**JEWISH FAMILY SERVICE OF ST. PAUL**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Year Ended
December 31, 2018

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**JEWISH FAMILY SERVICE OF ST. PAUL**
TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jewish Family Service of St. Paul
St. Paul, Minnesota

We have audited the accompanying financial statements of Jewish Family Service of St. Paul (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 the financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

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### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family Service of St. Paul as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Report on Summarized Comparative Information*

We have previously audited Jewish Family Service of St. Paul's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Emphasis of Matter – Change in Accounting Principle*

As discussed in Note 11 to the financial statements, Jewish Family Service of St. Paul implemented as of January 1, 2018 the provisions of Accounting Standards Update 2016-14 Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-For-Profit Entities. Our opinion is not modified with respect to that matter.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 29, 2019

# FINANCIAL STATEMENTS

**JEWISH FAMILY SERVICE OF ST. PAUL**
STATEMENT OF FINANCIAL POSITION **Statement 1**
December 31, 2018
With Comparative Amounts For December 31, 2017

| | 2018 | 2017 |
|---|---|---|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | $76,770 | $229,760 |
| Accounts receivable, net | 205,895 | 150,702 |
| Grants receivable | - | 11,400 |
| Prepaid expenses | 20,035 | 7,834 |
| Total current assets | 302,700 | 399,696 |
| Property and equipment: | | |
| Land | 151,321 | 151,321 |
| Building and improvements | 1,167,522 | 1,168,622 |
| Software | 13,500 | 15,929 |
| Furniture and fixtures | 36,062 | 66,779 |
| Total property and equipment | 1,368,405 | 1,402,651 |
| Less accumulated depreciation | (552,545) | (561,675) |
| Net property and equipment | 815,860 | 840,976 |
| Noncurrent assets: | | |
| Unemployment trust - net | 25,277 | 27,241 |
| Long-term investments | 1,956,917 | 2,012,456 |
| Total noncurrent assets | 1,982,194 | 2,039,697 |
| Total assets | $3,100,754 | $3,280,369 |
| Liabilities and net assets: | | |
| Current liabilities: | | |
| Accounts payable | $37,282 | $35,940 |
| Accrued expenses | 187,874 | 152,667 |
| Deferred program income | - | 1,500 |
| Total current liabilities | 225,156 | 190,107 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 70,000 | 497,294 |
| Designated by Board for mission-based initiative fund | 141,900 | 541,236 |
| Designated by Board for capital building fund | 240,000 | 10,540 |
| Designated by Board for operating contingency fund | 460,000 | - |
| Investment in property and equipment | 815,860 | 840,976 |
| Total without donor restrictions | 1,727,760 | 1,890,046 |
| With donor restrictions: | | |
| Purpose restrictions | 482,779 | 588,974 |
| Time-restricted for future periods | 52,500 | - |
| Perpetual in nature | 612,559 | 611,242 |
| Total net assets | 2,875,598 | 3,090,262 |
| Total liabilities and net assets | $3,100,754 | $3,280,369 |

The accompanying notes are an integral part of these financial statements.

**JEWISH FAMILY SERVICE OF ST. PAUL**
STATEMENT OF ACTIVITIES **Statement 2**
For The Year Ended December 31, 2018
With Comparative Totals For The Year Ended December 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | Totals 2018 | Totals 2017 |
|---|---|---|---|---|
| Public support and revenue: | | | | |
| Public support: | | | | |
| Greater Twin Cities United Way | $47,124 | $ - | $47,124 | $104,975 |
| Jewish Federation of Greater St. Paul | 230,242 | - | 230,242 | 219,399 |
| Meals on Wheels support | 44,233 | - | 44,233 | 40,420 |
| Contributions | 321,351 | 130,198 | 451,549 | 300,664 |
| Total public support | 642,950 | 130,198 | 773,148 | 665,458 |
| Revenue: | | | | |
| Program service fees | 1,844,514 | - | 1,844,514 | 1,756,458 |
| Meals on Wheels client fees | 39,429 | - | 39,429 | 59,192 |
| Investment income | (25,071) | (26,067) | (51,138) | 232,207 |
| Miscellaneous revenue | - | - | - | 100 |
| Total revenue | 1,858,872 | (26,067) | 1,832,805 | 2,047,957 |
| Total public support and revenue | 2,501,822 | 104,131 | 2,605,953 | 2,713,415 |
| Net assets released from restrictions: | | | | |
| Satisfaction of program restrictions | 156,509 | (156,509) | - | - |
| Total public support, revenue and releases | 2,658,331 | (52,378) | 2,605,953 | 2,713,415 |
| Expenses: | | | | |
| Program services: | | | | |
| Counseling and early intervention | 128,572 | - | 128,572 | 143,427 |
| Aging and disability services | 1,790,398 | - | 1,790,398 | 1,740,406 |
| Community programming | 198,778 | - | 198,778 | 256,948 |
| Total program services | 2,117,748 | 0 | 2,117,748 | 2,140,781 |
| Supporting services: | | | | |
| Management and general | 556,879 | - | 556,879 | 272,030 |
| Fundraising | 145,990 | - | 145,990 | 101,078 |
| Total supporting services | 702,869 | 0 | 702,869 | 373,108 |
| Total expenses | 2,820,617 | 0 | 2,820,617 | 2,513,889 |
| Change in net assets | (162,286) | (52,378) | (214,664) | 199,526 |
| Net assets - beginning of year | 1,890,046 | 1,200,216 | 3,090,262 | 2,890,736 |
| Net assets - end of year | $1,727,760 | $1,147,838 | $2,875,598 | $3,090,262 |

The accompanying notes are an integral part of these financial statements.

**JEWISH FAMILY SERVICE OF ST. PAUL**
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2018
With Comparative Totals For The Year Ended December 31, 2017

| | Program Services | | |
|---|---|---|---|
| Expenses: | Counseling and Early Intervention | Aging & Disability Services | Community Programming |
| Salaries and related expense: | | | |
| Salaries | $104,980 | $1,216,523 | $134,099 |
| Employee benefits | 4,575 | 133,222 | 11,289 |
| Payroll taxes | 7,680 | 88,792 | 9,731 |
| Total salaries and related expense | 117,235 | 1,438,537 | 155,119 |
| Dues and subscriptions | - | 75 | 3,100 |
| Conferences and meetings | 920 | 11,655 | 413 |
| Occupancy | 2,056 | 34,709 | 2,830 |
| Insurance | 112 | 1,896 | 155 |
| Equipment rental and maintenance | - | 639 | - |
| Agency promotional activities | - | - | 60 |
| Mileage | 273 | 22,100 | 3,553 |
| Emergency and educational assistance | - | 490 | 15,197 |
| Program and professional fees | 5,710 | 247,111 | 14,767 |
| Program and office supplies | 851 | 7,746 | 1,615 |
| Telephone | 51 | 2,403 | 91 |
| Bad debt expense | - | - | - |
| Miscellaneous | - | - | - |
| Subtotal | 127,208 | 1,767,361 | 196,900 |
| Depreciation | 1,364 | 23,037 | 1,878 |
| Total expenses | $128,572 | $1,790,398 | $198,778 |

The accompanying notes are an integral part of these financial statements.

| Program Services | Supporting Services | | | Totals | |
|---|---|---|---|---|---|
| Total Program Services | Management and General | Fundraising | Total Supporting Services | 2018 | 2017 |
| $1,455,602 | $268,210 | $75,991 | $344,201 | $1,799,803 | $1,593,157 |
| 149,086 | 62,881 | 17,816 | 80,697 | 229,783 | 232,854 |
| 106,203 | 19,771 | 5,602 | 25,373 | 131,576 | 115,240 |
| 1,710,891 | 350,862 | 99,409 | 450,271 | 2,161,162 | 1,941,251 |
| 3,175 | 13,117 | - | 13,117 | 16,292 | 12,218 |
| 12,988 | 10,864 | - | 10,864 | 23,852 | 22,087 |
| 39,595 | 11,928 | - | 11,928 | 51,523 | 44,268 |
| 2,163 | 8,430 | - | 8,430 | 10,593 | 10,671 |
| 639 | - | - | - | 639 | 418 |
| 60 | 8,970 | 39,721 | 48,691 | 48,751 | 31,477 |
| 25,926 | 2,252 | - | 2,252 | 28,178 | 24,387 |
| 15,687 | 428 | - | 428 | 16,115 | 15,200 |
| 267,588 | 85,373 | 6,860 | 92,233 | 359,821 | 322,440 |
| 10,212 | 23,788 | - | 23,788 | 34,000 | 41,498 |
| 2,545 | 2,949 | - | 2,949 | 5,494 | 6,388 |
| - | 21,270 | - | 21,270 | 21,270 | 1,700 |
| - | 5,949 | - | 5,949 | 5,949 | 2,075 |
| 2,091,469 | 546,180 | 145,990 | 692,170 | 2,783,639 | 2,476,078 |
| 26,279 | 10,699 | - | 10,699 | 36,978 | 37,811 |
| $2,117,748 | $556,879 | $145,990 | $702,869 | $2,820,617 | $2,513,889 |

The accompanying notes are an integral part of these financial statements.

**JEWISH FAMILY SERVICE OF ST. PAUL**
STATEMENT OF CASH FLOWS **Statement 4**
For The Year Ended December 31, 2018
With Comparative Amounts For The Year Ended December 31, 2017

| | 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | ($214,664) | $199,526 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation expense | 36,978 | 37,811 |
| Loss on disposals of property and equipment | 1,637 | - |
| Realized and unrealized (gain) loss on investments, net | 96,004 | (159,928) |
| Permanently restricted contributions | (1,317) | (1,382) |
| (Increase) decrease in receivables | (43,793) | (15,601) |
| (Increase) decrease in unemployment trust | 1,964 | 6,994 |
| (Increase) decrease in prepaid expenses | (12,201) | 14,248 |
| Increase (decrease) in accounts payable | 1,342 | 7,083 |
| Increase (decrease) in accrued expenses | 35,207 | 18,673 |
| Increase (decrease) in deferred program income | (1,500) | 1,500 |
| Net cash provided by (used in) operating activities | (100,343) | 108,924 |
| Cash flows from investing activities: | | |
| Additions to investment pool, including reinvested income | (40,464) | (64,496) |
| Purchase of property and equipment | (13,500) | - |
| Net cash provided by (used in) investing activities | (53,964) | (64,496) |
| Cash flows from financing activities: | | |
| Endowment fund contributions | 1,317 | 1,382 |
| Net increase (decrease) in cash and cash equivalents | (152,990) | 45,810 |
| Cash and cash equivalents - beginning of year | 229,760 | 183,950 |
| Cash and cash equivalents - end of year | $76,770 | $229,760 |

The accompanying notes are an integral part of these financial statements.

## Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. ORGANIZATION AND NATURE OF ACTIVITIES

Jewish Family Service of St. Paul (the Organization) is a not-for-profit multi-service organization. Its mission: Inspired by Jewish values, Jewish Family Service of St. Paul helps individuals and families build on their strengths to develop the skills and confidence to meet life's challenges with dignity. This is achieved by delivering a focused array of human services, serving all people in the community with a special cultural sensitivity to Jewish people, and emphasizing responsive, accessible, collaborative and effective services.

### B. DESCRIPTION OF PROGRAMS

*Aging and Disability Services* – the largest of the Organization's departments, provided services to over 1,420 adults, frail elders and persons with disabilities during 2018. Services include assessment, case management and intervention to help elders and disabled adults remain living at home, or in the least restrictive setting possible. Practically 100% of these individuals live at or below the poverty line. The Organization offers services and education to the caregivers of elderly family members, including our "Powerful Tools for Caregivers" training to learn how to keep themselves and their loved one healthy. The Organization's LEAP (Life Enriching Activities Program) assesses and addresses mild to moderate depression symptoms in our senior population (55+). Seniors are encouraged to replace habits of inactivity and isolation with activities that are healthy, fun and bring meaning to their lives. The Organization's staff provided training to hundreds of individuals throughout a variety of corporate or community settings to increase awareness regarding dementia, with the goal to make our community and workplaces "dementia friendly". Through this training, participants learn about the progression of the disease and develop skills to help individuals living with dementia. The Organization also provides coaching to individuals living with dementia and their caregivers.

*Counseling and Early Intervention* – Counseling by licensed therapists helped 147 individuals and families identify and address areas of concern in relationships, dysfunctional behavior, and other crisis situations. Staff also work with children in grade school settings to help them develop healthy problem solving and conflict resolution skills.

*Community Case Management* – Through case management and emergency financial support in the form of grants and loans, the Organization helped 65 individuals and families meet their basic needs and avoid eviction/foreclosure or utility shut-off. The Organization also co-administers the Jewish Free Loan Program that provides zero-interest loans up to $7,500 to members of the community. Hundreds of individuals received referrals and brief consultation when phoning our agency with requests. The Organization provides this information and referral service when we are not able to provide all of the services requested or when other service providers may be more appropriate due to location or specialty.

*Employment & Vocational Services* – 27 people received resume and interview assistance, and job placement services. Every participant receiving services identify and address potential barriers to finding and maintaining employment. The Organization is in the process of redesigning its employment programming priorities.

*Chaplaincy* **–** The Organization's Chaplaincy program provides spiritual and moral support to people of all faiths, ages and backgrounds. Most services are provided to individuals and families facing end-of-life decisions. The Organization expanded this program in 2017 to train 7 para-chaplaincy volunteers who extend our Chaplaincy services.

*Meals on Wheels* – The Organization collaborates with the Jewish Federation of Greater St. Paul, Sholom Community Alliance and the St. Paul Jewish Community Center to deliver 9,000 nutritious, Kosher meals to isolated seniors throughout St. Paul.

*Family Life Education* – During 2018, the Organization sponsored a conference for individuals aged 50+ to explore options as they near retirement that drew 250 persons. The Family Life Education program also created a bi-monthly group called "Next Chapter" for women considering transitions in their future. We also created "Sholom Baby", a program that welcomes newborns into the community and provides resources for the family.

*Volunteer Engagement* – The Organization utilizes volunteers to assist with the provision of our services, either one-on-one with clients or through group projects. In 2018, volunteers provided, packed and delivered necessary Passover supplies to 170 families who otherwise could not have celebrated the holiday due to lack of funds. Volunteers also provided, packed and delivered holiday gift baskets to 130 families to provide for a more joyous holiday season.

## C. INCOME TAX STATUS

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota statutes. The Organization is classified as a publicly supported organization and contributions to the Organization qualify as a charitable tax deduction for the contributor. Such organizations are subject to tax on unrelated business taxable income. The Organization has not had any material unrelated business income.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the Organization has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

## D. BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) in the United States of America.

## E. FINANCIAL STATEMENT PRESENTATION

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**F. CONTRIBUTIONS**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization does not have any uncollectible promises to give receivable.

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

**G. REVENUE RECOGNITION**

In accordance with GAAP, contributions are recognized as revenue when they are received or unconditionally pledged.

Service fees are recorded as revenue when earned.

**H. ESTIMATES**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**I. PROPERTY, EQUIPMENT AND DEPRECIATION**

Property and equipment are recorded at cost or in the case of contributed property at the fair market value at the date of contribution. Expenditures greater than $1,000 for the acquisition of property and equipment are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of the assets.

| | |
|---|---|
| Buildings and improvements | 5-40 years |
| Furniture and fixtures | 3-7 years |
| Software | 5 years |

**J. DONATED SERVICES, MATERIALS AND EQUIPMENT**

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

**K. FUNCTIONAL ALLOCATION OF EXPENSES**

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

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll taxes, benefits, professional services, office expenses, insurance, technology, occupancy and depreciation, which are allocated on the basis of payroll estimates of time.

**L. CASH AND CASH EQUIVALENTS**

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less, excluding deposit accounts held with brokers.

**M. INVESTMENTS**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and realized and unrealized gains and losses are reported as increase/decrease net assets without donor restrictions and net assets with donor restrictions in the reporting period in which the income and gains and losses are recognized.

**N. ACCOUNTS RECEIVABLE**

Accounts receivable are stated at net realizable value. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance. Management has established an allowance for doubtful accounts at December 31, 2018 of $12,700.

**O. CREDIT RISK**

Financial instruments which potentially subject the Organization to concentrations of credit risk are principally cash and cash equivalents. The Organization places its cash investment with a high quality financial institution. Although the balance may at times exceed the federally insured limits, the Organization has not experienced losses in these accounts and does not believe it is exposed to any significant credit risk.

**P. GOVERNMENT GRANTS**

Government grants are typically designated for use by specific program or conditional upon future events. Advances and/or revenue from such grants are deferred until such conditions are met or services rendered. Uncollectible grants receivable are expected to be insignificant. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the determination is made.

**Q. COMPARATIVE FINANCIAL INFORMATION**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

**R. RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to the current year presentation.

## Note 2 LIQUIDITY AND AVAILABILITY

The Organization has $938,739 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of $76,770, investments of $630,797, receivables of $205,895, and net unemployment trust asset of $25,277. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. However, the Organization has designated $381,900 of investments for long term purposes and therefore has not include them above.

The Organization has a goal to maintain financial assets, which consist of cash, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $235,051. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As more fully described in Note 7, the Organization also has a committed lines of credit in the amount of $150,000, which it could draw upon in the event of an unanticipated liquidity need.

## Note 3 INVESTMENTS

At December 31, 2018, the Organization held the following long-term investments:

| | |
|---|---:|
| Deposit accounts with broker | $30,702 |
| Corporate bonds | 271,905 |
| Equities: | |
| Common stock | 1,506,430 |
| Exchange traded funds | 121,711 |
| Other securities - REIT | 26,169 |
| | $1,956,917 |

## Note 4 ENDOWMENTS

### A. GENERAL

As of December 31, 2018, the Organization's endowment consists of 18 individual donor-restricted funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### B. INTERPRETATION OF RELEVANT LAW AND ACCOUNTING PRESENTATION

The Board of Directors of the Organization has interpreted the State of Minnesota's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Organization to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds unless there are explicit donor stipulations to the contrary:

1. The duration and preservation of the fund
2. The purposes of the Organization and the endowment fund
3. General economic conditions
4. The possible effect of inflation or 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

The Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

### C. ENDOWMENT FUND SUMMARY

Endowment net assets for the Organization and supporting foundation endowment funds as of December 31, 2018 consisted of the following:

| | With Donor Restrictions |
|---|---|
| Donor restricted: | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors | $612,559 |
| Accumulated investment gains | 331,661 |
| Total endowment funds | $944,220 |

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

| | With Donor Restrictions |
|---|---|
| Endowment net assets, December 31, 2017 | $991,546 |
| Investment return, net | (23,643) |
| Contributions received | 1,317 |
| Appropriation of endowment assets for expenditure | (25,000) |
| Endowment net assets, December 31, 2018 | $944,220 |

## D. INVESTMENT RETURN OBJECTIVES AND RISK PARAMETERS

The Organization has an investment policy to ensure fiduciary oversight of invested resources. The overall objective of the policy is to grow real assets to ensure the long-term asset base for the Organization. This must be done with a balanced investment approach to adjust for anticipated disbursements, inflation and overall economic conditions. The expectation is that investment returns will meet or exceed the model portfolio benchmarks over the past three years.

## E. STRATEGIES EMPLOYED FOR ACHIEVING INVESTMENT OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

For the Organization’s endowment funds:

1. A growth and income objective will be followed with a moderate risk tolerance.
2. The time horizon for investments is long term. The expectation is that the actual returns meet or exceed portfolio benchmarks over at least 3 years, utilizing a model allocation of 60% equities and 35% fixed income with a flexible variance of plus or minus 5%. This model portfolio helps define the relative level of risk the organization deems appropriate along with an expected return relative to the benchmarks defined.
3. The equity component will be allocated among large cap, mid cap, small cap, value and growth styles, real estate, and international funds in consultation with the Organization’s Investment Committee.
4. The benchmark return will continue to be the weighted average of the indices currently used for the asset subclasses.

### F. SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO THE SPENDING POLICY

At the direction of the Board of Directors, the amount that may be distributed from permanently restricted (endowment) funds will be no more than 5% of the rolling average value per year as defined below. The specific amount of the release will be recommended to the Board of Directors by the Finance Committee. The rolling average value will be calculated by adding the total value of the endowments at the end of each of the last 12 quarters and dividing by 12. For distributions, this calculation will be made on June 30 of the current calendar year and will be used as the basis for the next years' budget. The principle of the policy is to keep the original endowment gift (corpus) intact. Additionally, any specific requirements from the original donors must be honored in terms of use and distribution of the funds.

### G. 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 requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as unrestricted net assets. There were no funds in a deficit position as of December 31, 2018.

## Note 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2018:

| | |
|---|---|
| Subject to expenditures for a specified purpose: | |
| Youth | $21,184 |
| Cancer patients | 8,475 |
| Home chore | 8,038 |
| Free loans | 36,187 |
| MOW program | 8,632 |
| Vocational scholarships | 27,680 |
| Art therapy | 40,000 |
| Client specific assistance | 922 |
| | 151,118 |
| Subject to the passage of time: | |
| Operations 2019 | 52,500 |
| | 52,500 |
| Endowments: | |
| Subject to JFS endowment spending policy and appropriation | 612,559 |
| Subject to appropriation and expenditure when a specified event occurs | 331,661 |
| | 944,220 |
| Total | $1,147,838 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors as follows for the year ended December 31, 2018:

| | |
|---|---|
| Program restrictions accomplished | $91,509 |
| Time restrictions expired | 40,000 |
| Release of appropriated endowment returns | 25,000 |
| Total | $156,509 |

## Note 6 CONCENTRATION OF REVENUE

The Organization receives a significant amount of support from the Jewish Federation of Greater St. Paul and program service fee revenue from governmental agencies. Any change in the level of funding from these entities could affect the activities of the Organization.

## Note 7 LINE OF CREDIT

The Organization has a $150,000 line of credit with Bremer Bank through February 3, 2021. The line of credit is collateralized by the assets of the Organization. Interest accrues daily at an annual rate equal to the prime rate plus 1% with a minimum rate of 4.5% and an effective rate at December 31, 2018 of 6.5%. Covenants of the loan require the Organization to maintain a minimum of $300,000 in marketable security investments at all times. There was no outstanding balance at December 31, 2018.

## Note 8 EMPLOYEE CONTRIBUTIONS PLAN

### A. DEFINED BENEFIT PLAN – TWIN CITIES NONPROFIT PARTNERS PENSION PLAN

The Organization participates in a multiemployer defined benefit pension plan in which 16 other agencies also participate. Of the approximate 1,061 participants, approximately 2% are Organization employees. Effective December 31, 2004, the plan froze benefit accruals and, as a result, employees do not earn additional defined benefits for future services.

As required by GAAP for this plan, an employer shall recognize as net pension cost the required contribution for the period and shall recognize as a liability any contribution due and unpaid. The funding is determined by the actuary and is allocated based on employee compensation among the participating agencies. The objective in funding the plan is to accumulate sufficient funds to provide for benefits and to achieve full funding to allow for termination of the plan. Because the plan's unfunded projected termination liability exceeds the fair market value of plan assets, continued annual contributions will be required in order to achieve full funding. If any participating agency defaults on their annual contributions, the Organization and the other remaining agencies assume the liability and contributions of the agency in default. Plan assets are invested based on a long term investment strategy and held approximately 30% in fixed income securities and 70% in equity accounts. The Organization made contributions of $23,728 for 2018, which is recognized as pension cost.

During 2019, the participating agencies voted to terminate the plan. Plan participants will have an option to receive either a lump-sum payment or an annuity contract, with the deadline for selecting their option being July 15, 2019. The Organization's contribution requirement to fund the termination is estimated to be approximately $182,500.

The following table presents information concerning the Organization's participation in the multiemployer defined benefit pension plan:

| | |
|---|---|
| Legal name | Twin Cities Nonprofit Partners Pension Plan |
| EIN/Plan number | 41-1973442/333 |
| Plan year end | 12/31/2018 |
| Pension Protection Act % Funded | 110% |
| Contributions by The Organization | $23,728 |
| Contributions as % of total contributed | 1.9% |
| Rehabilitation Plan Status | N/A |

**B. DEFINED CONTRIBUTION PLAN**

The Organization has a 403(b) thrift plan with Mutual of America Life Insurance Company. The plan includes all employees who work a minimum of twenty hours per week, are twenty-one years of age, and have completed one year of service. The Organization matches 50% of the employee's contribution up to a maximum of 2% of salary. During 2018, the Organization's matching contributions were $23,344.

**Note 9 FAIR VALUE MEASUREMENTS**

Under GAAP, 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. GAAP establishes a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

Assets or liabilities that are measured at fair value on a recurring basis are as follows at December 31, 2018:

| | Level 1 | Level 2 |
|---|---|---|
| Investments: | | |
| Corporate bonds | $ - | $271,905 |
| Equities: | | |
| Corporate stock | 1,506,430 | - |
| Exchange traded funds | 121,711 | - |
| Other securities - REIT | 26,169 | - |
| | $1,654,310 | $271,905 |

Corporate stock, including the REIT investment and exchange traded funds (ETF) are valued using quoted prices in active markets. Corporate bonds are valued using data which may include market data and/or quoted market prices from markets that are not active or are for the same or similar assets in active markets.

## Note 10 UNEMPLOYMENT TRUST

The Organization self-insures for Minnesota unemployment via the Unemployment Services Trust. The Unemployment Trust balance per contract would be fully refunded to the Organization upon payment of all outstanding unemployment claims. The balance of the Unemployment Trust is based on an estimate of actual claims. The net recorded balance at December 31, 2018 was $25,277 which consists of a gross balance of $25,277 less estimated claim incurred of $0.

## NOTE 11 CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018 the Organization elected implement the provisions of Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The presentation in these consolidated financial statements has been adjusted accordingly. Net assets as of January 1, 2018 were reclassified by category with no impact on total net assets.

| | January 1, 2018 previously reported | ASU 2016-14 reclassification | January 1, 2018 as reclassified |
|---|---|---|---|
| Net assets: | | | |
| Unrestricted | $1,890,046 | ($1,890,046) | $ - |
| Temporarily restricted | 588,974 | (588,974) | - |
| Permanently restricted | 611,242 | (611,242) | - |
| Without donor restrictions | - | 1,890,046 | 1,890,046 |
| With donor restrictions | - | 1,200,216 | 1,200,216 |
| Total net assets | $3,090,262 | $0 | $3,090,262 |

## Note 12 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2019, the date the financial statements were available to be issued.

As described in Note 8A, in 2019 the participating agencies of the Twin Cities Nonprofit Partners Pension Plan voted to terminate the plan.

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