

JEWISH FAMILY SERVICE OF ST. PAUL

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Year Ended December 31, 2021

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

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jewish Family Service of St. Paul and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. 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 Jewish Family Service of St. Paul's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of 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 auditor's 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 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, 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 Jewish Family Service of St. Paul'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 Jewish Family Service of St. Paul'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.

Report on Summarized Comparative Information

We have previously audited Jewish Family Service of St. Paul's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Redpath and Company Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 23, 2022

FINANCIAL STATEMENTS

JEWISH FAMILY SERVICE OF ST. PAUL
STATEMENT OF FINANCIAL POSITION
December 31, 2021
With Comparative Amounts For December 31, 2020

Statement 1

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$241,406	\$268,787
Accounts receivable, net	88,510	103,749
Grants and contributions receivable	272,525	192,970
Prepaid expenses	22,721	14,208
Total current assets	<u>625,162</u>	<u>579,714</u>
Property and equipment:		
Land	151,321	151,321
Building and improvements	1,152,153	1,167,138
Software	13,500	13,500
Furniture and fixtures	36,062	36,062
Total property and equipment	<u>1,353,036</u>	<u>1,368,021</u>
Less: accumulated depreciation	<u>(632,633)</u>	<u>(606,388)</u>
Net property and equipment	<u>720,403</u>	<u>761,633</u>
Noncurrent assets:		
Unemployment trust - net	48,875	38,810
Long-term investments	2,751,867	2,401,175
Total noncurrent assets	<u>2,800,742</u>	<u>2,439,985</u>
Total assets	<u>\$4,146,307</u>	<u>\$3,781,332</u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$180,904	\$154,705
Accrued expenses	186,256	190,260
Total current liabilities	<u>367,160</u>	<u>344,965</u>
Net assets:		
Without donor restrictions:		
Undesignated	604,236	501,083
Designated by Board	841,900	841,900
Investment in property and equipment	720,403	761,633
Total without donor restrictions	<u>2,166,539</u>	<u>2,104,616</u>
With donor restrictions:		
Purpose or time restrictions	937,744	691,303
Perpetual in nature	674,864	640,448
Total with donor restrictions	<u>1,612,608</u>	<u>1,331,751</u>
Total net assets	<u>3,779,147</u>	<u>3,436,367</u>
Total liabilities and net assets	<u>\$4,146,307</u>	<u>\$3,781,332</u>

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, 2021

With Comparative Totals For The Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Public support and revenue:				
Public support:				
Jewish Federation of Greater St. Paul	\$292,353	\$ -	\$292,353	\$292,739
Meals on Wheels support	12,795	-	12,795	24,869
PPP loan forgiveness	-	-	-	403,000
Other grants and contributions	548,929	62,916	611,845	548,035
Total public support	<u>854,077</u>	<u>62,916</u>	<u>916,993</u>	<u>1,268,643</u>
Revenue:				
Program service fees	2,493,333	-	2,493,333	2,246,423
Meals on Wheels client fees	64,978	-	64,978	48,078
Investment income	258,456	297,577	556,033	285,110
Total revenue	<u>2,816,767</u>	<u>297,577</u>	<u>3,114,344</u>	<u>2,579,611</u>
Total public support and revenue	3,670,844	360,493	4,031,337	3,848,254
Net assets released from restrictions:				
Satisfaction of program restrictions	79,636	(79,636)	-	-
Total public support, revenue and releases	<u>3,750,480</u>	<u>280,857</u>	<u>4,031,337</u>	<u>3,848,254</u>
Expenses:				
Program services:				
Counseling and early intervention	144,064	-	144,064	137,257
Aging and disability services	2,057,053	-	2,057,053	2,026,064
Community programming	676,093	-	676,093	589,061
Total program services	<u>2,877,210</u>	<u>0</u>	<u>2,877,210</u>	<u>2,752,382</u>
Supporting services:				
Management and general	730,452	-	730,452	590,190
Fundraising	107,632	-	107,632	128,224
Total supporting services	<u>838,084</u>	<u>0</u>	<u>838,084</u>	<u>718,414</u>
Total expenses	<u>3,715,294</u>	<u>0</u>	<u>3,715,294</u>	<u>3,470,796</u>
Revenues over expenses	<u>35,186</u>	<u>280,857</u>	<u>316,043</u>	<u>377,458</u>
Other changes in net assets:				
Gain (loss) on disposal of property and equipment	26,737	-	26,737	(11,459)
Change in net assets	61,923	280,857	342,780	365,999
Net assets - beginning of year	<u>2,104,616</u>	<u>1,331,751</u>	<u>3,436,367</u>	<u>3,070,368</u>
Net assets - end of year	<u>\$2,166,539</u>	<u>\$1,612,608</u>	<u>\$3,779,147</u>	<u>\$3,436,367</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, 2021

With Comparative Totals For The Year Ended December 31, 2020

Statement 3

Expenses:	Program Services				Supporting Services			Totals	
	Counseling and Early Intervention	Aging & Disability Services	Community Programming	Total Program Services	Management and General	Fundraising	Total Supporting Services	2021	2020
	Salaries and related expense:								
Salaries	\$101,866	\$1,332,919	\$223,417	\$1,658,202	\$463,361	\$69,708	\$533,069	\$2,191,271	\$2,223,383
Employee benefits	14,822	251,544	38,773	305,139	66,988	11,862	78,850	383,989	283,854
Payroll taxes	7,799	94,051	11,800	113,650	32,186	5,699	37,885	151,535	154,469
Total salaries and related expense	124,487	1,678,514	273,990	2,076,991	562,535	87,269	649,804	2,726,795	2,661,706
Dues and subscriptions	495	10,996	3,662	15,153	2,342	330	2,672	17,825	13,210
Conferences and meetings	250	3,923	184	4,357	4,831	-	4,831	9,188	10,918
Occupancy	1,827	33,241	5,030	40,098	8,650	1,218	9,868	49,966	44,726
Insurance	539	9,809	1,485	11,833	2,553	360	2,913	14,746	11,806
Equipment rental and maintenance	145	2,643	400	3,188	688	97	785	3,973	3,493
Agency promotional activities	-	-	-	-	32,511	3,622	36,133	36,133	26,903
Mileage	22	1,046	3,085	4,153	171	-	171	4,324	7,487
Emergency and educational assistance	-	2,047	35,757	37,804	-	-	-	37,804	42,766
Program and professional fees	13,609	276,433	335,405	625,447	100,604	12,225	112,829	738,276	575,408
Program and office supplies	1,064	11,686	10,472	23,222	2,354	361	2,715	25,937	21,813
Telephone	186	7,770	511	8,467	879	124	1,003	9,470	11,901
Bad debt expense	-	-	-	-	-	-	-	-	2,796
Miscellaneous	82	269	-	351	5,203	1,347	6,550	6,901	4,782
Subtotal	142,706	2,038,377	669,981	2,851,064	723,321	106,953	830,274	3,681,338	3,439,715
Depreciation	1,358	18,676	6,112	26,146	7,131	679	7,810	33,956	31,081
Total expenses	\$144,064	\$2,057,053	\$676,093	\$2,877,210	\$730,452	\$107,632	\$838,084	\$3,715,294	\$3,470,796

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, 2021

With Comparative Amounts For The Year Ended December 31, 2020

Statement 4

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$342,780	\$365,999
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	33,956	31,081
(Gain) loss on disposal of property and equipment	(26,737)	11,453
Realized and unrealized (gain) loss on investments, net	(530,201)	(259,158)
Permanently restricted contributions	(34,416)	(29,669)
(Increase) decrease in accounts receivable	15,239	7,038
(Increase) decrease in grants and contributions receivable	(79,555)	(121,653)
(Increase) decrease in unemployment trust	(10,065)	(5,866)
(Increase) decrease in prepaid expenses	(8,513)	20,566
Increase (decrease) in accounts payable	26,199	59,881
Increase (decrease) in accrued expenses	(4,004)	(43,490)
Net cash provided by (used in) operating activities	<u>(275,317)</u>	<u>36,182</u>
Cash flows from investing activities:		
Additions to investment pool, including reinvested income	(20,491)	(24,815)
Withdrawals from investment pool	200,000	100,000
Purchase of property and equipment	34,011	(22,060)
Net cash provided by investing activities	<u>213,520</u>	<u>53,125</u>
Cash flows from financing activities:		
Endowment fund contributions	34,416	29,669
Net increase (decrease) in cash and cash equivalents	(27,381)	118,976
Cash and cash equivalents - beginning of year	<u>268,787</u>	<u>149,811</u>
Cash and cash equivalents - end of year	<u><u>\$241,406</u></u>	<u><u>\$268,787</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. During 2021, clients and staff were able to decide if services should be provided in person or remotely due to the Coronavirus pandemic. Some funding sources required client contact to be in person and others allowed the organization to decide. All JFS services continued to meet contractual obligations and all clients continued to receive assistance.

B. DESCRIPTION OF PROGRAMS

Aging and Disability Services – the largest of the Organization's departments, provided services to over 1,559 adults, frail elders and persons with disabilities during 2021. 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 PEARLS (Program to Encourage Active and Rewarding Lives for Seniors) 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 128 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 employment counseling and emergency financial support in the form of grants and loans, JFS helped 142 individuals and families meet their basic needs and avoid eviction/foreclosure or utility shut-off, thanks in part to receiving COVID-19 emergency grants from the Jewish Federation of Greater St. Paul. During the Pandemic, the Organization expanded both the criteria for eligibility and the maximum amount of assistance. 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. During 2021, this program provided services to 160 individuals.

JEWISH FAMILY SERVICE OF ST. PAUL
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Meals on Wheels – The Organization collaborates with the Jewish Federation of Greater St. Paul, Sholom Community Alliance and the Minnesota Jewish Community Center to deliver Kosher meals to the community. The number of meals delivered in 2021 increased significantly due to the pandemic, increasing to over 8,500 to isolated seniors throughout St. Paul.

Family Life Education – During 2021, the Organization co-sponsored the annual Mental Health Education Conference, virtual this year instead of in-person, that was attended by over 650 individuals, both local and from outside Minnesota. 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 “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 2021, 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 125 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 without donor restrictions 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.

At December 31, 2021, contributions of \$109,000 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. The Organization will recognize revenue for these contributions upon incurring qualified expenditures.

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, 2021 of \$2,000.

N. GRANTS AND CONTRACTS RECEIVABLE

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Grants and contracts receivable at December 31, 2021 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, 2020, 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 \$1,492,850 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 \$241,406 investments of \$841,534, receivables of \$361,035, and net unemployment trust asset of \$48,875. The Organization has excluded from investments available \$1,528,433 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 \$600,000. 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, 2021

Note 3 INVESTMENTS

At December 31, 2021, the Organization held the following long-term investments:

Deposit accounts with broker	\$63,498
Corporate bonds	312,746
Corporate stock	<u>2,375,623</u>
Total	<u>\$2,751,867</u>

Note 4 ENDOWMENTS

A. GENERAL

As of December 31, 2021, the Organization's endowment consists of 19 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, 2021 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	\$674,864
Accumulated investment gains	<u>853,569</u>
 Total endowment funds	 <u><u>\$1,528,433</u></u>

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, December 31, 2020	\$1,246,545
Investment return, net	285,970
Contributions received	34,416
Appropriation of endowment assets for expenditure	<u>(38,498)</u>
Endowment net assets, December 31, 2021	<u><u>\$1,528,433</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 on June 30 over the past three years and dividing by three. For distributions, this calculation will be made in July 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, 2021.

Note 5 NET ASSETS

A. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2021 consisted of the following:

Undesignated	\$604,236
Designated by Board for mission-based initiative fund	141,900
Designated by Board for capital building fund	240,000
Designated by Board for operating contingency fund	460,000
Investment in property and equipment	<u>720,403</u>
Total	<u><u>\$2,166,539</u></u>

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The guiding principles for maintaining balances of board designated funds are first, to ensure the Organization has sufficient cash to survive financial emergencies; second, to be able to maintain, repair and update their building and vital equipment, and, third, to enable the Organization to seize opportunities from time to time that align with its mission and which require either short-term unbudgeted spending or an independent funding source for upcoming annual budgets.

Each year during the budgeting process, the Finance Committee will review and make recommendations to the Board concerning rebalancing total reserves. Allocations of net operating surpluses and other forms of unrestricted revenue will be made in the following order: First, to the Undesignated Fund up to the target level of \$75,000; second, to the Operating Contingency fund, up to the target level for full contingency coverage (currently set at six times the current fiscal year's monthly administrative expenses); third, to the Building Maintenance fund, up to the target level of coverage (currently set at \$240,000; and fourth, to the Mission-based Initiatives Fund.

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2021:

Subject to expenditure for a specified purpose:	
Free loans	\$50,890
PEARLS (program to encourage active and rewarding lives)	15,000
BOND (branching out in new directions)	10,000
Cancer patients	8,134
Home chore	147
Youth	4
	<u>84,175</u>
Endowments:	
Subject to JFS endowment spending policy and appropriation	674,864
Subject to appropriation and expenditure when a specified event occurs	853,569
	<u>1,528,433</u>
Total	<u>\$1,612,608</u>

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, 2021:

Program restrictions accomplished	\$41,138
Release of appropriated endowment returns	<u>38,498</u>
Total	<u>\$79,636</u>

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Note 6 CONCENTRATION OF REVENUE

The Organization receives a significant amount of support from 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, 2023. 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, 2021 of 4.5%. Covenants of the loan require the Organization to maintain a minimum of \$300,000 in unrestricted cash, cash equivalents, or marketable securities at all times. There was no outstanding balance at December 31, 2021.

Note 8 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 December 31, 2021, the Organization's matching contributions were \$48,695.

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Corporate bonds	\$ -	\$312,746	\$312,746
Corporate stock	2,375,623	-	2,375,623
	<u>\$2,375,623</u>	<u>\$312,746</u>	<u>\$2,688,369</u>

Corporate stocks 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.

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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, 2021 was \$48,875 which consists of a gross balance of \$48,875 less estimated claim incurred of \$0.

Note 11 SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 23, 2022, the date that the financial statements were available to be issued.