JEWISH FAMILY SERVICE

West Bloomfield, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended May 31, 2019 and 2018

JEWISH FAMILY SERVICE

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As of and for the Years Ended May 31, 2019 and 2018

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, 2019 and 2018, 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.

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, 2019 and 2018, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
December 4, 2019

JEWISH FAMILY SERVICE

STATEMENTS OF FINANCIAL POSITION
As of May 31, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 828,452	$ 2,613,427
Investments held by UJF: cash equivalents	1,003,749	-
Investments held by UJF: balanced pool	4,240,155	2,335,897
Accounts receivable		
Program service fees, net	226,604	227,713
Contributions receivable	250,722	1,329,637
Grants and allocations, net	2,179,981	2,143,933
Prepaid expenses and other current assets	181,017	160,447
Total Current Assets	8,910,680	8,811,054
RESTRICTED CASH AND CASH EQUIVALENTS	1,008,641	246,318
BENEFICIAL INTEREST IN ENDOWMENT FUNDS	2,401,030	2,721,270
BENEFICIAL INTEREST IN IRREVOCABLE TRUST	96,000	80,388
PROPERTY AND EQUIPMENT, NET	444,857	429,820
LONG-TERM CONTRIBUTIONS RECEIVABLE, NET	76,600	66,200
COLLECTIONS	54,740	54,740
TOTAL ASSETS	$ 12,992,548	$ 12,409,790

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 332,752	$ 416,182
Accrued liabilities	603,349	684,240
Total Current Liabilities	936,101	1,100,422
NET ASSETS		
Net assets without donor restriction	4,117,297	3,454,367
Net assets with donor restriction	7,939,150	7,855,001
Total Net Assets	12,056,447	11,309,368
TOTAL LIABILITIES AND NET ASSETS	$ 12,992,548	$ 12,409,790

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE

STATEMENTS OF ACTIVITIES
For the Years Ended May 31, 2019 and 2018

	Without Donor Restriction	With Donor Restriction	2019 Total	Without Donor Restriction	With Donor Restriction	2018 Total
PUBLIC SUPPORT						
Grants	$ 1,566,772	$ 4,738,142	$ 6,304,914	$ 3,937,219	$ 2,174,606	$ 6,111,825
Contributions	429,340	1,776,096	2,205,436	1,528,941	1,478,498	3,007,439
In-kind contributions	155,248	-	155,248	160,934	-	160,934
Net assets released from restriction	6,459,770	(6,459,770)	-	2,560,199	(2,560,199)	-
Total Public Support	8,611,130	54,468	8,665,598	8,187,293	1,092,905	9,280,198
REVENUE						
Program fees						
Outpatient mental health counseling, net of contractual allowance ($333,233 and $395,940 for 2019 and 2018, respectively)	499,023	-	499,023	614,408	-	614,408
Eldercare solutions of Michigan	151,308	-	151,308	219,310	-	219,310
Home care copayments, net	(5,579)	-	(5,579)	(9,733)	-	(9,733)
Transportation	406,260	-	406,260	404,902	-	404,902
Other	107,444	-	107,444	60,108	-	60,108
Total Program Fees	1,158,456	-	1,158,456	1,288,995	-	1,288,995
Allocations	2,769,041	-	2,769,041	2,674,235	-	2,674,235
Net gain on investments	29,926	349,921	379,847	57,553	57,209	114,762
Loss on sale of fixed assets	-	-	-	(52,890)	-	(52,890)
Increase (decrease) in beneficial interest in endowment	-	(320,240)	(320,240)	328,620	(84,940)	243,680
Other	156,146	-	156,146	80,988	-	80,988
Total Revenue	4,113,569	29,681	4,143,250	4,377,501	(27,731)	4,349,770
Total Public Support and Revenue	12,724,699	84,149	12,808,848	12,564,794	1,065,174	13,629,968
EXPENSES						
Program Services						
Older adult services	6,431,750	-	6,431,750	6,007,378	-	6,007,378
Family life center services	1,960,369	-	1,960,369	1,836,688	-	1,836,688
Safety net services	1,854,133	-	1,854,133	2,032,402	-	2,032,402
Shared program support	451,457	-	451,457	484,599	-	484,599
Total Programs Services	10,697,709	-	10,697,709	10,361,067	-	10,361,067
Support services						
Management and general	624,477	-	624,477	515,643	-	515,643
Fundraising	739,583	-	739,583	742,338	-	742,338
Total Support Services	1,364,060	-	1,364,060	1,257,981	-	1,257,981
Total Expenses	12,061,769	-	12,061,769	11,619,048	-	11,619,048
CHANGE IN NET ASSETS	662,930	84,149	747,079	945,746	1,065,174	2,010,920
NET ASSETS - Beginning of Year	3,454,367	7,855,001	11,309,368	2,508,621	6,789,827	9,298,448
NET ASSETS - END OF YEAR	$ 4,117,297	$ 7,939,150	$ 12,056,447	$ 3,454,367	$ 7,855,001	$ 11,309,368

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE

STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 747,079	$ 2,010,920
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	164,068	166,373
Bad debt expense	61,375	124,999
Change in beneficial interest, net	320,240	4,760
Loss on sale of fixed assets	-	52,890
Net realized and unrealized gain on investments	(379,847)	(107,371)
Changes in assets and liabilities		
Accounts receivable	972,200	(998,159)
Prepaid expenses and other current assets	(20,570)	26,363
Accounts payable	(83,430)	(35,113)
Accrued liabilities	(80,889)	118,596
Net Cash Flows from Operating Activities	1,700,226	1,364,258
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(179,105)	(87,290)
Proceeds from sale of property and equipment	-	22,250
Purchase of investments	(1,540,024)	(50,000)
Net Cash Flows from Investing Activities	(1,719,129)	(115,040)
Net Change in Cash and Cash Equivalents	(18,903)	1,249,218
CASH AND CASH EQUIVALENTS - Beginning of Year	2,859,745	1,610,527
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,840,842	$ 2,859,745
Supplemental cash flow disclosures		
Value of noncash rent expense for use of facilities	$ 155,248	$ 144,283
Cash and Cash Equivalents - End of Year consists of:		
Cash and cash equivalents	$ 828,452	$ 2,613,427
Investments held by UJF: cash equivalents	1,003,749	-
Restricted Cash and cash equivalents	1,008,641	246,318
	$ 2,840,842	$ 2,859,745

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2019

	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	$ 2,460,753	$ 1,161,960	$ 472,885	$ 265,657	$ 4,361,255	$ 431,484	$ 412,018	$ 843,502	$ 5,204,757
Employee benefits	652,987	330,366	210,668	89,422	1,283,443	78,614	46,188	124,802	1,408,245
Total Salaries and Related Expenses	3,113,740	1,492,326	683,553	355,079	5,644,698	510,098	458,206	968,304	6,613,002
Financial assistance	2,287,389	-	959,025	-	3,246,414	-	-	-	3,246,414
Occupancy	302,471	139,211	88,772	37,681	568,135	33,631	19,461	53,092	621,227
Professional fees	230,298	197,118	62,792	20,406	510,614	39,748	46,281	86,029	596,643
Advertising and printing	20,823	7,491	3,225	2,254	33,793	1,008	115,096	116,104	149,897
Local travel/vehicle	140,272	3,905	6,893	1,652	152,722	25	1,619	1,644	154,366
Telephone	92,148	27,177	21,021	6,953	147,299	4,884	4,427	9,311	156,610
Depreciation	118,220	15,920	10,152	4,309	148,601	13,242	2,225	15,467	164,068
Conferences and conventions	31,193	6,896	4,146	3,053	45,288	5,962	9,618	15,580	60,868
Supplies	40,192	11,023	6,543	3,751	61,509	8,708	30,793	39,501	101,010
Bad debt expense	22,025	43,339	-	-	65,364	(3,989)	-	(3,989)	61,375
Postage and shipping	3,974	2,773	1,228	529	8,504	484	7,038	7,522	16,026
Licenses and professional memberships	12,151	3,961	2,791	1,434	20,337	942	553	1,495	21,832
Subscriptions and reference materials	2,820	976	834	3,696	8,326	236	1,070	1,306	9,632
Community events	5,660	4,000	456	9,513	19,629	59	42,023	42,082	61,711
Miscellaneous	8,374	4,253	2,702	1,147	16,476	9,439	1,173	10,612	27,088
Total Expenses	$ 6,431,750	$ 1,960,369	$ 1,854,133	$ 451,457	$ 10,697,709	$ 624,477	$ 739,583	$ 1,364,060	$ 12,061,769

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2018

	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	$ 2,137,065	$ 1,040,265	$ 726,640	$ 314,476	$ 4,218,446	$ 297,885	$ 349,882	$ 647,767	$ 4,866,213
Employee benefits	636,915	326,132	203,343	83,324	1,249,714	93,674	41,570	135,244	1,384,958
Total Salaries and Related Expenses	2,773,980	1,366,397	929,983	397,800	5,468,160	391,559	391,452	783,011	6,251,171
Financial assistance	2,298,301	-	930,548	-	3,228,849	-	-	-	3,228,849
Occupancy	278,253	124,817	75,708	31,441	510,219	31,989	13,875	45,864	556,083
Professional fees	217,011	156,461	37,074	14,354	424,900	54,468	57,893	112,361	537,261
Advertising and printing	13,855	6,442	4,623	6,340	31,260	754	172,876	173,630	204,890
Local travel/vehicle	136,175	6,594	5,063	2,363	150,195	148	3,380	3,528	153,723
Telephone	61,114	20,168	17,997	4,886	104,165	3,692	2,834	6,526	110,691
Depreciation	126,199	13,810	8,375	3,478	151,862	12,987	1,524	14,511	166,373
Conferences and conventions	19,230	7,310	3,929	5,754	36,223	1,664	6,653	8,317	44,540
Supplies	35,565	13,186	8,449	4,934	62,134	4,289	15,886	20,175	82,309
Bad debt expense	13,230	101,205	-	-	114,435	10,564	-	10,564	124,999
Postage and shipping	6,361	3,396	1,706	1,157	12,620	719	11,647	12,366	24,986
Licenses and professional memberships	9,760	3,075	3,794	1,285	17,914	782	337	1,119	19,033
Subscriptions and reference materials	2,098	1,164	403	8,473	12,138	229	282	511	12,649
Community events	4,951	6,964	1,303	903	14,121	347	62,982	63,329	77,450
Miscellaneous	11,295	5,699	3,447	1,431	21,872	1,452	717	2,169	24,041
Total Expenses	$ 6,007,378	$ 1,836,688	$ 2,032,402	$ 484,599	$ 10,361,067	$ 515,643	$ 742,338	$ 1,257,981	$ 11,619,048

See accompanying notes to financial statements.

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.

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

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. 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 net assets with donor restrictions, and as such, was separately classified from cash that was unrestricted and available for current use.

Accounts Receivable

Program service fees receivable are shown net of an allowance for doubtful accounts of $100,000 and $95,281 as of May 31, 2019 and 2018, 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 as well as grants and allocations committed from various funding agencies for use in the Organization's activities.

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

Accounts Receivable (cont.)

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. The allowance for uncollectible contributions is based on experience. No allowance was deemed necessary as of May 31, 2019 and 2018.

Beneficial Interest in Endowment Funds

The Organization is a designated beneficiary of trust funds held by the Jewish Federation of Metropolitan Detroit ("JFMD") and the United Jewish Foundation of Metro Detroit ("UJF"). A portion of these funds is restricted as to use by donors and all funds are restricted through consent of JFMD and UJF. At May 31, 2019 and 2018, net assets with donor restrictions associated with the beneficial interests in endowment funds totaled $2,401,030 and $2,721,270, respectively.

Beneficial Interest in Irrevocable Trust

The Organization is a designated beneficiary of a trust fund held in an irrevocable remainder trust. This trust fund, created in 2018, is restricted as to time by the donor. At May 31, 2019 and 2018, net assets with donor restrictions associated with the beneficial interest in irrevocable trust totaled $96,000 and $80,388, 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 net assets without donor restrictions 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 contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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

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

Collections

The Organization has adopted a policy of not capitalizing collections in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received. Although the financial statements do not disclose the cumulative cost of collections, each of the items in the collection is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. In the event the Organization sells an individual piece from the collection, the proceeds received are used only for the acquisition of other items which meet the characteristics for collection under the Organization's policy. No items were purchased for or removed from the collection during May 31, 2019 and 2018, respectively.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are required to be maintained permanently by the Organization.

Tax-Exempt Status

The Organization 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.

The Organization 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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

Revenue Recognition (cont.)

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.

In-Kind Contributions

The Organization reports gifts of land, buildings, and equipment as net assets without donor restrictions 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 net assets with donor restrictions.

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.

Certain expenses are allocated based on a wage allocation percentage calculated for the organization by department. Employee expenses and technology, building and maintenance expenses, interest, and depreciation utilize the wage allocation percentage when determining the allocation of functional expenses.

Reclassifications

For comparability, certain 2018 amounts have been reclassified to conform with classifications adopted in 2019. 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.

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

Adoption of Financial Accounting Standard Board's Accounting Standards Update

In 2019, the Organization adopted the Financial Accounting Standard Board’s ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14has been applied retrospectively to all periods presented, with the exception of the disclosure about liquidity and availability of resources, as allowed by ASU No. 2016-14.

The new standard changes the following aspects of the consolidated financial statements:

- The unrestricted net assets class has been renamed net assets without donor restrictions;
- The temporarily restricted and permanently restricted net asset classes have been combined and renamed net assets with donor restrictions;
- The financial statements include a disclosure about liquidity and availability of resources at May 31, 2019 (Note 13);

	After Adoption of ASU 2016-14	As Originally Presented
Net assets without donor restrictions	$ 2,508,621	$ -
Net assets with donor restrictions	6,789,827	-
Net assets, unrestricted	-	2,508,621
Net assets, temporarily restricted	-	4,954,934
Net assets, permanently restricted	-	1,834,893
Total	$ 9,298,448	$ 9,298,448

Subsequent Events

The Organization has evaluated subsequent events through December 4, 2019, which is the date that the financial statements were approved and available to be issued.

NOTE 2 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2019	2018
Equipment	$ 419,750	$ 393,185
Vehicles	523,969	523,969
Furniture and fixtures	407,854	407,854
Computers	418,373	395,733
Information system	408,421	278,522
Leasehold improvements	46,784	46,784
Total	2,225,151	2,046,047
Accumulated depreciation	(1,780,294)	(1,616,227)
Total Property and Equipment, Net	$ 444,857	$ 429,820

Depreciation expense amounted to $164,068 and $166,373 for the years ended May 31, 2019 and 2018, respectively.

NOTE 3 - 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 $3,998,956 and $4,139,896 at May 31, 2019 and 2018, respectively. 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, 2019 and 2018, the Organization received $173,910 and $175,376, respectively, from these endowment funds.

NOTE 4 - Line of Credit

The Organization has a $500,000 unsecured line of credit with a financial institution. The line of credit was renewed in April 2019 and features a two-year term, a $750 annual fee and a rate of 30 day LIBOR plus 3.77%. It replaced a secured line of credit featuring a one-year term, a $250 annual fee and a rate of 30 day LIBOR plus 2.865%. The 30 day LIBOR rates for May 31, 2019 and 2018 was 2.43% and 2.00%, respectively. There were no borrowings against the line as of May 31, 2019 and 2018.

NOTE 5 - Operating Leases

The Organization leases office space for its branch office in Oak Park, Michigan, in accordance with a rental agreement that expires in March 2023, with a right to terminate no earlier than March 2021. Monthly rental payments range from $6,577 to $7,589 during the course of the lease term. In addition to the base rent, the organization also pays for a portion of the monthly cost associated with the common areas (CAM) such as restrooms, conference rooms, hallways, and other public areas. The current monthly expense for CAM is $377.

NOTE 5 - Operating Leases (cont.)

The Organization also leases office copy machines with rental agreements that expires in May 2021. Monthly rental payments ranged from $900 to $1,018.

The following is a schedule of future minimum lease payments including payments on the office space through the termination date:

	Office Base Rent	Copiers
2020	$ 82,464	$ 10,798
2021	70,828	10,798
Total	$ 153,292	$ 21,596

Total rent expense on these leases for the years ended May 31, 2019 and 2018, was approximately $89,800 and $99,600, respectively.

NOTE 6 - Related Party Transactions

Facilities

The Organization conducts its primary operations in a building owned by 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 $155,248 and $144,283 for the years ended May 31, 2019 and 2018, respectively.

Building, maintenance, and grounds are contracted by UJF. Total expense recorded for the years ended May 31, 2019 and 2018 was $150,806 and $148,445, respectively.

Appropriation Allocation and Other Funding

The Organization is a constituent agency of JFMD. The Organization received $3,260,962 and $3,248,393 in contributions, which include allocations and other funding, from JFMD during the years ended May 31, 2019 and 2018, respectively, to help the Organization supplement operations. This represented 25% and 24% of total public support and revenue for the years ended May 31, 2019 and 2018, 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 $23,535 and $30,145 during the years ended May 31, 2019 and 2018, respectively.

NOTE 7 - 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 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.
>
> Level 2 – Valuations based on inputs other than quoted prices included in Level I that are observable, either directly or indirectly.
>
> Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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, 2019 and 2018.

The fair value of the beneficial interest in endowment funds was determined primarily based on Level 3 inputs. The investments are part of a pooled investment portfolio at UJF, which consists of commonly traded mutual funds, stocks, and bonds, as well as investments in partnerships, hedge funds, and private equity. The mutual funds, stocks, and bonds are traded in active and liquid markets. Investments in partnerships, hedge funds, and private equity funds are not publicly traded. The Organization receives reports from UJF stating the fair value of the underlying assets of the fund; these reports are used to estimate the fair value of the assets in the pooled investment portfolio. The Organization estimates the fair value of the beneficial interest in endowment funds based on its relative share of assets held in trust and reported by UJF unless the facts and circumstances indicate the fair value would be different from the present value of the estimated future distributions.

The fair value of the beneficial interest in irrevocable trust was determined by the underlying investments in the trust which are based on quoted prices, as well as the present value of future payments to other beneficiaries, and a rate of return and discount rate of 6.0% the years ending May 31, 2019 and 2018.

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.

NOTE 7 - Fair Value Measurements (cont.)

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of May 31, 2019 based upon the three-level hierarchy:

	Level 1	Level 2	Level 3	Total
Investments held by UJF: balanced pool	$ -	$ -	$ 4,240,155	$ 4,240,155
Beneficial interest in endowment funds	-	-	2,401,030	2,401,030
Beneficial interest in irrevocable trust	-	-	96,000	96,000
Total	$ -	$ -	$ 6,737,185	$ 6,737,185

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of May 31, 2018 based upon the three-level hierarchy:

	Level 1	Level 2	Level 3	Total
Investments held by UJF: balanced pool	$ -	$ -	$2,335,897	$2,335,897
Beneficial interest in endowment funds	-	-	2,721,270	2,721,270
Beneficial interest in irrevocable trust	-	-	80,388	80,388
Total	$ -	$ -	$5,137,555	$5,137,555

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended May 31, 2019 and 2018 are as follows:

	Beneficial interest in endowment funds	Investments held by UJF	Beneficial interest in irrevocable trust
Balance at May 31, 2018	$ 2,721,270	$ 2,335,897	$ 80,388
Purchases/Contributions	20,000	2,648,972	15,612
Income distributed	(357,291)	-	-
Net realized and unrealized gains (losses)	17,051	(744,714)	-
Balance at May 31, 2019	$ 2,401,030	$ 4,240,155	$ 96,000

	Beneficial interest in endowment funds	Investments held by UJF	Beneficial interest in irrevocable trust
Balance at May 31, 2017	$ 2,806,418	$ 2,178,526	$ -
Purchases/Contributions	121,000	50,000	80,388
Income distributed	(328,828)	-	-
Net realized and unrealized gains	122,680	107,371	-
Balance at May 31, 2018	$ 2,721,270	$ 2,335,897	$ 80,388

NOTE 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of the following at May 31:

	2019	2018
Donated works of art	$ 54,740	$ 54,740
Donated furniture	53,581	61,147
Beneficial interest in endowment funds	2,401,030	2,935,117
Contributions restricted for specific program use	3,817,334	3,257,539
Other purpose restricted	1,182,121	1,285,196
Time and purpose restricted	193,490	79,425
Time restricted	236,854	181,837
Total Net Assets With Donor Restrictions	$ 7,939,150	$ 7,855,001

NOTE 9 - Endowment Funds

Endowment funds consist of donor-restricted endowment funds contributed to the Organization and UJF 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 the permanently restricted original gift as still restricted until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds.

The Organization and UJF'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 (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 is still classified as restricted 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 and UJF consider 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

NOTE 9 - Endowment Funds (cont.)

Endowment net asset composition by type of fund as of May 31, 2019:

	Without Restriction	Donor Restricted	Total
Donor Restricted	$ -	$ 2,401,030	$ 2,401,030

Endowment net asset composition by type of fund as of May 31, 2018:

	Without Restriction	Donor Restricted	Total
Donor Restricted	$ -	$ 2,935,117	$ 2,935,117

Changes in endowment net assets for the year ended May 31, 2019:

	Without Restriction	Donor Restricted	Total
Balance at May 31, 2018	$ -	$ 2,935,117	$ 2,935,117
Net appreciation	-	35,462	35,462
Management fee	-	(18,411)	(18,411)
Contributions	-	20,000	20,000
Released to operations	-	(571,138)	(571,138)
Balance at May 31, 2019	$ -	$ 2,401,030	$ 2,401,030

Changes in endowment net assets for the year ended May 31, 2018:

	Without Restriction	Donor Restricted	Total
Balance at May 31, 2017	$ -	$ 3,020,265	$ 3,020,265
Net appreciation	-	142,528	142,528
Management fee	-	(19,848)	(19,848)
Contributions	-	121,000	121,000
Released to operations	-	(328,828)	(328,828)
Balance at May 31, 2018	$ -	$ 2,935,117	$ 2,935,117

Return Objectives and Risk Parameters - The Organization and UJF have 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.

NOTE 9 - Endowment Funds (cont.)

Strategies Employed for Achieving Objectives - To satisfy their long-term rate-of-return objectives, the Organization and UJF rely 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 and UJF target 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 and UJF have a policy of generally appropriating for distribution each year of 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 and UJF considered the long-term expected return of their endowment. Accordingly, over the long term, the Organization and UJF expect the current spending policy to allow their endowment to grow at an average of approximately 1% annually. This is consistent with the Organization and UJF'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.

Funds with Deficiencies From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At May 31, 2019, 8 donor restricted funds with original gift values of approximately $953,900, fair values of approximately $903,000 and deficiencies of approximately $50,900 were reported in net assets with donor restrictions. At May 31, 2018, 5 donor restricted funds with original gift values of approximately $180,030, fair values of approximately $155,786 and deficiencies of approximately $24,244 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets. Subsequent to year end, the Organization stopped receiving appropriations for these funds with deficiencies.

NOTE 10 - 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. During 2019 and 2018, the Organization provided a discretionary employer contribution of up to 4% of 50% of an employee's contribution through December 31. The Organization made contributions of $66,130 and $96,238 to the Plan for the years ended May 31, 2019 and 2018, respectively.

NOTE 11 - Multi-employer Defined Benefit Pension Plan

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

The multi-employer plan poses different risks to the Organization than a single-employer plan in the following respects:

1) The Organization's contributions to the multi-employer plan may be used to provide benefits to all participating employees of the program, including those employed by other employers.

2) If a participating employer fails to make its required contributions, the unfunded obligations of the plan may be borne by the remaining participating employers.

3) If an employer chooses to stop participating in a multiemployer plan, the withdrawing company may be required to pay to the plan a final payment (the withdrawal liability).

Contributions to the Benefit Plan were $97,700 and $50,100 for the years ending May 31, 2019 and 2018, respectively. Based on information as of December 31, 2018 the year end of the Benefit Plan, the Organization's contributions to the Plan represented more than 5% of total contributions received by the Benefit Plan.

In addition, to the extent that the Benefit Plan is underfunded, and in the event that other organizations participating in the Benefit Plan have no assets available to pay their contributions, the Organization's future contributions to the Benefit Plan may increase to cover retirement benefits of employees of other organizations participating in the Benefit Plan. The following information is based on the financial statements of the Plan as of December 31, 2018.

Total plan assets	$ 18,666,727
Actuarial present value of accumulated plan benefits	$ 23,141,406
Total contributions received by the Plan	$ 459,425
Indicated level of funding	More than 80% funded

NOTE 12 - Claims Conference Grants

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

Conference on Jewish Material Claims Against Germany	Grant Number	Application Number	Total Contract	Billed as of May 31, 2019
Claims Conference Emergency Financial Assistance	WF-9	19472	$ 9,621	$ 8,791
Claims Conference In-Home Services Program	GG-19	18253	2,459,705	2,459,705
Claims Conference In-Home Services Program	GG-20	19416	2,767,533	2,518,844
Claims Conference In-Home Services Program	GG-21	20125	3,000,370	676,815

NOTE 13 - Liquidity and Funds Available

The Organization's financial assets available within one year of the statement of financial position date for general expenditure such as operating expenses and fixed asset additions not financed with debt are as follows:

	2019
Financial Assets:	
Cash and cash equivalents	$ 828,452
Restricted cash and cash equivalents	1,008,641
Investments held by UJF: cash equivalents	1,003,749
Accounts receivable	2,657,307
Investments held by UJF: balanced pool	4,240,155
Beneficial interest in endowment funds	2,401,030
Financial assets available within one year	12,139,334
Less: Net assets with donor restriction	(7,939,150)
Financial assets available for cash needs for general expenditures within one year	$ 4,200,184

The Organization's practice is to structure its financial assets to be available as its general expenditures and other liabilities come due. Additionally, the Organization has access to a $500,000 line of credit to use as needed.

NOTE 14 - New Accounting Pronouncements

During May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2014-09, "Revenue from Contracts with Customers". ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018. The Organization may elect to apply the guidance earlier. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that ASU No. 2014-09 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU No. 2016-02, "Leases". ASU No. 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. The Organization is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

During June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. For not-for-profit entities that have conduit debt, ASU No. 2018-08 is effective for fiscal years beginning after June 15, 2018. All other entities should apply the amendments for fiscal years beginning after December 15, 2018. The Organization is currently assessing the impact that ASU No. 2018-08 will have on its results of operations, financial position and cash flows.