

Jewish Family Service

Financial Statements

May 31, 2023 and 2022

Jewish Family Service

Table of Contents
May 31, 2023 and 2022

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	25
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	27
Other Information	
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs	32
Summary Schedule of Prior Audit Findings	34

Independent Auditors' Report

To the Board of Directors of
Jewish Family Service

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jewish Family Service (the Organization), which comprise the statements of financial position as of May 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of May 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit as of May 31, 2023 in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards). The financial statements of the Organization as of May 31, 2022 were not audited in accordance with Government Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Southfield, Michigan
December 11, 2023

Jewish Family Service

Statements of Financial Position
May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,609,670	\$ 3,396,711
Marketable securities (UJF balanced pool)	5,933,570	5,740,264
Accounts receivable:		
Trade receivables	209,823	183,887
Pledges receivable, net	189,137	123,711
Grants receivable, net	4,906,409	4,389,987
Claims conference receivable	5,863,013	2,771,801
Prepaid expenses	441,116	328,283
	<u>21,152,738</u>	<u>16,934,644</u>
Long-Term Assets		
Restricted investments	1,200,105	1,187,389
Beneficial interest in endowment funds	3,985,573	3,843,202
Beneficial interest in irrevocable trust	135,485	145,000
Operating lease right of use asset	482,668	-
Finance lease right of use asset	114,456	-
Property and equipment, net	314,827	359,917
Long-term pledges receivable, net	-	92,000
	<u>\$ 27,385,852</u>	<u>\$ 22,562,152</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,702,457	\$ 1,269,554
Accrued expenses	835,809	629,639
Current portion of payable to related party	66,660	101,143
Deferred revenue	7,156,160	1,500,340
Operating lease liability	82,958	-
Finance lease liability	23,997	-
	<u>9,868,041</u>	<u>3,500,676</u>
Long-Term Liabilities		
Long-term portion of payable to related party	462,706	647,900
Operating lease liability - long term	403,264	-
Finance lease liability - long term	91,514	-
	<u>10,825,525</u>	<u>4,148,576</u>
Net Assets		
Net assets without donor restriction	3,146,530	5,156,771
Net assets with donor restriction	13,413,797	13,256,805
	<u>16,560,327</u>	<u>18,413,576</u>
Total liabilities and net assets	<u>\$ 27,385,852</u>	<u>\$ 22,562,152</u>

See notes to financial statements

Jewish Family Service

Statements of Activities

For the Years Ended May 31, 2023 and 2022

	Without Donor Restriction	With Donor Restriction	2023 Total	Without Donor Restriction	With Donor Restriction	2022 Total
Public Support						
Grants	\$ -	\$ 18,386,360	\$ 18,386,360	\$ 53,434	\$ 13,999,328	\$ 14,052,762
Contributions	374,189	1,342,670	1,716,859	512,615	1,791,296	2,303,911
In-kind contributions	269,765	6,883	276,648	265,612	-	265,612
Net assets released from restriction	21,718,700	(21,718,700)	-	17,429,075	(17,429,075)	-
Total public support	<u>22,362,654</u>	<u>(1,982,787)</u>	<u>20,379,867</u>	<u>18,260,736</u>	<u>(1,638,451)</u>	<u>16,622,285</u>
Revenue						
Program fees:						
Behavioral health, net	539,187	-	539,187	543,549	-	543,549
Eldercare Solutions of Michigan	129,768	-	129,768	137,364	-	137,364
Transportation	173,393	-	173,393	175,710	-	175,710
Other	35,504	-	35,504	19,832	-	19,832
Total program fees	<u>877,852</u>	<u>-</u>	<u>877,852</u>	<u>876,455</u>	<u>-</u>	<u>876,455</u>
Allocations	698,718	2,151,408	2,850,126	653,272	2,133,051	2,786,323
Net investment income	32,737	3,201	35,938	(249,632)	(89,375)	(339,007)
Gain on sale of property and equipment	12,000	-	12,000	42,964	-	42,964
Distributions from beneficial interest in endowment funds	43,052	113,399	156,451	125,965	-	125,965
Increase (decrease) in beneficial interest in endowment funds	-	(144,629)	(144,629)	-	(295,606)	(295,606)
Other	97,354	16,400	113,754	225,101	10,415	235,516
Total revenue	<u>1,761,713</u>	<u>2,139,779</u>	<u>3,901,492</u>	<u>1,674,125</u>	<u>1,758,485</u>	<u>3,432,610</u>
Total public support and revenue	<u>24,124,367</u>	<u>156,992</u>	<u>24,281,359</u>	<u>19,934,861</u>	<u>120,034</u>	<u>20,054,895</u>
Expenses						
Program services:						
Older adult services	17,330,608	-	17,330,608	13,323,799	-	13,323,799
Family life center services	3,632,371	-	3,632,371	2,909,381	-	2,909,381
Safety net services	2,040,956	-	2,040,956	1,889,451	-	1,889,451
Shared program support	489,060	-	489,060	473,396	-	473,396
Total program services	<u>23,492,995</u>	<u>-</u>	<u>23,492,995</u>	<u>18,596,027</u>	<u>-</u>	<u>18,596,027</u>
Support services:						
Management and general	1,676,462	-	1,676,462	1,503,273	-	1,503,273
Fundraising	965,151	-	965,151	713,590	-	713,590
Total support services	<u>2,641,613</u>	<u>-</u>	<u>2,641,613</u>	<u>2,216,863</u>	<u>-</u>	<u>2,216,863</u>
Total expenses	<u>26,134,608</u>	<u>-</u>	<u>26,134,608</u>	<u>20,812,890</u>	<u>-</u>	<u>20,812,890</u>
Change in net assets	(2,010,241)	156,992	(1,853,249)	(878,029)	120,034	(757,995)
Net Assets, Beginning	<u>5,156,771</u>	<u>13,256,805</u>	<u>18,413,576</u>	<u>6,034,800</u>	<u>13,136,771</u>	<u>19,171,571</u>
Net Assets, Ending	<u>\$ 3,146,530</u>	<u>\$ 13,413,797</u>	<u>\$ 16,560,327</u>	<u>\$ 5,156,771</u>	<u>\$ 13,256,805</u>	<u>\$ 18,413,576</u>

See notes to financial statements

Jewish Family Service

Statement of Functional Expenses

For the Year Ended May 31, 2023

	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	\$ 3,146,444	\$ 2,412,579	\$ 795,253	\$ 252,986	\$ 6,607,262	\$ 799,763	\$ 563,840	\$ 1,363,603	\$ 7,970,865
Employee benefits	775,762	487,537	168,492	75,327	1,507,118	313,507	75,617	389,124	1,896,242
Total salaries and related expenses	3,922,206	2,900,116	963,745	328,313	8,114,380	1,113,270	639,457	1,752,727	9,867,107
Financial assistance	172,699	-	914,350	-	1,087,049	-	-	-	1,087,049
Home care contracted services	11,724,469	-	210	-	11,724,679	-	-	-	11,724,679
Occupancy	468,308	248,320	79,165	66,537	862,330	157,239	33,604	190,843	1,053,173
Professional fees	537,516	244,477	47,412	43,108	872,513	108,018	24,179	132,197	1,004,710
Professional development	51,026	83,796	7,977	19,430	162,229	40,128	17,965	58,093	220,322
Community outreach	33,459	26,429	5,246	5,567	70,701	87,548	82,753	170,301	241,002
Travel and vehicle	176,279	1,184	2,294	117	179,874	619	84	703	180,577
Office supplies and expense	75,890	52,578	6,415	13,025	147,908	52,927	18,107	71,034	218,942
Depreciation and amortization	126,547	33,207	9,508	9,183	178,445	30,853	4,577	35,430	213,875
Miscellaneous	42,209	42,264	4,634	3,780	92,887	85,860	144,425	230,285	323,172
Total expenses	\$ 17,330,608	\$ 3,632,371	\$ 2,040,956	\$ 489,060	\$ 23,492,995	\$ 1,676,462	\$ 965,151	\$ 2,641,613	\$ 26,134,608

See notes to financial statements

Jewish Family Service

Statement of Functional Expenses

For the Year Ended May 31, 2022

	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	\$ 2,690,223	\$ 1,878,873	\$ 698,734	\$ 263,317	\$ 5,531,147	\$ 849,672	\$ 448,589	\$ 1,298,261	\$ 6,829,408
Employee benefits	953,878	544,232	236,014	108,206	1,842,330	476,062	59,110	535,172	2,377,502
Total salaries and related expenses	3,644,101	2,423,105	934,748	371,523	7,373,477	1,325,734	507,699	1,833,433	9,206,910
Financial assistance	180,159	-	742,955	-	923,114	-	-	-	923,114
Home care contracted services	8,168,903	-	-	-	8,168,903	-	-	-	8,168,903
Occupancy	484,680	230,090	103,704	44,795	863,269	61,345	4,231	65,576	928,845
Professional fees	437,315	149,889	65,622	28,970	681,796	59,760	17,885	77,645	759,441
Professional development	56,258	30,800	12,497	11,707	111,262	25,061	4,589	29,650	140,912
Community outreach	22,573	1,077	338	4,951	28,939	(4,040)	161,336	157,296	186,235
Travel and vehicle	160,692	1,325	2,362	7	164,386	(1,829)	121	(1,708)	162,678
Office supplies and expense	45,880	18,573	7,292	2,941	74,686	5,113	16,191	21,304	95,990
Depreciation and amortization	110,452	33,501	14,633	6,546	165,132	9,755	-	9,755	174,887
Miscellaneous	12,786	21,021	5,300	1,956	41,063	22,374	1,538	23,912	64,975
Total expenses	\$ 13,323,799	\$ 2,909,381	\$ 1,889,451	\$ 473,396	\$ 18,596,027	\$ 1,503,273	\$ 713,590	\$ 2,216,863	\$ 20,812,890

See notes to financial statements

Jewish Family Service

Statements of Cash Flows

For the Years Ended May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flow From Operating Activities		
Change in net assets	\$ (1,853,249)	\$ (757,995)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	213,875	174,888
Change in fair value for the beneficial interest in endowment funds and irrevocable trust	(289,305)	(335,359)
Gain on sale of property and equipment	(12,000)	(42,964)
Net realized and unrealized (gain) loss on investments	(35,938)	339,007
Lease costs	16,271	-
Changes in assets and liabilities:		
Accounts receivable	(3,606,996)	(410,657)
Prepaid expenses	(112,833)	(17,092)
Accounts payable	432,903	437,035
Accrued liabilities	206,170	(131,835)
Deferred revenue	5,655,820	(301,108)
Net cash flows from operating activities	<u>614,718</u>	<u>(1,046,080)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(168,785)	(119,863)
Proceeds from sale of property and equipment	12,000	50,190
Purchase of investments	(170,084)	(19,633)
Distribution from beneficial interest in endowment funds	<u>156,449</u>	<u>125,965</u>
Net cash flows from investing activities	<u>(170,420)</u>	<u>36,659</u>
Cash Flows from Financing Activities		
Principal payments on financing leases	(11,662)	-
(Payments) proceeds on payable to related party	<u>(219,677)</u>	<u>749,043</u>
Net cash flows from financing activities	<u>(231,339)</u>	<u>749,043</u>
Net change in cash and cash equivalents	212,959	(260,378)
Cash and Cash Equivalents, Beginning	<u>3,396,711</u>	<u>3,657,089</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,609,670</u>	<u>\$ 3,396,711</u>
Supplemental Cash Flow Disclosures		
Right of use assets obtained in exchange for finance lease liabilities	<u>\$ 127,173</u>	<u>\$ -</u>
Right of use assets obtained in exchange for operating lease liabilities	<u>\$ 497,924</u>	<u>\$ -</u>

See notes to financial statements

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

1. Summary of Significant Accounting Policies

Nature of Activities

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

The Organization is made up of the following programs:

Older Adult Services - The Organization provides case management services, home care services, Meals on Wheels, transportation, translation, and volunteer services for seniors in the community in need.

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

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

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

Cash and Cash Equivalents

The Organization defines 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 cash 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.

Accounts Receivables

The Organization's trade receivable are comprised primarily of program service fees as well as grants committed from various funding agencies for use in the Organization's activities and are recorded at their net realizable value in the financial statements.

Pledges 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. Management determines the need for an allowance for doubtful accounts based on historical collection experience and a review of current receivable balances. No allowance for doubtful accounts is considered necessary as of May 31, 2023 and 2022.

Grants receivable represents the outstanding balance of grants due to the Organization based upon allowable costs incurred and grant allocations unconditionally committed. Management determines the need for an allowance for doubtful accounts based on historical collection experience and a review of current receivable balances. An allowance for doubtful accounts of \$0 and \$17,350 was recorded as of May 31, 2023 and 2022, respectively.

Claims conference receivable represents the outstanding balance of claims due to the Organization based upon allowable costs incurred based on the Claims conference agreement. Management determines the need for an allowance for doubtful accounts based on historical collection experience and a review of current receivable balances. No allowance for doubtful accounts is considered necessary as of May 31, 2023 and 2022. See Note 13 for further information.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

Pledges receivable estimated to be collected in future years, as of May 31, 2023 are summarized as follows:

	<u>Pledges Receivable</u>	<u>Discount</u>	<u>Pledges Receivable, Net</u>
Short-term (less than 1 year)	\$ 189,137	\$ -	\$ 189,137
Long-term (1-5 years)	-	-	-
Total	<u>\$ 189,137</u>	<u>\$ -</u>	<u>\$ 189,137</u>

Pledges receivable estimated to be collected in future years, as of May 31, 2022 are summarized as follows:

	<u>Pledges Receivable</u>	<u>Discount</u>	<u>Pledges Receivable, Net</u>
Short-term (less than 1 year)	\$ 123,711	\$ -	\$ 123,711
Long-term (1-5 years)	100,000	(8,000)	92,000
Total	<u>\$ 223,711</u>	<u>\$ (8,000)</u>	<u>\$ 215,711</u>

Beneficial Interest in Endowment Funds

The Organization is a designated beneficiary of trust funds held by the Jewish Federation of Metropolitan Detroit (JFMD) and the United Jewish Foundation (UJF). A portion of these funds is restricted as to use by donors and all funds are restricted through consent of JFMD and UJF. At 2023 and 2022, net assets with donor restrictions associated with the beneficial interests in endowment funds totaled \$3,985,573 and \$3,843,202, respectively.

Beneficial Interest in Irrevocable Trust

The Organization is a designated beneficiary of a trust fund held in an irrevocable remainder trust. This trust fund, created in 2018, is restricted as to time by the donor. At 2023 and 2022, net assets with donor restrictions associated with the beneficial interest in irrevocable trust totaled \$135,485 and \$145,000, 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 revenue.

Donated property and equipment are recorded as increases in net assets without donor restrictions at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restriction to net assets without donor restriction at that time.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

Property and equipment are depreciated using the straight-line method over their estimated useful lives, ranging from 3 to 10 years.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Collections

The Organization has adopted a policy of not capitalizing collections in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received. Although the financial statements do not disclose the cumulative cost of collections, each of the items in the collection is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. In the event the Organization sells an individual piece from the collection, the proceeds received are used only for the acquisition of other items which meet the characteristics for collection under Organization policy. No items were purchased for or removed from the collection during the years ended May 31, 2023 and 2022, respectively.

Net Assets

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

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

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

Board Designated Net Assets

The Organization's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. The Organization's Board of Directors has not designated any amounts as of May 31, 2023 and 2022.

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501 (c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. No unrelated business income tax expense has been recognized.

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.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

Revenue Recognition

The Organization records program fees at the anticipated amount of actual payment which would be received, based on a contract or a review of recent history. The performance obligation of the contracts is to perform the indicated services for the customers under the contract. Program fees are most often billed on a monthly basis. Revenues are recognized at a point in time as services are provided to the client, which are then billed by the Organization to the payor. The transaction prices are generally listed in the contracts or individual client agreements. Revenue streams were individually examined to determine a historical rate of realized revenue. The main revenue streams included in program fees are Behavioral Health, Transportation, and Eldercare, a full fee geriatric care management service.

Behavioral Health revenue was \$588,874 and \$605,527 for the years ended 2023 and 2022, respectively. Through agreements with insurance carriers, revenue was paid through clients' insurance coverage at contracted rates. Medicare and Medicaid revenue of \$426,024 is net of a reduction to 54% of the billing rate and commercial insurance revenue was \$133,187 and is net of a reduction to 61% of the billing rate for the year ended 2023. Medicare and Medicaid revenue of \$408,956 is net of a reduction to 49% of the billing rate and commercial insurance revenue was \$153,330 and is net of a reduction to 38% of the billing rate for the year ended May 31, 2022. These are based on reimbursement rates actually paid by the insurers. The remaining amount of revenue in this revenue stream is immaterial and the total net revenue included an implicit price concession of \$49,687 and \$61,978 for the years ended 2023 and 2022, respectively.

Transportation revenue was \$174,967 and \$176,693 for the years ended 2023 and 2022, respectively. Implicit price concessions were \$1,574 and \$983 for the years ended 2023 and 2022, respectively. In addition, \$80,470 are included in grant revenue for 2023 and 2022. Transportation provides door-through-door (escorted) rides to help primarily older adults access health care and other essential appointments. The revenue is received from clients (transportation revenue) and the Conference on Jewish Material Claims Against Germany (grant revenue). Fees paid by clients are set based on market rates and a number of factors specific to each individual client. Payments from Claims Conference are based on a set rate.

Eldercare revenue was \$131,851 and \$137,476 for the years ended 2023 and 2022, respectively. Implicit price concessions were \$2,083 and \$112 for the years ended 2023 and 2022, respectively. For Eldercare there is a written fee agreement between the client and provider in order to provide a full-fee geriatric care management program. The fees are determined by the market rate in the Oakland County area.

Below is a summary of accounts receivable from contracts with customers for the Organization:

	<u>June 1, 2021</u>	<u>May 31, 2022</u>	<u>May 31, 2023</u>
Accounts receivable	\$ 161,545	\$ 183,887	\$ 209,823

Revenue From Contributions and Grants

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There are no conditional contributions at May 31, 2023 and 2022.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restriction.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

Grant revenue received for grants determined to be conditional is recognized as services are provided. Grant money received in excess of that earned is recorded as deferred revenues. See Note 13 for further information on deferred revenue. Conditional grants approximated \$1,200,000 and \$0 at May 31, 2023 and 2022, respectively.

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

In-Kind Contributions

Contributions of non-cash assets, supplies and services are recorded at their fair value in the period received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Organization 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. In kind contributions totaled \$276,648 and \$265,612 at May 31, 2023 and 2022, respectively.

Expense Allocation

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

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

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.

Reclassification

For comparability, certain 2022 amounts have been reclassified to conform with classifications adopted in 2023. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Adopted Accounting Standards

Effective June 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), and all related amendments using the modified retrospective approach. The Organization's 2022 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities of \$497,924, and finance lease right-of-use assets and lease liabilities of \$127,173.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for all leases.
- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.
- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.
- The Organization has elected not to include immaterial leases individually or in the aggregate in the lease calculation.

Additional required disclosures for Topic 842 are contained in Note 6.

Future Accounting Standards

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify and correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (2024). The Organization is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its financial statements.

Subsequent Events

The Organization has evaluated events through December 11, 2023, which is the date the financial statements were approved and available to be issued.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

2. Property and Equipment, Net

The cost of property and equipment is summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>Depreciable Life - Years</u>
Equipment	\$ 423,681	\$ 419,749	5
Vehicles	473,225	470,902	3
Furniture and fixtures	414,549	410,891	7
Information system	1,114,369	1,022,269	5-10
Leasehold improvements	<u>46,784</u>	<u>46,784</u>	10
Total	2,472,608	2,370,595	
Accumulated depreciation and amortization	<u>(2,157,781)</u>	<u>(2,010,678)</u>	
Total property and equipment, net	<u>\$ 314,827</u>	<u>\$ 359,917</u>	

Depreciation and amortization expense amounted to \$213,875 and \$174,888 for the years ended May 31, 2023 and 2022, respectively.

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 \$4,200,865 and \$4,404,824 at May 31, 2023 and 2022, respectively. Earnings are available for distribution to the Organization at the discretion of the Foundation and therefore are not reflected as grant revenue in the financial statements until notified by the Foundation. During the years ended May 31, 2023 and 2022, the Organization received \$192,981 and \$181,239, respectively.

4. Line of Credit

The Organization has a \$1,000,000 unsecured line of credit with a financial institution. The line of credit features a one-year term that expires on February 16, 2024, a \$1,500 annual fee and a rate of 1 month Secured Overnight Financing Rate plus 3%. The 1 month rates for May 31, 2023 and 2022 were 5.04% and 0.78%, respectively. There were no borrowings against the line as of May 31, 2023 and 2022.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

5. Paycheck Protection Plan

On April 8, 2020, the Organization received proceeds in the amount of \$1,359,455 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Organization initially recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier of the PPP loan, or when such conditions are explicitly waived.

As of May 31, 2021, the Organization had expended all of the PPP funds received on qualified expenses and believe that it met all of the conditions attached to the PPP, therefore, the Organization recorded grant revenue of \$1,359,455 within its statement of activities for the year ended May 31, 2021.

On June 11, 2021, the Organization received notice from the SBA that it has forgiven \$1,359,455 of the PPP proceeds.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

6. Leases

Leases, Prior to June 1, 2022

The Organization leases office space for its branch office in Oak Park, Michigan, in accordance with a rental agreement that expires in March 2023. Monthly rental payments range from \$6,577 to \$7,589 during the course of the lease term. In addition to the base rent, the Organization also pays for a portion of the monthly costs associated with the common areas (CAM) such as restrooms, conference rooms, hallways, and other public areas. The current monthly expense for CAM is \$620, effective April 1, 2021. A total of \$7,440 was paid during the year.

Rent expense was \$102,298 for the year ended May 31, 2022.

Leases, June 1, 2022 and After

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases;
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;
- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments;
- Allocated consideration in the contract between lease and nonlease components; and
- Determined the discount rate used to measure the lease liability.

The Organization has one leasing transaction with related parties. This lease is month to month lease with no option to purchase the underlying asset. The lease can be cancelled at any point by either the lessee or the lessor. This lease is scoped out of the new standard. See Note 7.

The following table summarizes the operating and finance lease right-of-use assets and operating and finance lease liabilities as of 2023:

Right-of-use assets	
Operating leases	\$ 482,668
Finance leases	<u>114,456</u>
Total lease right-of-use assets	<u>\$ 597,124</u>
Lease liabilities	
Current operating lease liabilities	\$ 82,958
Current finance lease liabilities	23,997
Long term operating lease liabilities	403,264
Long term finance lease liabilities	<u>91,514</u>
Total operating lease liabilities	<u>\$ 601,733</u>

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

Operating lease expense was \$85,325 during the year ended May 31, 2023. The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 3.60%. As of May 31, 2023, the remaining lease term was 4.83 years.

Finance lease expense was \$12,717 during the year ended May 31, 2023. The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 3.79%. As of May 31, 2023, the remaining lease term was 4.50 years.

The table below summarizes the Organization's scheduled future minimum lease payments:

<u>Years ending May 31,</u>	<u>Operating Lease</u>	<u>Finance Lease</u>
2024	\$ 99,186	\$ 25,435
2025	107,771	25,435
2026	111,466	25,435
2027	115,161	25,435
2028	98,533	14,837
	<hr/>	<hr/>
Total lease payments	532,117	116,577
Less: present value discount	(45,895)	(1,066)
	<hr/>	<hr/>
Total lease liabilities	486,222	115,511
Less current portion	(82,958)	(23,997)
	<hr/>	<hr/>
Long term liabilities	<u>\$ 403,264</u>	<u>\$ 91,514</u>

The following table includes supplemental cash flow and noncash information related to the leases for the year ended May 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	89,055
Operating cash flows from finance leases	\$	2,274
Financing cash flows from finance leases	\$	11,662

7. Related-Party Transactions

Facilities

The Organization conducts its primary operations in a building owned by UJF, in accordance with a rental agreement. UJF charges annual rent of \$248,806 to be paid each year. The lease is a month to month lease that can be cancelled at any time. The lease is subject to periodic review at which time rent can be adjusted to reflect the fair rental value of the building.

Building, maintenance, and grounds services are contracted by UJF. Total expense recorded for the years ended May 31, 2023 and 2022 was \$214,746 and \$159,354, respectively.

Appropriation Allocation and Other Funding

The Organization is a constituent agency of JFMD. The Organization received \$3,207,251 and \$3,301,167 in contributions, which include allocations and other funding, from JFMD during the years ended May 31, 2023 and 2022, respectively, to help the Organization supplement operations. This represented 14% and 16% of total public support and revenue for the years ended May 31, 2023 and 2022, respectively. Allocations which have been unconditionally promised for future years have been included in grants receivable on the statements of financial position.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

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 \$72,252 and \$60,145 during the years ended May 31, 2023 and 2022, respectively.

8. Fair Value Measurements

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

Level 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 1 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 or change in circumstances that caused the transfer. There were no significant transfers between levels of fair value hierarchy during the years ended May 31, 2023 and 2022.

The fair value of the restricted investments is based on quoted market prices available on an active market. The investments include domestic and international securities. They are all classified as Level 1 as these financial instruments are traded in an active market for which closing prices are readily available

The fair value of the beneficial interest in endowment funds and investments held by UJF was determined primarily based on Level 3 inputs. Both portfolios are part of the balanced pool investments which are part of a pooled investment portfolio at UJF. The balanced pool is a well-diversified fund consisting of multiple portfolios currently managed by twenty-two investment managers. The balanced pool strives to maintain a target allocation of Equities (65%), Fixed Income (25%), and Real Assets (10%). Equities can include strategies such as global equities, domestic equities, international equities, emerging markets equities, long/short equities, and private equities. Fixed Income can include strategies such as global fixed income, domestic fixed income, international fixed income, and emerging markets debt instruments. Securities can include, but are not limited to Treasuries, U.S. government agency securities, asset-backed securities, and other sovereign bonds, as well as corporate bonds, other non-agency securities, and derivatives on any of the aforementioned securities. Real Assets refer to investments or strategies composed of real property, buildings and developments, timber, or commodities (through public mutual funds, commingled funds, and private partnerships), all of which generally respond more directly to changes in inflation than other asset classes. The primary goal of an allocation to real assets is to hedge against unexpected inflation, to maintain the real purchasing power of future grants. The investment objective of the balanced pool is to maintain the purchasing power of the endowment principal and the distributions it provides.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

The stock and bond portfolios, asset allocation activities and outside mutual funds are managed by external investment management organizations. An investment management consultant monitors the entire fund portfolio. All of these entities are overseen by the Investment Committee of UJF and JFMD. The Investment Committee is responsible for establishing investment strategy, engaging investment consultants and managers, reviewing investment performance and asset allocation, and affecting changes in the investment portfolio from time to time.

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% as of May 31, 2023 and 2022.

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, 2023 based upon the three-level hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held by UJF,				
Balanced pool	\$ -	\$ -	\$ 5,933,570	\$ 5,933,570
Restricted investments	1,200,105	-	-	1,200,105
Beneficial interest in endowment funds	-	-	3,985,573	3,985,573
Beneficial interest in irrevocable trust	-	-	135,485	135,485
Total	<u>\$ 1,200,105</u>	<u>\$ -</u>	<u>\$ 10,054,628</u>	<u>\$ 11,254,733</u>

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of May 31, 2022 based upon the three-level hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held by UJF,				
Balanced pool	\$ -	\$ -	\$ 5,740,264	\$ 5,740,264
Restricted investments	1,187,389	-	-	1,187,389
Beneficial interest in endowment funds	-	-	3,843,202	3,843,202
Beneficial interest in irrevocable trust	-	-	145,000	145,000
Total	<u>\$ 1,187,389</u>	<u>\$ -</u>	<u>\$ 9,728,466</u>	<u>\$ 10,915,855</u>

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

For the years ended May 31, 2023 and 2022, the beneficial interest in the endowment funds had contributions and purchases of \$287,000 and \$525,000, respectively. Income distributed for the years ended May 31, 2023 and 2022, for the beneficial interest in the endowment, was \$156,449 and \$125,965, respectively. See Note 10 for further information.

For the years ended May 31, 2023 and 2022, the investments held by UJF had contributions and purchases of \$165,600 and \$0, respectively.

9. Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Beneficial interest in endowment funds	\$ 3,985,573	\$ 3,843,202
Contributions restricted for specific program use	4,911,989	4,749,324
Time restricted	2,176,623	2,308,291
Time and purpose restricted	2,204,127	2,210,988
Time restricted irrevocable trust	<u>135,485</u>	<u>145,000</u>
Total net assets with donor restrictions	<u>\$ 13,413,797</u>	<u>\$ 13,256,805</u>

10. Endowment Funds

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

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

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

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

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is still classified as restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

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, 2023:

	<u>Donor Restricted</u>
Donor restricted	\$ 3,985,573

Endowment net asset composition by type of fund as of May 31, 2022:

	<u>Donor Restricted</u>
Donor restricted	\$ 3,843,202

Changes in endowment net assets for the year ended 2023:

	<u>Donor Restricted</u>
Balance at May 31, 2022	\$ 3,843,202
Income distributed	(156,449)
Contributions	287,000
Net realized and unrealized gain	11,820
Balance at May 31, 2023	<u>\$ 3,985,573</u>

Changes in endowment net assets for the year ended May 30, 2022:

	<u>Donor Restricted</u>
Balance at May 31, 2021	\$ 3,613,808
Income distributed	(125,965)
Contributions	525,000
Net realized and unrealized loss	(169,641)
Balance at May 31, 2022	<u>\$ 3,843,202</u>

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

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). 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% of the endowment base. The endowment base is defined as the three-year moving average of the market value of the total endowment portfolio (calculated as of the last day of each of the previous 12 quarters). In establishing this policy, the Organization and UJF considered the long-term expected return of their endowment. Accordingly, over the long term, the Organization and UJF expect the current spending policy to allow their endowment to grow at an average of approximately 1% annually. This is consistent with the Organization and UJF's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At May 31, 2023, 8 donor restricted funds with original gift values of approximately \$325,000, fair values of approximately \$312,300, and deficiencies of approximately \$12,700, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level were classified as an increase in net assets. At May 31, 2022 there were no donor restricted funds with deficiencies reported in net assets.

11. Defined Contribution Benefit Plan

The Organization participates with affiliated agencies in the Jewish Federation of Metropolitan Detroit 403(b) (the Plan). The Plan is an Internal Revenue Code 403(b) retirement plan for the benefit of eligible employees who meet certain age and service requirements. During 2023 and 2022, the Organization provided a discretionary employer contribution of up to 4% or 50% of an employee's contribution through December 31. During 2023 and 2022, the Organization provided a guaranteed employer contribution of 2% of compensation. The Organization made contributions of \$219,119 and \$194,850 to the Plan for the years ended May 31, 2023 and 2022, respectively. Effective January 1, 2015, JFMD restated its 403(b) retirement plan to replace the Benefit Plan (see Note 12).

12. Multi-Employer Defined Benefit Pension Plan

JFMD maintains the Jewish Federation of Metropolitan Detroit Pension Plan (the Benefit Plan) which covers employees of the Organization and certain constituent agencies. As of December 31, 2014, the JFMD Pension Plan was frozen. Effective January 27, 2022, the board of governors of JFMD determined to terminate the Benefit Plan. The Benefit Plan is not required to file Form 5500 and does not have a separate Employer Identification Number.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

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

- 1) The Organization's contributions to the multi-employer plan may be used to provide benefits to all participating employees of the program, including those employed by other employers.
- 2) If a participating employer fails to make its required contributions, the unfunded obligations of the plan may be borne by the remaining participating employers.
- 3) If an employer chooses to stop participating in a multiemployer plan, the withdrawing company may be required to pay to the plan a final payment (the withdrawal liability).

Contributions to the Benefit Plan were \$0 and \$106,000 for the years ending May 31, 2023 and 2022.

On September 6, 2022, the Organization entered into an installment agreement with JFMD whereby the Organization will pay the unpaid portion of the liability with accrued interest starting March 1, 2023. The note payable bears interest at 5% annually and is due in monthly principal and interest installments through March 1, 2030. This indebtedness may be prepaid at any time, in whole or in part, without penalty. The note is recorded as note payable to related party on the statements of financial position.

Minimum future payments under the note payable for the year ending May 31, 2023:

2024	\$	66,660
2025		70,070
2026		73,655
2027		77,423
2028		81,385
2027 and thereafter		160,173
	\$	<u>529,366</u>

Interest expense for the above note payable was \$4,479 for the year ended May 31, 2023.

13. Claims Conference and Deferred Revenue

Claims Conference seeks a measure of justice for Jewish Holocaust victims all over the world through a variety of grants, education, research, compensation programs and the recovery of unclaimed Jewish property, primarily through negotiation with the German government. Since Claims Conference's first agreement with West Germany in 1952, more than \$70 billion has been paid to more than 800,000 Holocaust victims. The Organization serves approximately 500 Holocaust survivors in metropolitan Detroit through programs including Homecare, Indemnification and Transportation. Additionally, the Organization serves as Homecare administrator for Holocaust survivors in communities in 15 states across the Midwest United States.

The reporting and reimbursement process for Claims Conference is lengthy. The Organization receives annual grant awards and bills Claims Conference as services are provided. For a calendar quarter (e.g., January – March), the Organization compiles and reviews data before the Claims Conference billing submission deadline 60 days later (e.g., May 31 for the period January - March). Thereafter, Claims Conference may need up to eight weeks (e.g., July 31 for the period January - March) to approve reports and issue payments. Because Claims Conference requires agencies to maintain sizable receivables for up to seven months, it makes an interest free advance program available. The Organization is able to request advances, including on expenditures already made but not yet approved and on grant award amounts not yet spent. The deferred revenue liability of \$7,156,160 and \$1,500,340 that the Organization holds as of 2023 and 2022, respectively consists almost exclusively of advances from Claims Conference.

Jewish Family Service

Notes to Financial Statements
May 31, 2023 and 2022

14. Liquidity and Funds Available

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

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 3,609,670	\$ 3,396,711
Restricted investments	1,200,105	1,187,389
Accounts, pledges and grants receivable	5,305,369	4,697,585
Claims conference receivable	5,863,013	2,771,801
Investments held by UJF, balanced pool	5,933,570	5,740,264
Beneficial interest in endowment funds	3,985,573	3,843,202
Beneficial interest in irrevocable trust	<u>135,485</u>	<u>145,000</u>
Financial assets available within one year	26,032,785	21,781,952
Less net assets with donor restriction and restricted investments	(13,413,797)	(13,256,805)
Less restricted investments	<u>(1,200,105)</u>	<u>(1,187,389)</u>
Financial assets available for cash needs for general expenditures within one year	<u>\$ 11,418,883</u>	<u>\$ 7,337,758</u>

The Organization's practice is to structure its financial assets to be available as its general expenditures and other liabilities come due. Additionally, the Organization has access to a \$1,000,000 line of credit to use as needed.

Approximately \$2,104,000 and \$2,270,000 as of May 31, 2023 and 2022, respectively, of the net assets restricted for time will be used to fund programmatic activities and operating expenses in the next 12 months.

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of
Jewish Family Service

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Jewish Family Service (the Organization), which comprise the Organization's statement of financial position as of May 31, 2023, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Southfield, Michigan
December 11, 2023

**Report on Compliance
for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Directors of
Jewish Family Service

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Jewish Family Service's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended May 31, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Southfield, Michigan
December 11, 2023

Jewish Family Service

Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

Federal Awards Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Homeland Security			
COVID-19 Emergency Food and Shelter National Board Program	97.024	Not applicable	\$ <u>177,675</u>
Total U.S. Department of Homeland Security			<u>177,675</u>
U.S. Department of Health and Human Services			
Congressional Directives Passed through Arab Community Center for Economic and Social Services COVID-19 Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	93.493	Not applicable	215,631
	93.332	Unknown	<u>144,935</u>
Total U.S. Department of Health and Human Services			<u>360,566</u>
U.S. Treasury Department			
Passed through Michigan Department of Health and Human Services COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	<u>301,569</u>
Total U.S. Treasury Department			<u>301,569</u>
U.S. Department of Transportation			
Transit Services Programs Cluster Passed through Suburban Mobility Authority for Regional Transportation COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Unknown	165,344
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Unknown	<u>236,603</u>
Total Transit Services Programs Cluster			<u>401,947</u>
Total expenditures of federal awards			<u>\$ 1,241,757</u>

See notes to schedule of expenditures of federal awards

Jewish Family Service

Notes to Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Jewish Family Service (the Organization) under programs of the federal government for the year ended May 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The Organization has not elected to use the 10-percent de minimis Indirect Cost Rate as allowed under the Uniform Guidance.

Jewish Family Service

Schedule of Findings and Questioned Costs
Year Ended May 31, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes no

Significant deficiency(ies) identified?

 yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 yes X no

Significant deficiency(ies) identified?

 yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities (Transit Services Programs Cluster)
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between federal Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

Jewish Family Service

Schedule of Findings and Questioned Costs
Year Ended May 31, 2023

Section II - Financial Statement Findings

2023-001

Criteria: Management is responsible for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The SEFA is required to include all federal awards.

Condition: The SEFA provided by management did not include all federal awards and was incomplete.

Cause: Management did not have sufficient controls in place to ensure all federal awards were included on the SEFA.

Effect: The SEFA was adjusted during the audit process to include a federal award. The preparation of an incomplete SEFA could lead to the auditor performing an inaccurate risk assessment of the federal programs and inaccurate major program determination.

Recommendation: We recommend management review the current processes and controls surrounding the preparation of the SEFA and review of the SEFA to verify that the SEFA is complete.

Management's Response: Management agrees and concurs with the audit finding during the year ended May 31, 2023. Management has already implemented procedures for review of all grant awards to ensure all requirements are assessed and each grant award is properly included or excluded on the SEFA.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs.

Jewish Family Service

Summary Schedule of Prior Audit Findings
Year Ended May 31, 2023

The Organization was not required to have an audit in accordance with Uniform Guidance in the prior years, therefore, no uncorrected or resolved findings exists.