# JEWISH FAMILY SERVICE

West Bloomfield, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended May 31, 2017 and 2016

**JEWISH FAMILY SERVICE**

TABLE OF CONTENTS
As of and for the Years Ended May 31, 2017 and 2016

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, 2017 and 2016, 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 audit 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, 2017 and 2016, 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 Krause, LLP

Southfield, Michigan
December 12, 2017

## JEWISH FAMILY SERVICE

STATEMENTS OF FINANCIAL POSITION
As of May 31, 2017 and 2016

### *ASSETS*

| | 2017 | 2016 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 1,370,259 | $ 1,100,393 |
| Accounts Receivable | | |
| Program service fees | 227,998 | 349,700 |
| Contributions receivable | 253,118 | 300,993 |
| Grants and allocations, net | 2,413,207 | 2,183,959 |
| Prepaid expenses and other current assets | 180,739 | 239,863 |
| Investments | 2,178,526 | 1,732,423 |
| Total Current Assets | 6,623,847 | 5,907,331 |
| **RESTRICTED CASH** | 246,339 | 202,347 |
| **BENEFICIAL INTERESTS IN ENDOWMENT FUNDS** | 2,806,418 | 2,989,278 |
| **PROPERTY AND EQUIPMENT, NET** | 508,903 | 525,487 |
| **COLLECTIONS** | 129,880 | 129,880 |
| **TOTAL ASSETS** | $ 10,315,387 | $ 9,754,323 |

### *LIABILITIES AND NET ASSETS*

| | 2017 | 2016 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 451,295 | $ 304,492 |
| Accrued liabilities | 565,644 | 553,541 |
| Other current liabilities | - | 75,847 |
| Total Current Liabilities | 1,016,939 | 933,880 |
| **NET ASSETS** | | |
| Unrestricted | 2,508,621 | 2,462,956 |
| Temporarily restricted | 4,954,934 | 4,534,094 |
| Permanently restricted | 1,834,893 | 1,823,393 |
| Total Net Assets | 9,298,448 | 8,820,443 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 10,315,387 | $ 9,754,323 |

See accompanying notes to financial statements.

## JEWISH FAMILY SERVICE

STATEMENTS OF ACTIVITIES
For the Years Ended May 31, 2017 and 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2017 Total | Unrestricted | Temporarily Restricted | Permanently Restricted | 2016 Total |
|---|---|---|---|---|---|---|---|---|
| **PUBLIC SUPPORT** | | | | | | | | |
| Grants | $ 4,006,008 | $ 1,526,929 | $ - | $ 5,532,937 | $ 4,131,969 | $ 1,618,786 | $ 22,045 | $ 5,772,800 |
| Contributions | 451,366 | 888,468 | 11,500 | 1,351,334 | 687,600 | 958,476 | - | 1,646,076 |
| In-kind contributions | 158,347 | - | - | 158,347 | 156,346 | - | - | 156,346 |
| Net assets released from restriction | 1,887,167 | (1,887,167) | - | - | 1,955,845 | (1,955,845) | - | - |
| Total Public Support | 6,502,888 | 528,230 | 11,500 | 7,042,618 | 6,931,760 | 621,417 | 22,045 | 7,575,222 |
| **REVENUE** | | | | | | | | |
| Program Fees | | | | | | | | |
| Outpatient Mental Health Counseling, Net of Contractual Allowance ($552,362 and $346,850) | 501,869 | - | - | 501,869 | 591,271 | - | - | 591,271 |
| Eldercare Solutions of Michigan | 218,815 | - | - | 218,815 | 240,398 | - | - | 240,398 |
| Home Care Copayments, net | 11,826 | - | - | 11,826 | 64,432 | - | - | 64,432 |
| Transportation | 380,499 | - | - | 380,499 | 348,562 | - | - | 348,562 |
| Other | 64,033 | - | - | 64,033 | 258,844 | - | - | 258,844 |
| Total Program Fees | 1,177,042 | - | - | 1,177,042 | 1,503,507 | - | - | 1,503,507 |
| Allocations | 2,801,047 | - | - | 2,801,047 | 2,761,055 | - | - | 2,761,055 |
| Net gain (loss) on investments | 139,268 | 119,722 | - | 258,990 | (48,074) | (53,418) | - | (101,492) |
| Gain on sale of fixed assets | 22,750 | - | - | 22,750 | 16,000 | - | - | 16,000 |
| Investment income | 208 | - | - | 208 | 325 | - | - | 325 |
| Increase (decrease) in beneficial interest in endowment | 539,934 | (227,112) | - | 312,822 | (68,288) | (41,175) | - | (109,463) |
| Other | 74,212 | - | - | 74,212 | 78,300 | - | - | 78,300 |
| Total Revenue | 4,754,461 | (107,390) | - | 4,647,071 | 4,242,825 | (94,593) | - | 4,148,232 |
| Total Public Support and Revenue | 11,257,349 | 420,840 | 11,500 | 11,689,689 | 11,174,585 | 526,824 | 22,045 | 11,723,454 |
| **EXPENSES** | | | | | | | | |
| Program Services | | | | | | | | |
| Older adult services | 5,646,140 | - | - | 5,646,140 | 5,542,881 | - | - | 5,542,881 |
| Family life center services | 1,942,468 | - | - | 1,942,468 | 2,052,966 | - | - | 2,052,966 |
| Safety net services | 1,977,244 | - | - | 1,977,244 | 1,851,740 | - | - | 1,851,740 |
| Shared program support | 492,041 | - | - | 492,041 | 487,481 | - | - | 487,481 |
| Total Programs Services | 10,057,893 | - | - | 10,057,893 | 9,935,068 | - | - | 9,935,068 |
| Support services | | | | | | | | |
| Management and general expenses | 577,154 | - | - | 577,154 | 543,683 | - | - | 543,683 |
| Fundraising | 576,637 | - | - | 576,637 | 523,732 | - | - | 523,732 |
| Total Support Services | 1,153,791 | - | - | 1,153,791 | 1,067,415 | - | - | 1,067,415 |
| Total Expenses | 11,211,684 | - | - | 11,211,684 | 11,002,483 | - | - | 11,002,483 |
| **CHANGE IN NET ASSETS** | 45,665 | 420,840 | 11,500 | 478,005 | 172,102 | 526,824 | 22,045 | 720,971 |
| NET ASSETS - Beginning of Year | 2,462,956 | 4,534,094 | 1,823,393 | 8,820,443 | 2,290,854 | 4,007,270 | 1,801,348 | 8,099,472 |
| **NET ASSETS - END OF YEAR** | $ 2,508,621 | $ 4,954,934 | $ 1,834,893 | $ 9,298,448 | $ 2,462,956 | $ 4,534,094 | $ 1,823,393 | $ 8,820,443 |

See accompanying notes to financial statements.

## JEWISH FAMILY SERVICE

STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 478,005 | $ 720,971 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation | 166,266 | 161,175 |
| Bad debt expense | 130,961 | 148,802 |
| Change in beneficial interest, net | (312,822) | 109,463 |
| Gain on sale of fixed assets | (22,750) | (16,000) |
| Net realized and unrealized (gain) loss on investments | (258,990) | 143,468 |
| Changes in assets and liabilities | | |
| Accounts receivable | (190,632) | (512,092) |
| Prepaid expenses and other current assets | 59,124 | (39,676) |
| Accounts payable | 146,803 | 83,374 |
| Accrued liabilities | 12,103 | 24,940 |
| Other current liabilities | (75,847) | (19,288) |
| Net Cash Flows from Operating Activities | 132,221 | 805,137 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | (149,682) | (134,037) |
| Proceeds from sale of property and equipment | 22,750 | - |
| Proceeds from sale of investments | 495,682 | 608,931 |
| Purchase of investments | (187,113) | (500,000) |
| Change in restricted cash | (43,992) | (27,500) |
| Net Cash Flows from Investing Activities | 137,645 | (52,606) |
| **Net Change in Cash and Cash Equivalents** | 269,866 | 752,531 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 1,100,393 | 347,862 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 1,370,259 | $ 1,100,393 |
| **Supplemental cash flow disclosures** | | |
| Value of noncash rent expense for use of facilities | $ 144,283 | $ 144,283 |

See accompanying notes to financial statements.

# JEWISH FAMILY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2017

| | 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 | $ 2,187,921 | $ 1,134,337 | $ 791,907 | $ 286,051 | $ 4,400,216 | $ 379,173 | $ 292,517 | $ 671,690 | $ 5,071,906 |
| Employee benefits | 646,947 | 333,606 | 206,791 | 84,707 | 1,272,051 | 94,558 | 41,122 | 135,680 | 1,407,731 |
| Total Salaries and Related Expenses | 2,834,868 | 1,467,943 | 998,698 | 370,758 | 5,672,267 | 473,731 | 333,639 | 807,370 | 6,479,637 |
| Financial assistance | 1,845,136 | - | 790,453 | - | 2,635,589 | - | - | - | 2,635,589 |
| Occupancy | 276,797 | 127,537 | 77,359 | 32,126 | 513,819 | 32,609 | 14,075 | 46,684 | 560,503 |
| Professional fees | 257,791 | 152,808 | 38,546 | 37,409 | 486,554 | 21,974 | 46,186 | 68,160 | 554,714 |
| Advertising and printing | 20,336 | 4,679 | 10,148 | 8,382 | 43,545 | 547 | 118,898 | 119,445 | 162,990 |
| Local travel/vehicle | 138,148 | 6,832 | 7,766 | 3,394 | 156,140 | 327 | 814 | 1,141 | 157,281 |
| Telephone | 54,305 | 18,478 | 16,443 | 5,857 | 95,083 | 3,670 | 2,493 | 6,163 | 101,246 |
| Depreciation | 127,919 | 12,988 | 7,878 | 3,272 | 152,057 | 12,776 | 1,433 | 14,209 | 166,266 |
| Conferences and conventions | 18,686 | 6,571 | 4,837 | 11,326 | 41,420 | 1,713 | 25,421 | 27,134 | 68,554 |
| Supplies | 18,645 | 10,491 | 12,574 | 2,065 | 43,775 | 2,521 | 15,317 | 17,838 | 61,613 |
| Other office expense | 20,045 | 10,054 | 6,098 | 2,533 | 38,730 | 22,714 | 9,661 | 32,375 | 71,105 |
| Bad debt expense | 12,983 | 115,729 | - | - | 128,712 | 2,249 | - | 2,249 | 130,961 |
| Postage and shipping | 5,445 | 2,672 | 1,595 | 871 | 10,583 | 672 | 7,974 | 8,646 | 19,229 |
| Licenses and professional memberships | 9,084 | 2,913 | 3,167 | 1,241 | 16,405 | 942 | 321 | 1,263 | 17,668 |
| Subscriptions and reference materials | 5,952 | 2,773 | 1,682 | 12,807 | 23,214 | 709 | 405 | 1,114 | 24,328 |
| Total Expenses | $ 5,646,140 | $ 1,942,468 | $ 1,977,244 | $ 492,041 | $ 10,057,893 | $ 577,154 | $ 576,637 | $ 1,153,791 | $ 11,211,684 |

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 |
| Total Expenses | $ 5,542,881 | $ 2,052,966 | $ 1,851,740 | $ 487,481 | $ 9,935,068 | $ 543,683 | $ 523,732 | $ 1,067,415 | $ 11,002,483 |

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:

<u>Older Adult Services</u> - 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 also provides immigration and citizenship services as well as restitution services to Holocaust survivors

<u>Family Life Center Services</u> - 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.

<u>Safety Net Services</u> - The Organization provides significant support and resources to move individuals and families from crisis to self sufficiency.

<u>Shared Program Support</u> - 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. 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.

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

*Accounts Receivable*

Program service fees receivable are shown net of an allowance for doubtful accounts of $68,315 and $107,000 as of May 31, 2017 and 2016, 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.

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, 2017 and 2016. As of May 31, 2017 and 2016, all contributions receivable are expected to be collected in the upcoming year.

*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, 2017 and 2016, permanently and temporarily restricted net assets associated with the beneficial interests in endowment funds totaled $2,806,418 and $2,989,278, 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 statements 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, 2017 and 2016.

**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.

During the year ended May 31, 2017, Jewish Family Service changed its policy to report 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. For comparability, 2016 amounts presented on the statement of activities have been reclassed within contributions, grants, and net assets released from restriction. There was no impact on total public support or net assets on the prior year statement of activities as a result of these reclasses.

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.

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

*Revenue Recognition (cont.)*

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*

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 2016 amounts have been reclassified to conform with classifications adopted in 2017. 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*

Subsequent to year-end, the Organization entered into a line of credit of $500,000. The line of credit is due February 19, 2019 and has an interest rate of 2.865%. As of December 12, 2017, no borrowing has occurred.

## NOTE 2 - Property and Equipment

The cost of property and equipment is summarized as follows:

| | 2017 | 2016 |
|---|---|---|
| Equipment | $ 393,185 | $ 363,225 |
| Vehicles | 468,620 | 494,602 |
| Furniture and fixtures | 403,137 | 403,137 |
| Computers | 395,733 | 389,552 |
| Information system | 278,522 | 268,063 |
| Assets in process | - | 10,458 |
| Leasehold improvements | 46,784 | 46,784 |
| Total | 1,985,981 | 1,975,821 |
| Accumulated depreciation | (1,477,078) | (1,450,334) |
| Total Property and Equipment, Net | $ 508,903 | $ 525,487 |

Depreciation expense amounted to $166,266 and $161,175 for the years ended May 31, 2017 and 2016, 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 $4,033,156 and $3,805,869 at May 31, 2017 and 2016, 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, 2017 and 2016, the Organization received $188,967 and $188,884, respectively, from these endowment funds.

## NOTE 4 - Operating Leases

The Organization leases office space for its branch office in Oak Park, Michigan, in accordance with a rental agreement that expires in June 2019. Monthly rental payments ranged from $7,315 to $8,7336 during the course of the lease term.

The following is a schedule of future minimum lease payments:

| | |
|---|---|
| 2018 | $ 99,991 |
| 2019 | 19,550 |
| 2020 | 10,798 |
| Total | $ 130,339 |

Total rent expense on this lease and other short-term operating leases for fiscal year 2017 and fiscal year 2016 was approximately $102,000 and $96,000, respectively.

## NOTE 5 - 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 for the years ended May 31, 2017 and 2016.

*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 $3,224,037 and $3,555,556 in contributions, which include allocations and other funding, from JFMD during the years ended May 31, 2017 and 2016, respectively, to help the Organization supplement operations. This represented 28% and 30% of total public support and revenue for the years ended May 31, 2017 and 2016, 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 $23,000 and $75,000 during the years ended May 31, 2017 and 2016, respectively.

## NOTE 6 - 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.

## NOTE 6 - 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, 2017 and 2016.

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.

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.

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of May 31, 2017 based upon the three-level hierarchy:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Beneficial interest in endowment funds | $ - | $ - | $ 2,806,418 | $ 2,806,418 |
| Investments held within UJF balanced pool | - | - | 2,178,526 | 2,178,526 |
| Total | $ - | $ - | $ 4,984,944 | $ 4,984,944 |

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:

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

## NOTE 6 - Fair Value Measurements (cont.)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended May 31, 2017 and 2016 are as follows:

| | Beneficial interest in endowment funds | Investments held within UJF balanced pool |
|---|---|---|
| Balance at May 31, 2016 | $ 2,989,278 | $ 1,732,423 |
| Purchases | - | 187,113 |
| Income distributed | (495,682) | - |
| Net realized and unrealized gains/(losses) | 312,822 | 258,990 |
| Balance at May 31, 2017 | $ 2,806,418 | $ 2,178,526 |

| | Beneficial interest in endowment funds | Investments held within UJF balanced pool |
|---|---|---|
| Balance at May 31, 2015 | $ 3,207,672 | $ 1,875,891 |
| Contributions | 500,000 | - |
| Income distributed | (608,931) | - |
| Net realized and unrealized gains/(losses) | (109,463) | (143,468) |
| Balance at May 31, 2016 | $ 2,989,278 | $ 1,732,423 |

## NOTE 7 - Restricted Net Assets

Temporarily restricted net assets at May 31, 2017 and 2016 are restricted for the following purposes:

| | 2017 | 2016 |
|---|---|---|
| Donated works of art | $ 200,482 | $ 209,937 |
| Beneficial interest in endowment funds | 1,209,408 | 1,436,520 |
| Contributions restricted for specific program use | 2,412,171 | 1,652,824 |
| Other purpose restricted | 996,910 | 1,113,904 |
| Time and purpose restricted | 33,419 | 11,942 |
| Time restricted | 102,544 | 108,967 |
| Total Temporarily Restricted Net Assets | $ 4,954,934 | $ 4,534,094 |

Permanently restricted net assets at May 31, 2017 and 2016 consist of endowment funds held in a beneficial interest and a pooled investment fund.

## NOTE 8 - 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, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor Restricted | $ (24,036) | $ 1,209,408 | $ 1,834,893 | $ 3,020,265 |

Endowment net asset composition by type of fund as of May 30, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor Restricted | $ (68,288) | $ 1,436,520 | $ 1,823,393 | $ 3,191,625 |

**NOTE 8 - Endowment Funds** (cont.)

Changes in endowment net assets for the year ended May 31, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Balance at May 31, 2016 | $ (68,288) | $ 1,436,520 | $ 1,823,393 | $ 3,191,625 |
| Net appreciation (depreciation) | - | 312,822 | - | 312,822 |
| Management fee | - | (19,031) | - | (19,031) |
| Contributions | - | - | 11,500 | 11,500 |
| Released to operations | 44,252 | (520,903) | - | (476,651) |
| Balance at May 31, 2017 | $ (24,036) | $ 1,209,408 | $ 1,834,893 | $ 3,020,265 |

Changes in endowment net assets for the year ended May 31, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Balance at May 31, 2015 | $ - | $ 1,540,383 | $ 1,801,348 | $ 3,341,731 |
| Net appreciation (depreciation) | (68,288) | (41,175) | - | (109,463) |
| Contributions | - | 546,243 | 22,045 | 568,288 |
| Released to operations | - | (608,931) | - | (608,931) |
| Balance at May 31, 2016 | $ (68,288) | $ 1,436,520 | $ 1,823,393 | $ 3,191,625 |

**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.

## NOTE 8 - Endowment Funds (cont.)

**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.

**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. In accordance with GAAP, deficiencies of this nature were $24,036 and $68,288 as of May 31, 2017 and 2016, respectively. 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.

## NOTE 9 - 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 2017, the Organization provided a discretionary employer contribution of up to 4% of 50% of an employee's contribution, through December 31, 2016, when the employer contributions ceased. During 2016, the Organization had one-time guaranteed deposit of 2% of an employee's pay and provided a discretionary employer contribution of up to 4% of 50% of an employee's contribution. The Organization made contributions of $105,401 and $162,510 to the Plan for the years ended May 31, 2017 and 2016, respectively.

## NOTE 10 - 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.

Contributions to the Benefit Plan were $32,500 and $40,200 for the years ending May 31, 2017 and 2016, respectively. Based on information as of December 31, 2016 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, 2016

| | |
|---|---|
| Total plan assets | $ 19,961,500 |
| Actuarial present value of accumulated plan benefits | 23,417,339 |
| Total contributions received by the Plan | 608,000 |
| Indicated level of funding | At least 80% |

## NOTE 11 - 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, 2017 |
|---|---|---|---|---|
| Claims Conference In-Home Services Program | GG-18 | 17506 | $ 2,459,705 | $ 1,457,683 |
| Claims Conference In-Home Services Program | GG-19 | 18253 | 2,459,705 | 559,196 |
| Claims Conference Emergency Financial Assistance | SW-16 | 17949 | 10,108 | 1,212 |
| Claims Conference Emergency Financial Assistance | SW-17 | 18002 | 7,906 | - |
| Claims Conference Emergency Financial Assistance | WF-7 | 17569 | 27,991 | 20,667 |

**NOTE 12 - New Accounting Pronouncements**

During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards 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, 2017. The Organization may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. 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 Nos. 2014-09 and 2015-14 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU 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 2016-02 is effective for annual periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The Organization is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is currently assessing the impact this standard will have on its financial statements.

In November 2016 FASB issued ASU No. 2016-18 “Restricted Cash”, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018, and interim period within fiscal years beginning after December 15, 2019, and should be applied on a retrospective transition basis. Early adoption is permitted. The Organization is currently evaluating the effect that ASU No. 2016-18 will have on its results of operations, financial position and cash flows.