

**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
**(a Michigan non-profit corporation)**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
(a Michigan non-profit corporation)

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December 31, 2021 and 2020

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# **BERGER, GHERSI & LADUKE PLC**

## **CERTIFIED PUBLIC ACCOUNTANTS**

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### **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**Jewish Hospice & Chaplaincy Network**  
West Bloomfield, Michigan

#### **Opinion**

We have audited the accompanying financial statements of **Jewish Hospice & Chaplaincy Network** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, statements of 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 Hospice & Chaplaincy Network** as of 2021 and 2020, 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. 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 Hospice & Chaplaincy Network** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Hospice & Chaplaincy Network'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 the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Jewish Hospice & Chaplaincy Network'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 Hospice & Chaplaincy Network'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.

  
BERGER GHERSI & LADUKE PLC  
Certified Public Accountants

June 23, 2022

**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
(a Michigan non-profit corporation)

STATEMENT OF FINANCIAL POSITION  
December 31, 2021 and 2020

ASSETS	2021	2020
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,678,933	\$ 1,746,783
Pledge receivable	100,000	
Total current assets	1,778,933	1,746,783
<b>Property and equipment:</b>		
Computer equipment	19,095	19,095
Vehicles	58,270	58,270
	77,365	77,365
Less: Accumulated depreciation	(73,164)	(65,961)
Net property and equipment	4,201	11,404
<b>Other Assets:</b>		
Loans receivable	115,000	115,000
Pledge receivable -long term	216,837	
<b>Donor imposed restrictions:</b>		
Endowments	8,596,321	6,604,831
Investments without donor restrictions	6,231,098	5,424,984
Cash value of life insurance	808,429	665,166
Life Insurance with long term care benefits net of amortization	180,000	190,000
Library	6,075	6,075
Total other assets	16,153,760	13,006,056
Total assets	\$ 17,936,894	\$ 14,764,243
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 15,971	\$ 16,157
Accrued payroll	28,395	88,317
Deferred revenue		67,654
Total current liabilities	44,366	172,128
<b>Net assets:</b>		
<b>Without donor restrictions</b>		
Undesignated	9,296,243	7,815,503
<b>With donor restrictions</b>		
Perpetual	8,596,285	6,776,402
Total net assets	17,892,528	14,591,905
Total liabilities and net assets	\$ 17,936,894	14,764,033

The accompanying auditors' report and notes are integral parts of the financial statements.

**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
(a Michigan non-profit corporation)

**STATEMENT OF ACTIVITIES**  
For the years ended December 31, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue:</b>			
Community foundation grants-general	\$ 25,000	\$	\$ 25,000
Memorial gifts	102,708		102,708
Major gifts	1,896,630	300,000	2,196,630
General donations	403,613		403,613
Direct mail campaign	119,657		119,657
Caring coalition	98,279		98,279
Net investment return	717,929	1,728,660	2,446,589
Donations in kind	22,200		22,200
Net assets released from restrictions	208,777	(208,777)	
<b>Total revenue</b>	<b>3,594,793</b>	<b>1,819,883</b>	<b>5,414,676</b>
<b>Functional expenses:</b>			
Program services	1,448,397		1,448,397
<b>Supporting services:</b>			
Management and general	340,146		340,146
Fundraising	325,509		325,509
<b>Total functional expenses</b>	<b>2,114,052</b>		<b>2,114,052</b>
<b>Change in net assets</b>	<b>1,480,741</b>	<b>1,819,883</b>	<b>3,300,624</b>
<b>Net assets, beginning of year</b>	<b>7,815,502</b>	<b>6,776,402</b>	<b>14,591,904</b>
<b>Net assets, end of year</b>	<b>\$ 9,296,243</b>	<b>\$ 8,596,285</b>	<b>\$ 17,892,528</b>

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**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
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**STATEMENT OF ACTIVITIES**  
For the years ended December 31, 2021 and 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue:</b>			
Community foundation grants-general	\$ 60,000	\$	\$ 60,000
PPP grant revenue		171,590	171,590
Memorial gifts	119,733		119,733
Major gifts	1,293,648		1,293,648
General donations	137,376		137,376
Direct mail campaign	224,732		224,732
Net investment return	423,215	792,413	1,215,628
Donations in kind	22,200		22,200
Net assets released from restrictions	1,263,464	(1,263,464)	
<b>Total revenue</b>	<b>3,544,368</b>	<b>(299,461)</b>	<b>3,244,907</b>
<b>Functional expenses:</b>			
Program services	1,331,782		1,331,782
Supporting services:			
Management and general	316,750		316,750
Fundraising	334,400		334,400
<b>Total functional expenses</b>	<b>1,982,931</b>		<b>1,982,931</b>
<b>Change in net assets</b>	<b>1,561,437</b>	<b>(299,461)</b>	<b>1,261,976</b>
<b>Net assets, beginning of year</b>	<b>6,254,066</b>	<b>7,075,863</b>	<b>13,329,929</b>
<b>Net assets, end of year</b>	<b>\$ 7,815,503</b>	<b>\$ 6,776,402</b>	<b>\$ 14,591,905</b>

The accompanying auditors' report and notes are integral parts of the financial statements.

**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
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**SCHEDULE OF FUNCTIONAL EXPENSES**  
For the years ended December 31, 2021 and 2020

	2021			Total
	Program	Management and General	Fundraising	
<b>Salary, benefits, and taxes:</b>				
Salary - director	\$ 120,974	\$ 120,974	\$ 120,974	\$ 362,922
Salary - administration and support staff		113,469		113,469
Salary - development director	63,005		63,005	126,010
Pension expense	15,572	6,991	11,600	34,163
Health insurance			5,973	5,973
Life and disability insurance	9,118	1,440	5,439	15,997
Payroll taxes	36,379	5,744	21,700	63,823
Total salary, benefits and taxes	<u>245,048</u>	<u>248,618</u>	<u>228,691</u>	<u>722,357</u>
<b>Patient care:</b>				
Pastoral care	660,443			660,443
Social work	0			0
Books and religious articles	4,601			4,601
Patient care/emergency intervention	71,420			71,420
Care coordination	70,539			70,539
Total patient care - non salary	<u>807,003</u>			<u>807,003</u>
<b>Education and training:</b>				
Caring coalition	95,871			95,871
Events, meetings & seminars	23,675			23,675
Community education/volunteer training	63,608			63,608
Total education and training	<u>183,154</u>			<u>183,154</u>
<b>Other expenses:</b>				
Accounting service		24,580		24,580
Amortization		10,000		10,000
Bank charges		10,903		10,903
Computer expenses	9,728	4,422	3,538	17,688
Depreciation			7,203	7,203
Dues and subscriptions		4,889		4,889
Insurance auto	770	770	6,161	7,701
Insurance general	2,478	1,126	901	4,505
Insurance workers compensation	775	352	282	1,409
Legal		660		660
Marketing, promotional and fundraising materials	3,346		1,434	4,780
Outside services	58,985		25,279	84,264
Office supplies and printing	31,390	14,268	11,414	57,072
Payroll service	4,680	739	2,792	8,211
Postage	7,176	3,262	2,610	13,048
Rent	19,168	8,713	6,969	34,850
Secretarial	40,984	6,471	24,447	71,902
Telephone	6,346	373	747	7,466
Vehicle expense	27,366		3,041	30,407
Total other expense	<u>213,192</u>	<u>91,528</u>	<u>96,818</u>	<u>401,538</u>
Total functional expense	<u>\$ 1,448,397</u>	<u>\$ 340,146</u>	<u>\$ 325,509</u>	<u>\$ 2,114,052</u>

The accompanying auditors' report and notes are integral parts of the financial statements.



**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
(a Michigan non-profit corporation)

**SCHEDULE OF FUNCTIONAL EXPENSES**  
For the years ended December 31, 2021 and 2020

	2020			
	Program	Management and General	Fundraising	Total
<b>Salary, benefits, and taxes:</b>				
Salary - director	\$ 131,175	\$ 131,174	\$ 131,175	\$ 393,524
Salary - administration and support staff		86,542		86,542
Salary - development director	64,301		64,300	128,601
Pension expense	14,870	4,574	10,800	30,244
Health insurance			2,354	2,354
Life and disability insurance	16,857	2,662	10,055	29,574
Payroll taxes	33,191	5,241	19,798	58,230
Total salary, benefits and taxes	<u>260,394</u>	<u>230,193</u>	<u>238,482</u>	<u>729,069</u>
<b>Patient care:</b>				
Pastoral care	595,196			595,196
Social work	11,235			11,235
Books and religious articles	3,676			3,676
Patient care/emergency intervention	53,647			53,647
Care coordination	59,610			59,610
Total patient care - non salary	<u>723,364</u>			<u>723,364</u>
<b>Education and training:</b>				
Caring coalition	76,638			76,638
Events, meetings & seminars	16,471			16,471
Community education/volunteer training	29,445			29,445
Total education and training	<u>122,554</u>			<u>122,554</u>
<b>Other expenses:</b>				
Accounting service		23,645		23,645
Amortization		10,000		10,000
Bank charges		13,018		13,018
Computer expenses	13,372	6,078	4,863	24,313
Depreciation			7,203	7,203
Dues and subscriptions		1,849		1,849
Insurance auto	640	640	5,118	6,398
Insurance general	3,066	1,394	1,115	5,575
Insurance workers compensation	2,879	1,309	1,047	5,235
Legal		915		915
Marketing, promotional and fundraising materials	47,153		20,208	67,361
Outside services	21,594		9,254	30,848
Office supplies and printing	32,926	7,864	6,291	47,081
Payroll service	3,800	600	2,267	6,667
Postage	6,313	2,870	2,296	11,478
Rent	20,433	9,288	7,430	37,151
Secretarial	42,524	6,714	25,365	74,603
Telephone	6,345	373	747	7,465
Vehicle expense	24,425		2,714	27,139
Total other expense	<u>225,470</u>	<u>86,557</u>	<u>95,917</u>	<u>407,944</u>
Total functional expense	<u>\$ 1,331,782</u>	<u>\$ 316,750</u>	<u>\$ 334,400</u>	<u>\$ 1,982,931</u>

The accompanying auditors' report and notes are integral parts of the financial statements.

**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
(a Michigan non-profit corporation)

**STATEMENT OF CASH FLOWS**  
For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 3,300,624	1,261,976
Adjustments to reconcile net assets to cash flows from operating activities:		
Gain on sale of investments	(119,887)	(31,045)
Amortization	10,000	
Depreciation	7,203	7,203
Contribution to endowment	(300,000)	
Increase (decrease) in pledge receivable	(316,837)	250,111
Increase (decrease) in cash surrender value of life insurance	(143,273)	26,720
New insurance policy		(190,000)
Decrease in accounts payable	(187)	(13,966)
Increase (decrease) for deferred revenue	(67,854)	67,854
Increase (decrease) in accrued payroll	(59,923)	34,325
Net cash flows provided by operating activities	2,309,866	1,413,178
Cash flows from investing activities:		
Net investment gains from restricted investments	(1,728,660)	(832,596)
Release of restricted investments	37,169	13,464
Purchase of investments	(1,744,763)	(3,902,828)
Proceeds from sale of investments	1,058,538	4,227,906
Net cash flows used by investing activities	(2,377,716)	(494,054)
Net increase (decrease) in cash and cash equivalents	(67,850)	919,124
Cash and cash equivalents, beginning of year	1,746,783	827,659
Cash and cash equivalents, end of year	\$ 1,678,933	\$ 1,746,783
Supplemental disclosures:		
Taxes paid	\$ -	\$ -

The accompanying auditors' report and notes are integral parts of the financial statements.

**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
(a Michigan non-profit corporation)

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**NOTE A - Nature of Activities and Significant Accounting Policies**

**Nature of activities** - Jewish Hospice & Chaplaincy Network (JHCN) is a domestic, not-for-profit corporation whose purpose is to work closely with area rabbis, Jewish Family Service, and Jewish social agencies to provide guidance and support for families dealing with end of life issues. The JHCN provides spiritual care and patient advocacy for Jewish terminally ill patients throughout Southeastern Michigan. The organization is supported primarily through contributions from private grants, individuals and organizations.

**Method of accounting** - The financial statements are prepared on the accrual basis of accounting.

**Financial statement presentation** - The JHCN is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. In addition, the JHCN is required to present a Statement of Cash Flows.

**Revenue recognition** - JHCN receives substantially all its revenue from individuals, private grants, and organizations in the form of contributions.

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

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

**Property and equipment** - Capital additions to property and equipment exceeding \$1,000 are recorded at cost if purchased or, if donated, at fair market value at the date of the gift. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, generally three to ten years. Total depreciation expense was \$7,203 for both years ended December 31, 2021, and 2020.

**Income taxes** - JHCN is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. JHCN is subject to federal income tax on its unrelated business taxable income. There were no tax expenses for the years ended December 31, 2021 and 2020.

**Contribution receivable** - Unconditional promises to give are recognized as revenues or gains in the period in which the promise is made, and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no endowment receivables as of December 31, 2021, and 2020. See Note K.

**Cash equivalents** - JHCN defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
(a Michigan non-profit corporation)

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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**NOTE A - Nature of Activities and Significant Accounting Policies (continued)**

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position, determined by active markets as of that date. The net investment return is reported in the Statement of Activities and consists of interest and dividends, and realized and unrealized capital gains, less investment management and custodial fees.

Donated assets - Contributions of donated non-cash assets are recorded at their fair values in the period received and are recorded as donor unrestricted or donor restricted net assets depending on the existence or nature of any donor restrictions.

Donated/free use of facilities - JHCN rents office space from Jewish Family Service (JFS), located at 6555 West Maple Road, West Bloomfield, Michigan. In exchange for JFS being able to promote to their clients that they can offer hospice services and pastoral care on a collaborative basis, JFS provides rent, phones, and phone lines to JHCN at no additional cost. The estimated fair market value of the donated facility was \$1,150 per month for both years ended December 31, 2021, and 2020.

Contributed services - No amounts have been reflected in the financial statements for donated services.

Cash value of life insurance - The JHCN is the owner and beneficiary of life insurance policy that cover the life of a certain current key employee. These life insurance policies have a cash surrender value which is reported on the balance sheet at the surrender value provided to JHCN by the insurance carrier.

Loan receivable - The JHCN has loaned \$115,000 to a local religious school. The loan is unsecured and non-interest bearing and has no specific repayment plan.

Functional allocation of expenses - The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Date of Management's Review - In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2021, the most recent balance sheet presented herein, through the date of the report, which is the date the financial statements were available to be issued.

Life Insurance with Long Term Care Benefits - JHCN purchased a whole life insurance policy with long term care benefits for a certain key employee. The life insurance portion has no cash surrender value. The insurance premium paid is being amortized over the service life of the key employee. The service life is 20 years. The amortization expense was \$10,000 for both years ended December 31, 2021, and 2020.

**NOTE B - Net Assets with Donor Restrictions**

The net assets with donor restrictions consist of endowment fund investments to be held indefinitely. There was an endowment increase in 2021 for the Marvin & Betty Danto Jewish Hospice Endowment Fund.

The endowment fund was created on February 7, 2019, with the intent to contribute \$500,000 over five (5) years to benefit JHCN. The endowment was not reported on the prior year's financial statements. The current year financial statements include the activity since the date it was created.

**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
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NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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**NOTE B - Net Assets with Donor Restrictions (continued)**

The following endowments are managed by Jewish Federation of Metropolitan Detroit:

J & E Bielfield Hospice  
Michael L. Stacey Centennial Fund  
Marvin & Betty Danto Jewish Hospice Endowment Fund

JHCN records earnings as increases in net assets with donor restrictions and distributions to JHCN as decreases the net assets with donor restrictions. The distributions were from J & E Bielfield Hospice for the years ended December 31, 2021 and 2020 in the amounts of \$12,169 and \$13,464, respectively and were reclassified to net assets without donor restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	<u>2021</u>	<u>2020</u>
General operating expenses (see Note E)	\$ 25,000	\$ 1,250,000

**NOTE C - Net Investment Return**

Net investment return for the year ended December 31, 2021

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 134,895	\$ 123,750	\$ 258,645
Net realized and unrealized gain	638,238	1,641,637	2,279,875
Less investment management and custodial fees	<u>(55,204)</u>	<u>(36,727)</u>	<u>(91,931)</u>
Net investment return	<u>\$ 717,929</u>	<u>\$ 1,728,660</u>	<u>\$ 2,446,589</u>

Net investment return for the year ended December 31, 2020

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 141,085	\$ 97,826	\$ 238,911
Net realized and unrealized gain	327,789	721,306	1,049,095
Less investment management and custodial fees	<u>(45,659)</u>	<u>(26,719)</u>	<u>(72,378)</u>
Net investment return	<u>\$ 423,215</u>	<u>\$ 792,413</u>	<u>\$ 1,215,628</u>

**JEWISH HOSPICE & CHAPLAINCY NETWORK**  
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NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021 and 2020

**NOTE D - Fair Value Measurements**

JHCN reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, JHCN attempts to utilize valuation methods that maximize the use of observable inputs. Based on the observability of the inputs used in the valuation methods, the information is provided according to the fair value hierarchy, classified in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

The fair value measurements and levels within the fair value hierarchy of those measurements are for the assets reported at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient to estimate fair values as of December 31, 2021 and 2020

	December 31, 2021		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Measured at NAV Per Share
Without restrictions			
Marketable securities (available for sale)	\$ 6,225,969	\$ 6,225,969	\$ _____
With restrictions:			
Marketable securities (available for sale)	\$ 6,724,983	\$ 6,724,983	\$ _____
Balanced pool investment funds	<u>1,871,338</u>	<u>1,096,604</u>	<u>774,734</u>
Total restricted	<u>\$ 8,596,321</u>	<u>\$ 7,821,587</u>	<u>\$ 774,734</u>
	December 31, 2020		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Measured at NAV Per Share
Without restrictions			
Marketable securities (available for sale)	\$ 5,424,984	\$ 5,424,984	\$ _____
With restrictions:			
Marketable securities (available for sale)	\$ 5,207,623	\$ 5,207,623	\$ _____
Balanced pool investment funds	<u>1,397,208</u>	<u>1,026,948</u>	<u>370,260</u>
Total restricted	<u>\$ 6,604,831</u>	<u>\$ 6,234,571</u>	<u>\$ 370,260</u>

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**NOTE E - Endowment**

JHCN's endowment consists of donor restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of JHCN has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JHCN classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restricted net assets is classified as without donor restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the UMIFA. In accordance with UMIFA, JHCN considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of JHCN and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of JHCN
7. The investment policies of JHCN

**Endowment Net Asset Composition**

Changes in endowment net assets composition for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Beginning of Year	\$ 6,604,831	\$ 7,075,859
Contribution	300,000	
Earnings	870,543	661,895
Net unrealized gain on securities	858,117	130,531
Net assets released from restrictions	<u>(37,169)</u>	<u>(1,263,454)</u>
End of year	<u>\$ 8,596,321</u>	<u>\$ 6,604,831</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor or UMIFA requires JHCN to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2021 and 2020, respectively.

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**NOTE E** – Endowment (Continued)

**Return Objectives and Risk Parameters**

JHCN has adopted investment and spending policies for endowment assets needed to achieve and sustain long-term financial stability. Under this policy, as approved by the Board of Directors, the investment manager is directed to invest primarily in a mix of equity securities and fixed income securities designed to provide long-term total returns in excess of the rate of inflation while limiting the risk to the endowment to a reasonable level, and provide the endowment with liquidity, stability of market value, and satisfactory levels of income return recognizing the degree of risks involved. Other alternative investment classes may be considered but will not exceed 10% of the endowment's total assets at market value.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate of return objectives, JHCN relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). JHCN 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.

**Spending Policy**

JHCN has a policy of allowing for distribution each year no more than 5% of its endowment fund's three-year moving average market value, using quarterly market values and adjusting for external contributions, to be used for general operating expenses. In establishing this policy, JHCN considered the long-term expected return on its endowment.

JHCN released a total of \$25,000 from its endowment fund to the without donor restricted funds to be used for its general operating expenses. The amount released was under the 5% of the three-year moving average market value. The three-year moving average market value was \$6,580,779.

**NOTE F** - Concentration of Credit Risk

JHCN has concentrated its credit risk for cash by maintaining deposits in financial institutions which may, at times, exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. JHCN has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

**NOTE G** - Retirement Plan

JHCN has a 401(k)-profit sharing plan that covers all eligible employees. JHCN matches employee contributions to a maximum of 4% of employee compensation. Total contributions amounted to \$34,163 and \$30,244 for the years ended December 31, 2021 and 2020. JHCN has funded or accrued all calculated contributions as of the Statement of Financial Position date.



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**NOTE H** - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,678,933	\$ 1,746,783
Investments without donor restriction	6,231,098	5,424,984
Distributions from beneficial interests in assets held by Jewish Federation	<u>34,429</u>	<u>13,434</u>
	<u>\$ 7,944,460</u>	<u>\$ 7,185,201</u>

JHCN endowment fund is designated by the donor restricted endowment. JHCN donor restriction endowment spending policy is described in Note F. There is no intention to spend from the donor restriction designated endowment. The funds could be made available if necessary.

As part of JHCN liquidity management plan, JHCN invest cash in excess of daily requirements in either short-term investments, CD's, or money market funds.

**NOTE I** - Functional Expenses

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 occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

**NOTE J** - Lease

JHCN entered into a lease on April 1, 2019 with the Jewish Family Service (JFS) located at 6555 West Maple Road, West Bloomfield, Michigan. The rent amount is JHCN's true occupancy cost and all the utilities except for cable/internet. The lease terms are one year with two one year options. The annual lease is \$13,800. The rent expense was \$13,800 for both years ended December 31, 2021 and 2020. The future minimum lease payments are as follows:

2022	\$ 3,450
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**NOTE K – Contribution Receivable, Net**

Contribution receivable consisted of the following at December 31, 2021:

	<u>2021</u>
Pledge Receivable:	
Due within one year	\$ 100,000
Due within the two to five years	<u>300,000</u>
	<u>400,000</u>
Less discount to present value (average rate of 6%)	<u>(83,163)</u>
<b>Pledge receivable net</b>	<b><u>\$ 316,837</u></b>

The amount of the receivable is from one doner.

**NOTE L – Prior Period Adjustments**

JHCN received on May 5, 2020 loan proceeds in the amount of \$171,590 under the Paycheck Protection Program (“PPP”). It was determined that the loan was forgiven and was reported in the 2020 financial statements. The loan proceeds were reported as “PPP Grant Revenue”. The forgiveness of the proceeds should have been included in the “Net asset released from restriction”. We adjusted the current year financial statements to include the \$171,590 in 2021 “Net assets released from restrictions”.

**NOTE M - New Accounting Pronouncements**

During the year ended December 31, 2020, JHCN adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASU 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Management believes that the adoption of this ASU enhanced the comparability of financial information among not-for-profit entities. This change in accounting principle was adopted on a modified prospective basis in 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2020. The impact of adoption was not material to the financial statements.

During May 2014 the FASB issued “Accounting Standards Update” (ASU) 2019-09, “Revenue from Contracts with Customers” (Topic 606). ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 to fiscal years beginning after December 15, 2019. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The aforementioned ASU's are codified as “Account Standards Codification” (ASU) Topic 606 “Revenue from Contracts with Customers.”

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**NOTE M** - New accounting pronouncements (Continued)

JHCN adopted Topic 606 on January 1, 2020. There was no impact on net assets as of January 1, 2020 or to revenue for the years ended December 31, 2021 and 2020. JHCN does not have written or implied contracts with customers and therefore adoption was not material to the financial statements and required disclosures are not applicable.

FASB issued ASU 2019-01, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangement. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

JHCN plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.