written notice to the UJF. At times the Organization may maintain balances that exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any unusual credit risk on cash and cash equivalents.

#### *Restricted Cash*

The Organization received cash with donor-imposed restrictions which is held by the Organization and is part of permanently restricted net assets, and as such, was separately classified from cash that was unrestricted and available for current use.

## JEWISH FAMILY SERVICE

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2016 and 2015

---

#### **NOTE 1 - Summary of Significant Accounting Policies (cont.)**

---

##### *Accounts Receivable*

Accounts receivable are shown net of an allowance for doubtful accounts of \$107,000 and \$50,000 as of May 31, 2016 and 2015, respectively. The allowance is based on a review of the existing accounts receivable as well as historical write-off experience. The Organization's accounts receivable are comprised primarily of program service fees and grants and allocations committed from various funding agencies for use in the Organization's activities.

Contributions receivable are recorded in the year the contribution is made. Amounts that are expected to be collected after one year are discounted using a market rate of return and reflected in the financial statements at their net present value. An allowance for uncollectible contributions is based on experience. No allowance was deemed necessary at May 31, 2016 and 2015.

##### *Beneficial Interest in Endowment Funds*

The Organization is a designated beneficiary of trust funds held by the Jewish Federation of Metropolitan Detroit and the United Jewish Foundation of Metro Detroit ("JFMD/UJF"). A portion of these funds is restricted as to use by donors and all funds are restricted through consent of the JFMD/UJF. At May 31, 2016 and 2015, permanently and temporarily restricted net assets associated with the beneficial interests in endowment funds totaled \$2,989,278 and \$3,207,672, respectively.

##### *Property and Equipment*

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of \$2,500 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Donated property and equipment are recorded as increases in unrestricted net assets at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, ranging from 3 to 20 years.

##### *Collections*

The Organization has capitalized its collections since its inception. If purchased, items are capitalized at cost, and if donated, they are capitalized at their fair value as of the date of donation. Gains or losses on the deaccession of collection items are classified on the statement of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession. There have been no accessions or deaccessions for the years ended May 31, 2016 and 2015.

## JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended May 31, 2016 and 2015

---

### NOTE 1 - Summary of Significant Accounting Policies (cont.)

---

#### *Net Assets*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Jewish Family Service are classified and reported as follows:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Jewish Family Service pursuant to those stipulations.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by Jewish Family Service.

#### *Tax-Exempt Status*

Jewish Family Service has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities.

#### *Revenue Recognition*

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Jewish Family Service reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Grant revenue received for grants determined to be exchange transactions is recognized as services are provided. Grant money received in excess of that earned is recorded as deferred revenue.

The Organization receives revenue for the various programs the Organization administers. Revenue is recognized at net realizable value when services are performed.

The Organization records revenue for outpatient member health counseling from insurance carriers, primarily from fee for service arrangements for services provided. Revenue is reported at the net realizable value after contractual write offs.

## JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended May 31, 2016 and 2015

---

### NOTE 1 - Summary of Significant Accounting Policies (cont.)

---

#### *In-Kind Contributions*

Jewish Family Service reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

#### *Expense Allocation*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### *Reclassification*

For comparability, certain 2015 amounts have been reclassified to conform with classifications adopted in 2016. The reclassifications have no effect on reported amounts of net assets or change in net assets.

#### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Subsequent Events*

The Organization has evaluated events through December 5, 2016, which is the date the financial statements were approved and available to be issued.

---

### NOTE 2 - Contributions Receivable

---

Contributions receivable May 31 are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	<u>\$ 300,993</u>	<u>\$ 718,577</u>

## JEWISH FAMILY SERVICE

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2016 and 2015

---

#### NOTE 3 - Property and Equipment

---

The cost of property and equipment is summarized as follows:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 363,225	\$ 357,195
Vehicles	494,602	386,953
Furniture and fixtures	403,137	399,547
Computers	389,552	356,740
Information system	268,063	233,839
Assets in process	10,458	44,726
Leasehold Improvements	<u>46,784</u>	<u>46,784</u>
Total	1,975,821	1,825,784
Accumulated depreciation	<u>(1,450,334)</u>	<u>(1,289,159)</u>
Total Property and Equipment, Net	<u>\$ 525,487</u>	<u>\$ 536,625</u>

Depreciation expense amounted to \$161,175 and \$181,900 for the years ended May 31, 2016 and 2015, respectively. Assets in process as of May 31, 2015 were related to the implementation of a new general ledger system which was placed in service during fiscal year 2016.

---

#### NOTE 4 - Community Foundation

---

Certain funds donated by outside donors for the benefit of the Organization are held and managed by the Community Foundation for Southeastern Michigan (the "Foundation"). The Foundation maintains variance power, which as a result, requires that the assets it holds not be recorded as assets of the Organization. The fair value of these funds is \$3,805,869 and \$4,141,329 at May 31, 2016 and 2015, respectively. These funds are not properly reflected in the financial statements. Earnings are available for distribution to the Organization at the discretion of the Foundation and therefore are not reflected as revenue in the financial statements until notified by the Foundation. During the years ended May 31, 2016 and 2015, the Organization received \$188,884 and \$192,539, respectively, from these endowment funds.

---

#### NOTE 5 - Operating Leases

---

The Organization leases office space for its branch office in Oak Park, Michigan, in accordance with a rental agreement expiring in June 2017. Monthly rental payments range from \$7,083 to \$8,094 during the course of the lease term.

The following is a schedule of future minimum lease payments under this operating lease:

2017	\$ 86,007
2018	<u>7,083</u>
Total	<u>\$ 93,090</u>

Total rent expense on this lease and other short-term operating leases for fiscal year 2016 and fiscal year 2015 was approximately \$96,000 and \$95,000, respectively.

## JEWISH FAMILY SERVICE

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2016 and 2015

---

#### **NOTE 6 - Related Party Transactions**

---

##### *Use of Facilities*

The Organization conducts its primary operations in a building owned by the UJF. UJF does not charge the Organization rent. The Organization recorded a contribution and the related rent expense based on the fair value of the building of \$144,283 and \$576,000 for the years ended May 31, 2016 and 2015.

##### *Appropriation Allocation and Other Funding*

The Organization is a constituent agency of the Jewish Federation of Metropolitan Detroit (JFMD, a not-for-profit organization). The Organization received \$3,555,556 and \$4,195,261 in contribution allocations and other funding from JFMD during the years ended May 31, 2016 and 2015, respectively, to help the Organization supplement operations. This represented 30% and 37% of total public support and revenue for the years ended May 31, 2016 and 2015, respectively.

##### *Insurance*

The Organization also participates in a group insurance policy with JFMD/UJF and other agencies which covers workers' compensation and general liability insurance. The Organization incurred insurance expense of approximately \$75,000 and \$82,000 during the years ended May 31, 2016 and 2015, respectively.

---

#### **NOTE 7 - Line of Credit**

---

The Organization had a line of credit with a bank in the amount of \$100,000. The line of credit was due upon demand, secured by substantially all assets of the Organization and any outstanding balance incurred interest at a rate of 3.25%. The line was closed in January 2016. There was no outstanding balance on the line of credit as of May 31, 2015.

---

#### **NOTE 8 - Fair Value Measurements**

---

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. The fair value hierarchy is categorized into three levels as follows:

Level I – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level II – Valuations based on inputs other than quoted prices included in Level I that are observable, either directly or indirectly.

Level III – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

## JEWISH FAMILY SERVICE

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2016 and 2015

#### **NOTE 8 - Fair Value Measurements (cont.)**

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The Organization's policy is to recognize transfers in and out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of fair value hierarchy during the years ended May 31, 2016 and 2015.

The fair value of the financial instruments was determined primarily based on Level 3 inputs. The investments are part of a pooled investment portfolio at JFMD/UJF, which consists of commonly traded mutual funds, stocks, and bonds for which an active and liquid market exists and investments in partnerships, hedge funds, and private equity funds which are not publicly traded. The Organization estimates the fair value of the underlying assets of the funds, which are valued based on reports received from JFMD/UJF, based upon the fair value of the assets in the pooled investment portfolio unless the facts and circumstances indicate the fair value would be different from the present value of the estimated future distributions.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For the years ended May 31, 2016 and 2015, JFMD/UJF has classified the investment portfolio it holds as 65% Level 1, 5% Level 2, and 30% Level 3 assets, for both years, in their financial statements.

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of May 31, 2016 based upon the three-level hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in endowment funds	\$ -	\$ -	\$ 2,989,278	\$ 2,989,278
Investments held within UJF balanced pool	-	-	1,732,423	1,732,423
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,721,701</u>	<u>\$ 4,721,701</u>

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of May 31, 2015 based upon the three-level hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in endowment funds	\$ -	\$ -	\$ 3,207,672	\$ 3,207,672
Investments held within UJF balanced pool	-	-	1,875,891	1,875,891
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,083,563</u>	<u>\$ 5,083,563</u>



## JEWISH FAMILY SERVICE

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2016 and 2015

#### **NOTE 8 - Fair Value Measurements (cont.)**

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended May 31, 2016 and 2015 are as follows:

	<u>Beneficial interest in endowment funds</u>	<u>Investments held within UJF balanced pool</u>
Balance at May 31, 2015	\$ 3,207,672	\$ 1,875,891
Contributions	500,000	-
Change in value of funds	(109,463)	-
Income distributed	(608,931)	-
Net realized and unrealized gains/(losses)	-	(109,463)
Purchases	-	-
Sales	-	(34,330)
Interest & dividends	-	325
Balance at May 31, 2016	<u>\$ 2,989,278</u>	<u>\$ 1,732,423</u>

	<u>Beneficial interest in endowment funds</u>	<u>Investments held within UJF balanced pool</u>
Balance at May 31, 2014	\$ 2,281,326	\$ 1,982,752
Contributions	1,046,651	-
Change in value of funds	93,809	-
Income distributed	(214,114)	-
Net realized and unrealized gains/(losses)	-	82,996
Purchases	-	-
Sales	-	(190,097)
Interest & dividends	-	240
Balance at May 31, 2015	<u>\$ 3,207,672</u>	<u>\$ 1,875,891</u>

#### **NOTE 9 - Temporarily Restricted Net Assets**

Temporarily restricted net assets at May 31, 2016 and 2015 are restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Donated equipment and works of art	\$ 209,937	\$ 218,604
Beneficial interest in endowment funds	1,436,520	1,576,499
Contributions restricted for specific program use	1,652,824	1,435,411
Other purpose restricted	1,113,904	596,127
Time and purpose restricted	11,942	17,928
Time restricted	108,967	162,701
Total Temporarily Restricted Net Assets	<u>\$ 4,534,094</u>	<u>\$ 4,007,270</u>

Permanently restricted net assets at May 31, 2016 and 2015 consist of endowment funds held in a beneficial interest and a pooled investment fund.

## JEWISH FAMILY SERVICE

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2016 and 2015

---

#### NOTE 10 - Endowment Funds

---

Endowment funds consist of donor-restricted endowment funds contributed to support various programs of the Organization.

The Organization follows accounting standards that provide a framework for classifying net assets with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of that framework is a requirement to classify the portion of donor-restricted endowment funds that are not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds.

The Organization's endowment consists of a number of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policy of the Organization

Endowment net asset composition by type of fund as of May 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted	\$ (68,288)	\$ 1,436,519	\$ 1,823,393	\$ 3,191,624

Endowment net asset composition by type of fund as of May 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted	\$ -	\$ 248,055	\$ 1,801,348	\$ 2,049,403

## JEWISH FAMILY SERVICE

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2016 and 2015

---

#### **NOTE 10 - Endowment Funds (cont.)**

---

**Return Objectives and Risk Parameters** - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Organization's programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed 5% annually while assuming a moderate level of investment risk.

**Strategies Employed for Achieving Objectives** - To satisfy their long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - The Organization has a policy of generally appropriating for distribution each year of 5.5% of the endowment base. The endowment base is defined as the three-year moving average of the market value of the total endowment portfolio (calculated as of the last day of each of the previous 12 quarters). In establishing this policy, the Organization considered the long-term expected return of their endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow their endowment to grow at an average of approximately 2% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

---

#### **NOTE 11 - Defined Contribution Benefit Plan**

---

The Organization participates with affiliated agencies in the Jewish Federation of Metropolitan Detroit 403(b) (the "Plan"). The Plan is an Internal Revenue Code 403(b) retirement plan for the benefit of eligible employees who meet certain age and service requirements. The Organization utilizes a Safe Harbor of 2% of an employee's pay and provides a discretionary employer contribution of up to 4% of 50% of an employee's contribution. The Organization made contributions of \$162,510 and \$68,200 to the Plan for the years ended May 31, 2016 and 2015, respectively.

---

#### **NOTE 12 - Multi-employer Defined Benefit Pension Plan**

---

The Organization participates in the Jewish Federation of Metropolitan Detroit Pension Plan (the "Plan"), which covers substantially all of the Organization's employees. The Plan is not required to file Form 5500 and does not have a separate Employer Identification Number.

Contributions to the Plan were \$40,200 and \$125,200 for the years ending May 31, 2016 and 2015, respectively. Based on information as of December 31, 2015 the year end of the plan, the Organization's contributions to the Plan represented more than 5% of total contributions received by the Plan.

## JEWISH FAMILY SERVICE

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2016 and 2015

---

#### **NOTE 12 - Multi-employer Defined Benefit Pension Plan (cont.)**

---

In addition, to the extent that the Plan is underfunded, and in the event that other organizations participating in the Plan have no assets available to pay their contributions, the Organization's future contributions to the Plan may increase to cover retirement benefits of employees of other organizations participating in the Plan. The following information is based on the financial statements of the Plan as of December 31, 2015

Total plan assets	\$	19,622,427
Actuarial present value of accumulated plan benefits	\$	24,227,787
Total contributions received by the Plan	\$	668,394
Indicated level of funding		At least 80%

---

#### **NOTE 13 - Claims Conference Grants**

---

Reimbursements from various claims conference grants are recorded as support in the period when the expenditures are made.

<b>Conference on Jewish Material Claims Against Germany</b>	<u>Grant Number</u>	<u>Application Number</u>	<u>Total Contract</u>	<u>Billed as of May 31, 2016</u>
Claims Conference In-Home Services Program	GG-18	17506	\$ 2,459,705	\$ 477,394
Claims Conference In-Home Services Program	GG-17	16734	\$ 2,299,261	\$ 1,641,469
Claims Conference Emergency Financial Assistance	SW-15	16606	\$ 13,440	\$ 13,440
Claims Conference Emergency Financial Assistance	WF-6	16638	\$ 37,623	\$ 28,804

---

#### **NOTE 14 - Future Accounting Pronouncements**

---

The Financial Accounting Standards Board ("FASB") has issued ASU 2016-14, "Not-for-Profit Entities (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 is intended to simplify and improve current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, expense classifications and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. Management is currently evaluating the impact of ASU 2016-14 on the Organization's financial statements.