

# **Jewish Family Service**

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**Financial Report**  
**May 31, 2011**

# **Jewish Family Service**

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## Independent Auditor's Report

To the Board of Directors  
Jewish Family Service

We have audited the accompanying balance sheet of Jewish Family Service (the "Organization") as of May 31, 2011 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated November 28, 2011 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

We also audited the adjustment described in Note 11, which was applied to restate the 2010 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family Service at May 31, 2011 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

November 28, 2011

# Jewish Family Service

## Balance Sheet May 31, 2011

### Assets

#### Current Assets

Cash and cash equivalents	\$ 2,043,955
Accounts receivable:	
Program service fees - Net	208,886
Grants and allocations	1,220,125
Prepaid expenses and other current assets:	
Prepaid expenses	68,697
Security deposits	7,165
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Total current assets	3,548,828

#### Beneficial Interest in Endowment Funds

1,403,827

#### Property and Equipment - Net (Note 2)

656,079

Total assets

\$ 5,608,734

### Liabilities and Net Assets

#### Current Liabilities

Accounts payable	\$ 182,875
Deferred revenue	24,711
Current portion of postretirement benefits (Note 10)	48,648
Accrued liabilities	484,299
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Total current liabilities	740,533

#### Long-term Liabilities - Long-term portion of postretirement benefits (Note 10)

191,874

Total liabilities

932,407

#### Net Assets

Unrestricted	2,188,342
Temporarily restricted (Note 9)	1,476,862
Permanently restricted	1,011,123
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Total net assets	4,676,327

Total liabilities and net assets

\$ 5,608,734

# Jewish Family Service

## Statement of Activities and Changes in Net Assets Year Ended May 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>				
Contributions	\$ 387,411	\$ 116,525	\$ 25,000	\$ 528,936
In-kind donations	594,440	-	-	594,440
Grants	3,845,796	76,000	-	3,921,796
Program service fees	1,044,219	-	-	1,044,219
Allocations (Note 6)	3,454,236	-	-	3,454,236
Net realized and unrealized gains on investments	50,765	80,304	-	131,069
Interest income	10,622	-	-	10,622
Increase in value of beneficial interest in endowments	-	183,231	-	183,231
Loss on sale of fixed assets	(32,016)	-	-	(32,016)
Miscellaneous income	71,089	-	-	71,089
Total revenue and support	9,426,562	456,060	25,000	9,907,622
<b>Net Assets Released from Restrictions</b>	312,011	(312,011)	-	-
Total revenue, support, and net assets released from restrictions	9,738,573	144,049	25,000	9,907,622
<b>Expenses</b>				
Program services:				
Community support services	4,078,295	-	-	4,078,295
Clinical services	3,652,560	-	-	3,652,560
Health initiatives	872,561	-	-	872,561
Total program services	8,603,416	-	-	8,603,416
Support services:				
Management and general	698,956	-	-	698,956
Fundraising	172,660	-	-	172,660
Total support services	871,616	-	-	871,616
Total expenses	9,475,032	-	-	9,475,032
<b>Increase in Net Assets</b>	263,541	144,049	25,000	432,590
<b>Net Assets - Beginning of year (Note 11)</b>	1,924,801	1,332,813	986,123	4,243,737
<b>Net Assets - End of year</b>	<u>\$ 2,188,342</u>	<u>\$ 1,476,862</u>	<u>\$ 1,011,123</u>	<u>\$ 4,676,327</u>

# Jewish Family Service

## Statement of Functional Expenses Year Ended May 31, 2011

	Program Services				Support Services			
	Community Support Services	Clinical Services	Health Initiatives	Total	Management and General	Fundraising	Total	Total Expenses
Salaries and wages	\$ 1,506,825	\$ 2,169,940	\$ 392,979	\$ 4,069,744	\$ 357,892	\$ 80,716	\$ 438,608	\$ 4,508,352
Employee benefits	428,006	619,593	112,209	1,159,808	94,012	23,047	117,059	1,276,867
Total salaries and related expenses	1,934,831	2,789,533	505,188	5,229,552	451,904	103,763	555,667	5,785,219
Financial assistance	1,278,596	168	236,857	1,515,621	7,683	305	7,988	1,523,609
Occupancy	310,881	354,018	69,153	734,052	167,568	-	167,568	901,620
Professional fees	109,644	236,379	22,020	368,043	30,652	-	30,651	398,695
Advertising and printing	25,267	17,050	8,706	51,023	3,446	3,785	7,231	58,254
Local travel/vehicle	186,419	32,559	756	219,734	1,256	-	1,256	220,990
Telephone	28,205	18,943	3,111	50,259	11,133	276	11,409	61,668
Depreciation	92,108	42,956	7,441	142,505	7,077	-	7,077	149,582
Conferences and conventions	22,248	25,660	5,685	53,593	4,116	3,170	7,286	60,879
Supplies	29,044	30,476	5,557	65,077	4,537	135	4,672	69,749
Other office expense	39,612	78,991	3,565	122,168	3,357	60,180	63,537	185,705
Postage and shipping	12,335	14,439	2,468	29,242	2,349	816	3,165	32,407
Licenses and professional membership	7,925	8,587	1,367	17,879	1,300	50	1,350	19,229
Subscriptions and reference materials	1,180	2,801	687	4,668	2,578	180	2,577	7,426
Total functional expenses	<u>\$ 4,078,295</u>	<u>\$ 3,652,560</u>	<u>\$ 872,561</u>	<u>\$ 8,603,416</u>	<u>\$ 698,956</u>	<u>\$ 172,660</u>	<u>\$ 871,616</u>	<u>\$ 9,475,032</u>

# Jewish Family Service

## Statement of Cash Flows Year Ended May 31, 2011

### Cash Flows from Operating Activities

Increase in net assets	\$ 432,590
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	149,582
Bad debt expense	52,146
Change in beneficial interest	(183,231)
Loss on sale of assets	32,016
Contributions restricted for long-term investment	(30,000)
Income on beneficial interest	48,808
Changes in operating assets and liabilities which (used) provided cash:	
Accounts receivable	(756,936)
Prepaid expenses	(5,210)
Accounts payable	23,289
Accrued liabilities	(118,743)
Postretirement benefits	(68,774)
Deferred revenue	2,211
Net cash used in operating activities	(422,252)

### Cash Flows from Investing Activities

Acquisition of property and equipment	(257,304)
Proceeds from disposition of property and equipment	30,920
Net cash used in investing activities	(226,384)

**Net Decrease in Cash and Cash Equivalents** (648,636)

**Cash and Cash Equivalents - Beginning of year** 2,692,591

**Cash and Cash Equivalents - End of year** \$ 2,043,955

# Jewish Family Service

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## Notes to Financial Statements May 31, 2011

### Note 1 - Nature of Business and Significant Accounting Policies

**Nature of Organization** - Jewish Family Service (the "Organization"), a not-for-profit corporation located in West Bloomfield, Michigan, is 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:

Community Support Services - The Organization provides assisted-living arrangements, case management, home care services, transportation, counseling, Meals on Wheels, etc., for seniors and persons with disabilities in the community who are in need. The Organization provides resettlement, acculturation, citizenship preparation, counseling, and Holocaust survivor restitution services to refugees who have settled in the community.

Clinical Services - The Organization provides counseling, adoption, family life education, violence intervention, substance abuse counseling, assistance in divorce situations, and outreach to schools for families in the community who are in need.

Health Initiatives - The Organization connects low-income uninsured members of the Jewish community to needed health care through a network of institutional and individual volunteer partner providers; monitors compliance to prescribed treatment regimens; and provides guidance and coordination to affect improved health outcomes for program clients. The Organization also provides educational seminars on topics of healing and spirituality for community members and healthcare professionals.

Significant accounting policies are as follows:

**Cash and Cash Equivalents** - Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less. Cash equivalents also consist of \$937,950 in funds invested in a pooled investment fund through the United Jewish Foundation of Metro Detroit (UJF). The agreement allows the Organization the right to withdraw all or any part of the funds upon written notice to UJF.

**Accounts Receivable** - The Organization's contributions 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 at May 31, 2011 are expected to be collected within one year. The Organization has recorded an allowance for doubtful accounts for amounts that may become uncollectible. This estimate is based on a review of the existing accounts receivable as well as historical write-off experience. The allowance for doubtful accounts was \$100,000 at May 31, 2011.



### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Beneficial Interest in Endowment Funds** - The Organization is a designated beneficiary of trust funds held by Jewish Federation of Metropolitan Detroit and 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 JFMD/UJF. At May 31, 2011, permanently and temporarily restricted net assets associated with the beneficial interest in endowment funds totaled \$1,403,827.

**Property and Equipment** - Property and equipment are recorded at cost and depreciated over estimated useful lives, ranging from 3 to 20 years, using the straight-line method. Costs of repairs and maintenance are charged to expense as incurred.

Donated furniture, fixtures, and equipment are recorded at fair value as temporarily restricted assets and are depreciated over the estimated useful lives of the assets using the straight-line method.

**Classification of Net Assets** - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Unrestricted net assets are not subject to donor-imposed restrictions. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

**Contributions** - Contributions of cash and other assets are reported as revenue when received, measured at fair value.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

**Grant Revenue** - 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.

**Program Service Fee Revenue** - The Organization receives revenue for the various programs the Organization administers. Revenue is recognized at net realizable value when services are provided.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Donated Services** - Donated goods and services for individuals in need are not reported in the Organization's financial statements because the Organization acts only as an intermediary agent between the donor and the beneficiary.

**Functional Allocation of Expenses** - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

**Tax Status** - The Organization is a not-for-profit corporation and has been granted tax-exempt status by the Internal Revenue Service under the provisions of Code Section 501(c)(3). Net income from activities unrelated to the Organization's tax-exempt purpose is subject to taxation. Taxes on unrelated business income are not material to the financial statements.

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. Management has analyzed the tax positions taken by the Organization and has concluded that as of May 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to May 31, 2008.

**Use of 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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

# Jewish Family Service

## Notes to Financial Statements May 31, 2011

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Concentration of Credit Risk** - Balances maintained at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Organization may have bank balances in excess of the FDIC insurance limits. As a result, the Organization evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including November 28, 2011, which is the date the financial statements were available to be issued.

### Note 2 - Property and Equipment

The cost of property and equipment is summarized as follows:

Equipment	\$ 186,012
Vehicles	270,743
Furniture and fixtures	511,233
Computers	510,448
Leasehold improvements	<u>19,559</u>
Total cost	1,497,995
Accumulated depreciation	<u>(841,916)</u>
Net carrying amount	<u>\$ 656,079</u>

Depreciation expense was \$149,582 for 2011.

### 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 market value of these funds is approximately \$3,977,000 at May 31, 2011. These funds are not 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 received by the Organization. During the year ended May 31, 2011, the Organization received approximately \$151,000 from these endowments.

### Note 4 - Employee Benefit Plans

The Organization has a defined contribution retirement plan (the "Plan"). Under the Plan, eligible employees can elect to defer a portion of their compensation, as defined by the Plan, up to maximum amounts as described in the Plan and allowed by the Internal Revenue Service. The Organization did not make any contributions to the Plan for the year ended May 31, 2011.

The Organization participates in a multiple employer defined benefit retirement plan for the benefit of substantially all full-time professional and support staff of JFMD and participating agencies. During 2011, the Organization expensed approximately \$205,000 to support the plan. The position of the Organization relative to other contributors to the plan has not been determined with respect to plan assets and accumulated benefits; however, the plan, as a whole, is underfunded as of January 1, 2010. In the event of a withdrawal from the plan and certain other conditions, a contributor to a plan may be liable for the plan for a portion of the underfunded status.

### Note 5 - Operating Leases

The Organization leases offices space for its branch office in Oak Park, Michigan, expiring on June 30, 2015. Monthly rental payments range from \$7,285 to \$8,095 during the course of the lease term.

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

2012	\$	88,434
2013		90,863
2014		93,291
2015		95,719
2016		8,095
Total	\$	<u>376,402</u>

Total rent expense on this lease and other short-term operating leases for 2011 was approximately \$113,000.

### Note 6 - Related Party Transactions

**Use of 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 \$576,000 for the year ended May 31, 2011.

**Appropriation Allocation** - The Organization is a constituent agency of the Jewish Federation of Metropolitan Detroit ("JFMD", a not-for-profit organization). The Organization received approximately \$3,454,000 in contribution allocations from JFMD during the year ended May 31, 2011 to help the Organization supplement operations.

**Insurance** - The Organization also participates in a group insurance policy with JFMD/UJF and other agencies which covers workers' compensation and general liability. The Organization incurred insurance expenses of approximately \$39,000 during the year ended May 31, 2011.

### Note 7 - Line of Credit

The Organization has a line of credit with a bank in the amount of \$100,000. There was no outstanding balance on the line of credit as of May 31, 2011.

### Note 8 - Fair Value Measurements

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

The following table presents information about the Organization's assets measured at fair value on a recurring basis at May 31, 2011 and the valuation techniques used by the Organization to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

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

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

**Note 8 - Fair Value Measurements (Continued)**

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

The Organization's policy is to recognize transfers in and transfers 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 the fair value hierarchy during the year ended May 31, 2011.

**Assets Measured at Fair Value on a Recurring Basis at May 31, 2011**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance at May 31, 2011</u>
<b>Asset</b> - Beneficial interest in endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,403,827</u>	<u>\$ 1,403,827</u>

Changes in the Level 3 asset measured at fair value on a recurring basis for the year ended May 31, 2011 are as follows:

	<u>Beneficial Interest in Endowment Funds</u>
Balance at May 31, 2010	\$ 1,239,404
Contributions	30,000
Change in value of funds	183,231
Income distributed	<u>(48,808)</u>
Balance at May 31, 2011	<u>\$ 1,403,827</u>

Realized and unrealized gains for the year ended May 31, 2011 are reported in the statement of activities and changes in net assets and are related to the beneficial interest in endowment funds investments held at year end.

**Note 8 - Fair Value Measurements (Continued)**

The fair value of the beneficial interest in endowment funds at May 31, 2011 was determined primarily based on Level 3 inputs. The beneficial interest in endowment funds consists of a pooled investment portfolio, 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. JFMD/UJF has classified the investment portfolio it holds as 66 percent Level 1, 19 percent Level 2 and 15 percent Level 3 assets in their financial statements.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

**Note 9 - Temporarily Restricted Net Assets**

Temporarily restricted net assets at May 31, 2011 are restricted for the following purposes:

Donated equipment and works of art	\$ 265,262
Beneficial interest in endowment funds	505,119
Contributions restricted for specific program use	652,372
Other	<u>54,109</u>
Total temporarily restricted net assets	<u>\$ 1,476,862</u>

Permanently restricted net assets at May 31, 2011 consist of endowment funds held in a beneficial interest and a pooled investment fund.

**Note 10 - Postretirement Benefit Plan**

The Organization has a postretirement benefit plan which provides all or a portion of medical insurance premiums for retired employees who meet certain age and service requirements. The plan is contributory with participants' contributions adjusted annually. The Organization's participation ranges from 0 to 100 percent of the medical insurance premiums, depending on the date of retirement.

Effective December 1, 2004, the plan was amended to limit the Organization's participation for eligible employees retiring after December 31, 1981 to 50 percent of the cost of coverage as of December 1, 2004. Increases in cost of coverage after December 1, 2004 will be the responsibility of the participant.

# Jewish Family Service

## Notes to Financial Statements May 31, 2011

### Note 10 - Postretirement Benefit Plan (Continued)

For the year ended May 31, 2011 there were no plan assets. Obligations recognized in the balance sheet consist of the following:

	Postretirement Benefits
Current liabilities	\$ 48,648
Noncurrent liabilities	191,874
Total	<u>\$ 240,522</u>

### Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid

	Other Postretirement Benefits
Net periodic benefit cost	\$ (68,774)
Employer contributions	51,478
Participant contributions	88,258
Benefits paid	<u>(139,736)</u>
Total recognized in net periodic benefit cost	<u>\$ (68,774)</u>

### Assumptions

Assumptions used to determine benefit obligations at May 31, 2011 are as follows:

	Other Postretirement Benefits
Discount rate	6.25 %
Health cost trend rate	7.5 %

Assumed healthcare cost trend rates at May 31, 2011 are as follows:

	Amount
Healthcare cost trend rate assumed for next year	8 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	0.5 %
Year that the rate reaches the ultimate trend rate	2016



# Jewish Family Service

## Notes to Financial Statements May 31, 2011

### Note 10 - Postretirement Benefit Plan (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the Organization:

<u>Years Ending May 31</u>	<u>Postretirement Benefits</u>
2012	\$ 48,648
2013	42,749
2014	37,184
2015	32,019
2016	27,298
2017-2021	82,545

### Note 11 - Prior Period Adjustment

The accompanying financial statements for 2011 have been restated to correct an error of incorrectly reporting restricted net assets made in previous years. The effect of the restatement was to reclassify beginning of year net assets at May 31, 2010. This adjustment resulted in a decrease in unrestricted net assets by \$446,488, an increase to temporarily restricted net assets of \$627,938, and a decrease in permanently restricted net assets by \$181,450. This adjustment had no impact on the total net assets of the Organization.