

JEWISH FAMILY SERVICE OF ST. PAUL

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Year Ended
December 31, 2019

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JEWISH FAMILY SERVICE OF ST. PAUL
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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, 2019, 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.

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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 16, 2020

FINANCIAL STATEMENTS

JEWISH FAMILY SERVICE OF ST. PAUL
STATEMENT OF FINANCIAL POSITION
December 31, 2019
With Comparative Amounts For December 31, 2018

Statement 1

	2019	2018
Assets:		
Current assets:		
Cash and cash equivalents	\$149,811	\$76,770
Accounts receivable, net	110,787	136,794
Grants and contributions receivable	71,317	69,101
Prepaid expenses	34,774	20,035
Total current assets	366,689	302,700
Property and equipment:		
Land	151,321	151,321
Building and improvements	1,167,522	1,167,522
Software	13,500	13,500
Furniture and fixtures	36,062	36,062
Total property and equipment	1,368,405	1,368,405
Less: accumulated depreciation	(586,298)	(552,545)
Net property and equipment	782,107	815,860
Noncurrent assets:		
Unemployment trust - net	32,944	25,277
Long-term investments	2,217,202	1,956,917
Total noncurrent assets	2,250,146	1,982,194
Total assets	\$3,398,942	\$3,100,754
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$94,824	\$37,282
Accrued expenses	233,750	187,874
Total current liabilities	328,574	225,156
Net assets:		
Without donor restrictions:		
Undesignated	87,333	70,000
Designated by Board for mission-based initiative fund	141,900	141,900
Designated by Board for capital building fund	240,000	240,000
Designated by Board for operating contingency fund	460,000	460,000
Investment in property and equipment	782,107	815,860
Total without donor restrictions	1,711,340	1,727,760
With donor restrictions:		
Purpose restrictions	745,769	482,779
Time-restricted for future periods	-	52,500
Perpetual in nature	613,259	612,559
Total net assets	3,070,368	2,875,598
Total liabilities and net assets	\$3,398,942	\$3,100,754

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, 2019

With Comparative Totals For The Year Ended December 31, 2018

	Without	With	Totals	
	Donor Restrictions	Donor Restrictions	2019	2018
Public support and revenue:				
Public support:				
Greater Twin Cities United Way	\$35,645	\$ -	\$35,645	\$47,124
Jewish Federation of Greater St. Paul	176,406	-	176,406	230,242
Meals on Wheels support	22,994	-	22,994	44,233
Other grants and contributions	617,411	172,829	790,240	451,549
Total public support	<u>852,456</u>	<u>172,829</u>	<u>1,025,285</u>	<u>773,148</u>
Revenue:				
Program service fees	2,003,236	-	2,003,236	1,844,514
Meals on Wheels client fees	36,768	-	36,768	39,429
Investment income	256,080	207,213	463,293	(51,138)
Miscellaneous revenue	2,050	-	2,050	-
Total revenue	<u>2,298,134</u>	<u>207,213</u>	<u>2,505,347</u>	<u>1,832,805</u>
Total public support and revenue	3,150,590	380,042	3,530,632	2,605,953
Net assets released from restrictions:				
Satisfaction of program restrictions	168,852	(168,852)	-	-
Total public support, revenue and releases	<u>3,319,442</u>	<u>211,190</u>	<u>3,530,632</u>	<u>2,605,953</u>
Expenses:				
Program services:				
Counseling and early intervention	147,846	-	147,846	128,572
Aging and disability services	2,125,526	-	2,125,526	1,790,398
Community programming	368,538	-	368,538	198,778
Total program services	<u>2,641,910</u>	<u>0</u>	<u>2,641,910</u>	<u>2,117,748</u>
Supporting services:				
Management and general	553,837	-	553,837	556,879
Fundraising	140,115	-	140,115	145,990
Total supporting services	<u>693,952</u>	<u>0</u>	<u>693,952</u>	<u>702,869</u>
Total expenses	<u>3,335,862</u>	<u>0</u>	<u>3,335,862</u>	<u>2,820,617</u>
Change in net assets	(16,420)	211,190	194,770	(214,664)
Net assets - beginning of year	1,727,760	1,147,838	2,875,598	3,090,262
Net assets - end of year	<u>\$1,711,340</u>	<u>\$1,359,028</u>	<u>\$3,070,368</u>	<u>\$2,875,598</u>

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, 2019

With Comparative Totals For The Year Ended December 31, 2018

Expenses:	Program Services		
	Counseling and Early Intervention	Aging & Disability Services	Community Programming
Salaries and related expense:			
Salaries	\$103,468	\$1,349,126	\$196,172
Employee benefits	18,479	240,951	35,036
Payroll taxes	7,917	96,755	9,330
Total salaries and related expense	129,864	1,686,832	240,538
Dues and subscriptions	385	9,204	1,846
Conferences and meetings	1,857	8,171	7,228
Occupancy	2,609	34,317	4,946
Insurance	1,019	13,292	1,933
Equipment rental and maintenance	546	6,332	927
Agency promotional activities	-	90	395
Mileage	238	24,360	5,034
Emergency and educational assistance	-	250	12,498
Program and professional fees	6,215	262,062	76,798
Program and office supplies	2,401	29,989	12,170
Telephone	1,333	17,416	2,537
Bad debt expense	-	12,285	-
Miscellaneous	29	-	-
Subtotal	146,496	2,104,600	366,850
Depreciation	1,350	20,926	1,688
Total expenses	\$147,846	\$2,125,526	\$368,538

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

Program Services	Supporting Services			Totals	
	Management and General	Fundraising	Total Supporting Services	2019	2018
Total Program Services					
\$1,648,766	\$292,493	\$74,903	\$367,396	\$2,016,162	\$1,799,803
294,466	48,813	16,803	65,616	360,082	229,783
114,002	20,799	7,160	27,959	141,961	131,576
<u>2,057,234</u>	<u>362,105</u>	<u>98,866</u>	<u>460,971</u>	<u>2,518,205</u>	<u>2,161,162</u>
11,435	6,263	-	6,263	17,698	16,292
17,256	13,134	-	13,134	30,390	23,852
41,872	9,264	-	9,264	51,136	51,523
16,244	3,620	-	3,620	19,864	10,593
7,805	1,549	-	1,549	9,354	639
485	39,778	29,596	69,374	69,859	48,751
29,632	5,826	-	5,826	35,458	28,178
12,748	-	-	-	12,748	16,115
345,075	75,731	11,653	87,384	432,459	359,821
44,560	6,767	-	6,767	51,327	34,000
21,286	4,732	-	4,732	26,018	5,494
12,285	9,900	-	9,900	22,185	21,270
29	5,380	-	5,380	5,409	5,949
<u>2,617,946</u>	<u>544,049</u>	<u>140,115</u>	<u>684,164</u>	<u>3,302,110</u>	<u>2,783,639</u>
<u>23,964</u>	<u>9,788</u>	<u>-</u>	<u>9,788</u>	<u>33,752</u>	<u>36,978</u>
<u>\$2,641,910</u>	<u>\$553,837</u>	<u>\$140,115</u>	<u>\$693,952</u>	<u>\$3,335,862</u>	<u>\$2,820,617</u>

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

JEWISH FAMILY SERVICE OF ST. PAUL

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2019

With Comparative Amounts For The Year Ended December 31, 2018

Statement 4

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$194,770	(\$214,664)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	33,752	36,978
Loss on disposals of property and equipment	-	1,637
Realized and unrealized (gain) loss on investments, net	(434,767)	96,004
Permanently restricted contributions	(700)	(1,317)
(Increase) decrease in accounts receivable	26,007	13,908
(Increase) decrease in grants and contributions receivable	(2,216)	(57,701)
(Increase) decrease in unemployment trust	(7,667)	1,964
(Increase) decrease in prepaid expenses	(14,739)	(12,201)
Increase (decrease) in accounts payable	57,542	1,342
Increase (decrease) in accrued expenses	45,876	35,207
Increase (decrease) in deferred program income	-	(1,500)
Net cash provided by (used in) operating activities	<u>(102,142)</u>	<u>(100,343)</u>
Cash flows from investing activities:		
Additions to investment pool, including reinvested income	(42,412)	(40,464)
Withdrawals from investment pool	216,895	-
Purchase of property and equipment	-	(13,500)
Net cash provided by (used in) investing activities	<u>174,483</u>	<u>(53,964)</u>
Cash flows from financing activities:		
Endowment fund contributions	700	1,317
Net increase (decrease) in cash and cash equivalents	73,041	(152,990)
Cash and cash equivalents - beginning of year	<u>76,770</u>	<u>229,760</u>
Cash and cash equivalents - end of year	<u><u>\$149,811</u></u>	<u><u>\$76,770</u></u>

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 1,590 adults, frail elders and persons with disabilities during 2019, representing an increase of over 11%. 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 146 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, employment counseling and emergency financial support in the form of grants and loans, the Organization helped 99 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.

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.

JEWISH FAMILY SERVICE OF ST. PAUL
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Meals on Wheels – The Organization collaborates with the Jewish Federation of Greater St. Paul, Shalom Community Alliance and the St. Paul Jewish Community Center to deliver 6,740 nutritious, Kosher meals to isolated seniors throughout St. Paul.

Family Life Education – During 2019, the Organization co-sponsored the annual Mental Health Education Conference that was attended by over 600 individuals from across the Metropolitan area. The Family Life Education program continued a bi-monthly group called “Next Chapter” for women considering transitions in their future. This group has become very popular and continues to grow. We also created “Shalom 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 2019, 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 110 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. REVENUE AND REVENUE RECOGNITION

The Organization recognizes public support revenue when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met.

The Organization has various government contracts that are generally cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Revenue is recognized as qualifying expenditures are incurred, or other contractual conditions are met. 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.

There is no material amount of unrecorded conditional contributions or government contracts at December 31, 2019.

Program service fee revenues represent private payments and insurance-type reimbursements for services provided to individuals. Revenue is recognized at a point in time, when the services are provided. Changes in regulations, governmental funding or other negotiated contracts could result in changes in contract rates or reduction of services. Any such adjustments to the contract rates are recognized as an adjustment of the services when their effect becomes reasonably determinable.

G. 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.

H. 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

I. 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.

J. 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.

K. 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.

L. 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.

M. 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, 2019 of \$22,600.

N. GRANTS AND CONTRACTS RECEIVABLE

The Organization records unconditional promises to give that are expected to be collected within one year at not realizable value. Grants and contracts receivable at December 31, 2019 are expected to be fully collected within one year.

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. 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, 2018, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to current year presentation.

Note 2 LIQUIDITY AND AVAILABILITY

The Organization has \$1,100,064 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 \$149,811, investments of \$735,205, receivables of \$182,104, and net unemployment trust asset of \$32,944. The Organization has excluded from investments available \$1,100,097 related to endowment funds held and \$381,900 for amounts designated for long term purposes. None of the other 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.

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 \$543,000. 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 line of credit in the amount of \$150,000, which it could draw upon in the event of an unanticipated liquidity need.

JEWISH FAMILY SERVICE OF ST. PAUL
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 3 INVESTMENTS

At December 31, 2019, the Organization held the following long-term investments:

Deposit accounts with broker	\$33,450
Corporate bonds	312,436
Common stock	1,837,680
Other securities - REIT	33,636
	<hr/>
	\$2,217,202
	<hr/>

Note 4 ENDOWMENTS

A. GENERAL

As of December 31, 2019, 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, 2019 consisted of the following:

	<u>With Donor Restrictions</u>
Donor restricted:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	\$613,259
Accumulated investment gains	<u>486,838</u>
 Total endowment funds	 <u><u>\$1,100,097</u></u>

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, December 31, 2018	\$944,220
Investment return, net	192,177
Contributions received	700
Appropriation of endowment assets for expenditure	<u>(37,000)</u>
Endowment net assets, December 31, 2019	<u><u>\$1,100,097</u></u>

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, 2019.

JEWISH FAMILY SERVICE OF ST. PAUL
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2019:

Subject to expenditure for a specified purpose:

Youth	\$9,617
Cancer patients	6,819
Home chore	2,654
Free loans	43,553
MOW program	2,845
Vocational scholarships	29,315
Art therapy	83,387
Holocaust survivors	80,741
	<u>258,931</u>

Endowments:

Subject to JFS endowment spending policy and appropriation	613,259
Subject to appropriation and expenditure when a specified event occurs	486,838
	<u>1,100,097</u>

Total	<u>\$1,359,028</u>
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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, 2019:

Program restrictions accomplished	\$49,352
Time restrictions expired	82,500
Release of appropriated endowment returns	<u>37,000</u>
Total	<u>\$168,852</u>

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, 2019 of 5.75%. 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, 2019.

Note 8 EMPLOYEE CONTRIBUTIONS PLAN

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

Through September 18, 2019, the Organization participated in a multiemployer defined benefit pension plan in which 16 other agencies also participated. Of the approximate 1,061 participants, approximately 2% were Organization employees. Effective December 31, 2004, the plan froze benefit accruals and, as a result, employees did not earn additional defined benefits for future services. The Organization made contributions of \$31,442 for 2019, which is recognized as pension cost.

During 2019, the participating agencies voted to terminate the plan. Plan participants had the 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 was \$96,618. In addition, the Organization is required to guarantee the loans entered into by the other plan participants up to an amount of 20% of their required termination payment, or approximately \$19,300.

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 100% of the employee’s contribution up to a maximum of 2% of salary. During 2019, the Organization’s matching contributions were \$17,958.

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, 2019:

	Level 1	Level 2	Total
Investments:			
Corporate bonds	\$ -	\$312,436	\$312,436
Corporate stock	1,837,680	-	1,837,680
Other securities - REIT	33,636	-	33,636
	<u>\$1,871,316</u>	<u>\$312,436</u>	<u>\$2,183,752</u>

Corporate stock, including the REIT investments 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, 2019 was \$32,944 which consists of a gross balance of \$32,944 less estimated claim incurred of \$0.

Note 11 CHANGES IN ACCOUNTING PRINCIPLE

The Organization implemented the provisions of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), and ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The intent of the new standards is to improve the usefulness and understandability of the Organization's financial reporting.

ASU 2014-09 provides new revenue recognition standards, eliminating the transaction and industry specific revenue recognition guidance and replaces it with a principle-based approach for determining revenue recognition. ASU 2018-08 clarifies and improves existing guidance related to contributions received and contributions made. The presentation and disclosures of revenue have been enhanced in accordance with the standard. Analysis of various provisions of these two ASUs resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the 2018 financial statements were required on a retrospective basis.

Note 12 SUBSEQUENT EVENTS AND UNCERTAINTIES

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through June 16, 2020, the date the financial statements were available to be issued.

The COVID-19 pandemic continues to cause rapidly changing disruptions worldwide. Management has evaluated these conditions and believes that it is not possible to reasonably estimate the financial impact of COVID-19 on the Organization's future operations.

On April 13, 2020, the Organization obtained a loan under the provisions of the Paycheck Protection Program. The amount of the loan is \$403,000, of which the Organization anticipates that a significant portion of this amount will be forgiven under the terms of the agreement. The Organization has not determined the exact amount to be forgiven, but any portion not forgiven will be payable over two years including interest at 1.00%.

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