

JEWISH FAMILY SERVICE

West Bloomfield, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended May 31, 2018 and 2017

JEWISH FAMILY SERVICE

TABLE OF CONTENTS As of and for the Years Ended May 31, 2018 and 2017

Independent Auditors' Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to Financial Statements	8 - 21

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, 2018 and 2017, 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.

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, 2018 and 2017, 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
October 30, 2018

JEWISH FAMILY SERVICE

STATEMENTS OF FINANCIAL POSITION As of May 31, 2018 and 2017

ASSETS		2018	2017
CURRENT ASSETS			
Cash and cash equivalents	\$	2,613,427	\$ 1,364,188
Investments held by UJF		2,335,897	2,178,526
Accounts receivable			
Program service fees, net		227,713	227,998
Contributions receivable		1,903,743	931,939
Grants and allocations, net		1,569,827	1,715,586
Prepaid expenses and other current assets		160,447	186,810
Total Current Assets		8,811,054	6,605,047
RESTRICTED CASH		246,318	246,339
BENEFICIAL INTEREST IN ENDOWMENT FUNDS		2,721,270	2,806,418
BENEFICIAL INTEREST IN IRREVOCABLE TRUST		80,388	-
PROPERTY AND EQUIPMENT, NET		429,820	508,903
CONTRIBUTIONS RECEIVABLE, NET		66,200	18,800
COLLECTIONS		54,740	129,880
TOTAL ASSETS		\$ 12,409,790	\$ 10,315,387
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	416,182	\$ 451,295
Accrued liabilities		684,240	565,644
Total Current Liabilities		1,100,422	1,016,939
NET ASSETS			
Unrestricted		3,454,367	2,508,621
Temporarily restricted		5,899,108	4,954,934
Permanently restricted		1,955,893	1,834,893
Total Net Assets		11,309,368	9,298,448
TOTAL LIABILITIES AND NET ASSETS		\$ 12,409,790	\$ 10,315,387

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE

STATEMENTS OF ACTIVITIES For the Years Ended May 31, 2018 and 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
PUBLIC SUPPORT								
Grants	\$ 3,890,407	\$ 2,174,606	\$ -	\$ 6,065,013	\$ 4,006,008	\$ 1,526,929	\$ -	\$ 5,532,937
Contributions	1,528,941	1,478,498	-	3,007,439	451,366	888,468	11,500	1,351,334
In-kind contributions	160,934	-	-	160,934	158,347	-	-	158,347
Net assets released from restriction	<u>2,560,199</u>	<u>(2,560,199)</u>	<u>-</u>	<u>-</u>	<u>1,887,167</u>	<u>(1,887,167)</u>	<u>-</u>	<u>-</u>
Total Public Support	<u>8,140,481</u>	<u>1,092,905</u>	<u>-</u>	<u>9,233,386</u>	<u>6,502,888</u>	<u>528,230</u>	<u>11,500</u>	<u>7,042,618</u>
REVENUE								
Program Fees								
Outpatient Mental Health Counseling, Net of Contractual Allowance (\$395,940 and \$552,362 for 2018 and 2017, respectively)	614,408	-	-	614,408	510,364	-	-	510,364
Eldercare Solutions of Michigan	219,310	-	-	219,310	218,071	-	-	218,071
Home Care Copayments, net	(9,733)	-	-	(9,733)	4,075	-	-	4,075
Transportation	404,902	-	-	404,902	380,499	-	-	380,499
Other	<u>60,108</u>	<u>-</u>	<u>-</u>	<u>60,108</u>	<u>64,033</u>	<u>-</u>	<u>-</u>	<u>64,033</u>
Total Program Fees	1,288,995	-	-	1,288,995	1,177,042	-	-	1,177,042
Allocations	2,721,047	-	-	2,721,047	2,801,047	-	-	2,801,047
Net gain on investments	67,413	57,209	-	124,622	139,268	119,722	-	258,990
Gain (loss) on sale of fixed assets	(52,890)	-	-	(52,890)	22,750	-	-	22,750
Investment income	316	-	-	316	208	-	-	208
Increase (decrease) in beneficial interest in endowment	328,620	(205,940)	121,000	243,680	539,934	(227,112)	-	312,822
Other	<u>80,988</u>	<u>-</u>	<u>-</u>	<u>80,988</u>	<u>74,212</u>	<u>-</u>	<u>-</u>	<u>74,212</u>
Total Revenue	<u>4,434,489</u>	<u>(148,731)</u>	<u>121,000</u>	<u>4,406,758</u>	<u>4,754,461</u>	<u>(107,390)</u>	<u>-</u>	<u>4,647,071</u>
Total Public Support and Revenue	<u>12,574,970</u>	<u>944,174</u>	<u>121,000</u>	<u>13,640,144</u>	<u>11,257,349</u>	<u>420,840</u>	<u>11,500</u>	<u>11,689,689</u>
EXPENSES								
Program Services								
Older adult services	6,007,378	-	-	6,007,378	5,646,140	-	-	5,646,140
Family life center services	1,836,688	-	-	1,836,688	1,942,468	-	-	1,942,468
Safety net services	2,032,402	-	-	2,032,402	1,977,244	-	-	1,977,244
Shared program support	484,599	-	-	484,599	492,041	-	-	492,041
Total Programs Services	<u>10,361,067</u>	<u>-</u>	<u>-</u>	<u>10,361,067</u>	<u>10,057,893</u>	<u>-</u>	<u>-</u>	<u>10,057,893</u>
Support services								
Management and general	525,819	-	-	525,819	577,154	-	-	577,154
Fundraising	742,338	-	-	742,338	576,637	-	-	576,637
Total Support Services	<u>1,268,157</u>	<u>-</u>	<u>-</u>	<u>1,268,157</u>	<u>1,153,791</u>	<u>-</u>	<u>-</u>	<u>1,153,791</u>
Total Expenses	<u>11,629,224</u>	<u>-</u>	<u>-</u>	<u>11,629,224</u>	<u>11,211,684</u>	<u>-</u>	<u>-</u>	<u>11,211,684</u>
CHANGE IN NET ASSETS	945,746	944,174	121,000	2,010,920	45,665	420,840	11,500	478,005
NET ASSETS - Beginning of Year	<u>2,508,621</u>	<u>4,954,934</u>	<u>1,834,893</u>	<u>9,298,448</u>	<u>2,462,956</u>	<u>4,534,094</u>	<u>1,823,393</u>	<u>8,820,443</u>
NET ASSETS - END OF YEAR	<u>\$ 3,454,367</u>	<u>\$ 5,899,108</u>	<u>\$ 1,955,893</u>	<u>\$ 11,309,368</u>	<u>\$ 2,508,621</u>	<u>\$ 4,954,934</u>	<u>\$ 1,834,893</u>	<u>\$ 9,298,448</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE

STATEMENTS OF CASH FLOWS For the Years Ended May 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,010,920	\$ 478,005
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	166,373	166,266
Bad debt expense	124,999	130,961
Change in beneficial interest, net	4,760	(312,822)
(Gain) loss on sale of fixed assets	52,890	(22,750)
Net realized and unrealized gain on investments	(107,371)	(258,990)
Changes in assets and liabilities		
Accounts receivable	(998,159)	(190,632)
Prepaid expenses and other current assets	26,363	53,053
Accounts payable	(35,113)	146,803
Accrued liabilities	118,596	12,103
Other current liabilities	-	(75,847)
Net Cash Flows from Operating Activities	1,364,258	126,150
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(87,290)	(149,682)
Proceeds from sale of property and equipment	22,250	22,750
Proceeds from sale of investments	-	495,682
Purchase of investments	(50,000)	(187,113)
Change in restricted cash	21	(43,992)
Net Cash Flows from Investing Activities	(115,019)	137,645
 Net Change in Cash and Cash Equivalents	1,249,239	263,795
 CASH AND CASH EQUIVALENTS - Beginning of Year	1,364,188	1,100,393
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,613,427	\$ 1,364,188
 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, 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	11,628	717	12,345	34,217
Total Expenses	\$ 6,007,378	\$ 1,836,688	\$ 2,032,402	\$ 484,599	\$ 10,361,067	\$ 525,819	\$ 742,338	\$ 1,268,157	\$ 11,629,224

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	<u>646,947</u>	<u>333,606</u>	<u>206,791</u>	<u>84,707</u>	<u>1,272,051</u>	<u>94,558</u>	<u>41,122</u>	<u>135,680</u>	<u>1,407,731</u>
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	<u>5,952</u>	<u>2,773</u>	<u>1,682</u>	<u>12,807</u>	<u>23,214</u>	<u>709</u>	<u>405</u>	<u>1,114</u>	<u>24,328</u>
Total Expenses	<u>\$ 5,646,140</u>	<u>\$ 1,942,468</u>	<u>\$ 1,977,244</u>	<u>\$ 492,041</u>	<u>\$ 10,057,893</u>	<u>\$ 577,154</u>	<u>\$ 576,637</u>	<u>\$ 1,153,791</u>	<u>\$ 11,211,684</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

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

The Organization is made up of the following programs:

Older Adult Services - The Organization provides case management services, home care services, Meals on Wheels, transportation, translation, and volunteer services for seniors in the community in need. The Organization also provides immigration and citizenship services as well as restitution services to Holocaust survivors

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

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

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

Cash and Cash Equivalents

Jewish Family Service defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. At times the Organization may maintain balances that exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any unusual credit risk on cash and cash equivalents.

Restricted Cash

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

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2018 and 2017

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

Accounts Receivable

Program service fees receivable are shown net of an allowance for doubtful accounts of \$95,281 and \$68,315 as of May 31, 2018 and 2017, 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, 2018 and 2017. As of May 31, 2018 and 2017, most contributions receivable are expected to be collected in the upcoming year. As of May 31, 2018, contributions receivable includes \$425,000 related to a home donated to the Organization. Sale of the home is expected to occur in late 2018.

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, 2018 and 2017, permanently and temporarily restricted net assets associated with the beneficial interests in endowment funds totaled \$2,721,270 and \$2,806,418, 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 temporarily restricted as to time by the donor. At May 31, 2018, temporarily restricted net assets associated with the beneficial interest in irrevocable trust totaled \$80,388.

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.

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

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

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. For the year ended May 31, 2018, with permission of the donor's family, the Organization disposed of the copper artwork located in the main lobby. The donated piece of art was valued at \$75,140. There were no accessions or deaccessions for the year ended May 31, 2017.

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:

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.

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

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

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.

Reclassifications

For comparability, certain 2017 amounts have been reclassified to conform with classifications adopted in 2018. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated subsequent events through October 30, 2018, which is the date that the financial statements were approved and available to be issued.

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 2 - Property and Equipment

The cost of property and equipment is summarized as follows:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 393,185	\$ 393,185
Vehicles	523,969	468,620
Furniture and fixtures	407,854	403,137
Computers	395,733	395,733
Information system	278,522	278,522
Leasehold improvements	<u>46,784</u>	<u>46,784</u>
Total	2,046,047	1,985,981
Accumulated depreciation	<u>(1,616,227)</u>	<u>(1,477,078)</u>
Total Property and Equipment, Net	<u>\$ 429,820</u>	<u>\$ 508,903</u>

Depreciation expense amounted to \$166,373 and \$166,266 for the years ended May 31, 2018 and 2017, 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 \$4,139,896 and \$4,033,156 at May 31, 2018 and 2017, 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, 2018 and 2017, the Organization received \$175,376 and \$188,967, 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 March 2023, with a right to terminate no earlier than March 2021. Monthly rental payments ranged 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.

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

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 4 - Operating Leases (cont.)

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

	<u>Office Base Rent</u>	<u>Copiers</u>
2019	\$ 79,429	\$ 12,214
2020	82,464	10,798
2021	<u>70,828</u>	<u>10,798</u>
Total	<u>\$ 232,721</u>	<u>\$ 33,810</u>

Total rent expense on these leases for the years ended May 31, 2018 and 2017, was approximately \$99,600 and \$102,000, respectively.

NOTE 5 - Related Party Transactions

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, 2018 and 2017.

Building, maintenance, and grounds are contracted by the UJF. Total expense recorded for the years ended May 31, 2018 and 2017 was \$148,445 and \$142,300, respectively.

Appropriation Allocation and Other Funding

The Organization is a constituent agency of the Jewish Federation of Metropolitan Detroit. The Organization received \$3,248,393 and \$3,224,037 in contributions, which include allocations and other funding, from JFMD during the years ended May 31, 2018 and 2017, respectively, to help the Organization supplement operations. This represented 24% and 28% of total public support and revenue for the years ended May 31, 2018 and 2017, 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 \$30,000 and \$23,000 during the years ended May 31, 2018 and 2017, respectively.

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2018 and 2017

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.

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, 2018 and 2017.

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 year ending May 31, 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.

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2018 and 2017

NOTE 6 - 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, 2018 based upon the three-level hierarchy:

	Level 1	Level 2	Level 3	Total
Beneficial interest in endowment funds	\$ -	\$ -	\$ 2,721,270	\$ 2,721,270
Investments held within UJF balanced pool	-	-	2,335,897	2,335,897
Beneficial interest in irrevocable trust	-	-	80,388	80,388
Total	\$ -	\$ -	\$ 5,057,167	\$ 5,057,167

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

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended May 31, 2018 and 2017 are as follows:

	Beneficial interest in endowment funds	Investments held within UJF balanced pool	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

	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	312,822	258,990
Balance at May 31, 2017	\$ 2,806,418	\$ 2,178,526

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 7 - Restricted Net Assets

Temporarily restricted net assets at May 31, 2018 and 2017 are restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Donated works of art	\$ 115,887	\$ 200,482
Beneficial interest in endowment funds	1,003,468	1,209,408
Contributions restricted for specific program use	3,257,539	2,412,171
Other purpose restricted	1,285,196	996,910
Time and purpose restricted	55,181	33,419
Time restricted	<u>181,837</u>	<u>102,544</u>
Total Temporarily Restricted Net Assets	<u>\$ 5,899,108</u>	<u>\$ 4,954,934</u>

Permanently restricted net assets at May 31, 2018 and 2017 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 the Organization and the United Jewish Foundation ("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 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 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 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.

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 8 - Endowment Funds (cont.)

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 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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted	\$ (24,244)	\$ 1,003,468	\$ 1,955,893	\$ 2,935,117

Endowment net asset composition by type of fund as of May 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted	\$ (24,036)	\$ 1,209,408	\$ 1,834,893	\$ 3,020,265

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at May 31, 2017	\$ (24,036)	\$ 1,209,408	\$ 1,834,893	\$ 3,020,265
Net appreciation	-	142,528	-	142,528
Management fee	-	(19,848)	-	(19,848)
Contributions	-	-	121,000	121,000
Released to operations	(208)	(328,620)	-	(328,828)
Balance at May 31, 2018	<u>\$ (24,244)</u>	<u>\$ 1,003,468</u>	<u>\$ 1,955,893</u>	<u>\$ 2,935,117</u>

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

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	-	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

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.

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 5.5% 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 2% 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. In accordance with GAAP, deficiencies of this nature were \$24,244 and \$24,036 as of May 31, 2018 and 2017, 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.

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

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 2018 and 2017, 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 \$96,238 and \$105,401 to the Plan for the years ended May 31, 2018 and 2017, 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 \$50,100 and \$32,500 for the years ending May 31, 2018 and 2017, respectively. Based on information as of December 31, 2017 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, 2017.

Total plan assets	\$ 21,443,470
Actuarial present value of accumulated plan benefits	\$ 23,519,338
Total contributions received by the Plan	\$ 663,329
Indicated level of funding	More than 90% funded

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

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	<u>Grant Number</u>	<u>Application Number</u>	<u>Total Contract</u>	<u>Billed as of May 31, 2018</u>
Claims Conference Emergency Financial Assistance	WF-9	19472	\$ 9,621	\$ -
Claims Conference In-Home Services Program	GG-20	19416	2,767,533	610,626
Claims Conference Emergency Financial Assistance	WF-8	18565	14,061	12,185
Claims Conference In-Home Services Program	GG-19	18253	2,459,705	1,900,509
Claims Conference Emergency Financial Assistance	SW-17	18002	7,906	7,906
Claims Conference Emergency Financial Assistance	SW-16	17949	10,108	8,896

NOTE 12 - New Accounting Pronouncements

During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") issued ASU 2014-09, "Revenue from Contracts with Customers". ASU 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 2015-14, which defers the effective date of ASU 2014-09. ASU 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 2014-09 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU 2016-02, "Leases". ASU 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.

During August 2016, the FASB issued ASU 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. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

JEWISH FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 12 - New Accounting Pronouncements (cont.)

During November 2016, the FASB issued ASU 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 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 2016-18 will have on its results of operations, financial position and cash flows.

During June 2018, the FASB issued ASU 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 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 2018-08 will have on its results of operations, financial position and cash flows.