JEWISH FOUNDATION FOR GROUP HOMES, INC.
AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Jewish Foundation for Group Homes, Inc. and Affiliates
Rockville, Maryland

We have audited the accompanying consolidated financial statements of Jewish Foundation for Group Homes, Inc. (a non-profit Organization) and affiliates, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Board of Directors of
Jewish Foundation for Group Homes, Inc. and Affiliates

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jewish Foundation for Group Homes, Inc. and affiliates as of June 30, 2018, and the changes in their net assets and their 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 the Jewish Foundation for Group Homes, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mullen Sondberg Wimbish & Stone

MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
December 6, 2018

Jewish Foundation for Group Homes, Inc. and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 260,275	$ 580,278
Investments	4,833,558	3,128,175
Accounts receivable - funding agencies	589,335	463,216
Accounts receivable - other, net of allowance for doubtful accounts	45,525	28,755
Unconditional promises to give, net of allowance	275,460	132,351
Prepaid expenses	152,412	101,762
Total current assets	6,156,565	4,434,537
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	11,150,380	10,943,777
OTHER ASSETS		
Beneficial interest in the assets of Jewish Foundation for Group Homes Endowment, Inc.	15,023,215	12,778,502
Unconditional promises to give, net of discount	160,802	35,086
Cash surrender value - life insurance	579,797	559,461
Deposits	7,980	7,880
Total other assets	15,771,794	13,380,929
Total assets	$ 33,078,739	$ 28,759,243

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

Jewish Foundation for Group Homes, Inc. and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont.)
June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 270,840	$ 159,087
Accrued payroll and related liabilities	203,126	190,855
Due to Jewish Foundation for Group Homes Endowment, Inc.	1,028,604	95,494
Due to consumers	30,378	31,900
Deferred revenue	77,684	10,522
Line of credit	1,950,000	1,875,000
Notes payable	10,258	9,832
Capital lease obligations	137,037	101,557
Total current liabilities	3,707,927	2,474,247
LONG-TERM LIABILITIES		
Security deposits	4,200	-
Notes payable	15,023	25,296
Deferred mortgages payable	319,537	319,537
Deferred grant revenue	2,603,387	2,603,387
Capital lease obligations	484,483	436,698
Total long-term liabilities	3,426,630	3,384,918
Total liabilities	7,134,557	5,859,165
NET ASSETS		
Unrestricted:		
Operating	7,364,205	7,045,837
Board designated	2,017,162	1,935,455
Total unrestricted net assets	9,381,367	8,981,292
Temporarily restricted net assets:		
Temporarily restricted	1,539,600	1,140,284
Temporarily restricted - JFGH-E	13,266,759	12,115,851
Total temporarily restricted net assets	14,806,359	13,256,135
Permanently restricted - JFGH-E	1,756,456	662,651
Total net assets	25,944,182	22,900,078
Total liabilities and net assets	$ 33,078,739	$ 28,759,243

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

Jewish Foundation for Group Homes, Inc. and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	Operating	Board Designated	Total Unrestricted	Temporarily Restricted	Temporarily Restricted JFGH-E	Total Temporarily Restricted	Permanently Restricted JFGH-E	Total 2018	Total 2017
REVENUES, GAINS AND OTHER SUPPORT									
State program fees and grants	$ 9,923,614	$ -	$ 9,923,614	$ -	$ -	$ -	$ -	$ 9,923,614	$ 8,774,090
Contributions and fundraising, net of direct expenses	1,354,243	-	1,354,243	1,013,892	66,709	1,080,601	1,002,500	3,437,344	2,469,053
Realized/unrealized gain on investments	12,360	164,340	176,700	43,011	1,456,515	1,499,526	80,751	1,756,977	1,793,904
Other grants	981,804	-	981,804	-	-	-	-	981,804	982,727
Other program service fees	684,920	-	684,920	-	-	-	-	684,920	767,683
Consumer fees	633,152	-	633,152	-	-	-	-	633,152	619,267
Investment income, net of expenses	32,550	30,069	62,619	7,870	189,596	197,466	11,636	271,721	273,640
Jewish Federation allocation	189,104	-	189,104	-	-	-	-	189,104	189,104
Rental income and utilities pass-through	18,863	-	18,863	-	-	-	-	18,863	-
Other income	15,116	-	15,116	-	-	-	-	15,116	16,772
Gain on disposal of property and equipment	6,905	-	6,905	-	-	-	-	6,905	40,190
	13,852,631	194,409	14,047,040	1,064,773	1,712,820	2,777,593	1,094,887	17,919,520	15,926,430
Net assets released from restriction	1,341,153	(112,702)	1,228,451	(665,457)	(561,912)	(1,227,369)	(1,082)	-	-
Total revenues, gains, and other support	15,193,784	81,707	15,275,491	399,316	1,150,908	1,550,224	1,093,805	17,919,520	15,926,430
EXPENSES									
Program services									
Residential Group Homes	10,636,108	-	10,636,108	-	-	-	-	10,636,108	9,971,571
Greenwald Personal Support Program	1,064,084	-	1,064,084	-	-	-	-	1,064,084	1,123,763
MOST Program	769,334	-	769,334	-	-	-	-	769,334	780,310
Oshinsky Apartment Program	447,069	-	447,069	-	-	-	-	447,069	458,144
Private Pay Sub-Leasing	20,293	-	20,293	-	-	-	-	20,293	-
Total program services	12,936,888	-	12,936,888	-	-	-	-	12,936,888	12,333,788
Supporting services									
Management and general	1,562,383	-	1,562,383	-	-	-	-	1,562,383	1,472,117
Fundraising	376,145	-	376,145	-	-	-	-	376,145	318,069
Total supporting services	1,938,528	-	1,938,528	-	-	-	-	1,938,528	1,790,186
Total expenses	14,875,416	-	14,875,416	-	-	-	-	14,875,416	14,123,974
Change in net assets	318,368	81,707	400,075	399,316	1,150,908	1,550,224	1,093,805	3,044,104	1,802,456
NET ASSETS AT BEGINNING OF YEAR	7,045,837	1,935,455	8,981,292	1,140,284	12,115,851	13,256,135	662,651	22,900,078	21,097,622
NET ASSETS AT END OF YEAR	$ 7,364,205	$ 2,017,162	$ 9,381,367	$ 1,539,600	$ 13,266,759	$ 14,806,359	$ 1,756,456	$ 25,944,182	$ 22,900,078

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

Jewish Foundation for Group Homes, Inc. and Affiliates
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018
(With Summarized Information for the Year Ended June 30, 2017)

	Program Services							Supporting Services		Total	
	Residential Group Homes	Greenwald Personal Support Program	MOST Program - MD	MOST Program - VA	Oshinsky Apartment Program	Private Pay Sub-Leasing	Total Program Services	Management and General	Fundraising	2018	2017
Salaries and wages	$ 7,414,160	$ 882,618	$ 277,085	$ 206,523	$ 346,668	$ -	$ 9,127,054	$ 517,909	$ 241,156	$ 9,886,119	$ 9,298,409
Employee benefits	617,925	90,658	33,303	23,328	51,929	-	817,143	194,805	33,387	1,045,335	1,083,531
Payroll taxes	478,155	64,688	20,221	15,887	25,443	-	604,394	99,819	20,740	724,953	699,973
Total salaries and related expenses	8,510,240	1,037,964	330,609	245,738	424,040	-	10,548,591	812,533	295,283	11,656,407	11,081,913
Depreciation	437,011	2,934	42,035	1,388	3,467	-	486,835	81,624	8,232	576,691	515,087
Occupancy	367,418	6,294	22,584	51,219	1,148	20,026	468,689	32,626	4,033	505,348	420,278
Repairs and maintenance	398,335	822	10,686	18,161	2,922	-	430,926	49,906	2,055	482,887	460,919
Food	350,285	-	10	102	-	-	350,397	-	-	350,397	332,211
Supplies and equipment	170,066	630	1,343	5,756	-	48	177,843	54,303	7,947	240,093	232,333
Insurance	62,637	790	13,285	2,006	2,796	-	81,514	113,912	2,209	197,635	204,418
Contracted services	70,806	2,401	757	600	973	-	75,537	121,302	-	196,839	214,281
Transportation	107,312	7,389	3,216	2,182	5,778	15	125,892	13,829	316	140,037	171,722
Meetings and conferences	45,914	-	200	50	43	204	46,411	86,961	1,728	135,100	115,490
Information technology	30,854	885	457	384	2,025	-	34,605	55,355	3,393	93,353	101,168
Office expenses	31,501	3,975	1,253	994	1,578	-	39,301	22,779	9,366	71,446	47,175
Interest	-	-	-	-	-	-	-	59,170	-	59,170	49,500
Membership dues	3,872	-	-	-	-	-	3,872	40,563	1,079	45,514	37,683
Client activities	15,035	-	9,310	4,859	2,299	-	31,503	-	684	32,187	23,263
Medical	30,939	-	-	125	-	-	31,064	-	-	31,064	30,707
Communications	-	-	-	-	-	-	-	6,372	21,915	28,287	26,930
Bad debt	10	-	-	-	-	-	10	-	15,953	15,963	20,482
Staff appreciation	2,638	-	-	25	-	-	2,663	10,944	547	14,154	26,905
Miscellaneous	1,235	-	-	-	-	-	1,235	204	1,405	2,844	11,509
Total expenses	$ 10,636,108	$ 1,064,084	$ 435,745	$ 333,589	$ 447,069	$ 20,293	$ 12,936,888	$ 1,562,383	$ 376,145	$ 14,875,416	$ 14,123,974

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

Jewish Foundation for Group Homes, Inc. and Affiliates
CONSOLIDATED STATEMENT OF CASH FLOWS
June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 3,044,104	$ 1,802,456
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	576,691	515,087
Realized/unrealized gain on investments	(1,756,977)	(1,793,904)
Gain on disposal of assets	(6,905)	(40,190)
Contributions made through JFGH Endowment, Inc. (net)	(707,447)	281,840
In-kind contributions of government bonds	(115,000)	(120,300)
Forgiveness of debt	-	(13,523)
(Increase) decrease in operating assets:		
Accounts receivable	(142,889)	(44,853)
Unconditional promises to give	(268,825)	50,537
Prepaid expenses	(50,650)	31,526
Deposits	(100)	(2,000)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	124,024	(121,728)
Due to Jewish Foundation for Group Homes Endowment, Inc.	933,110	78,389
Due to consumers	(1,522)	3,456
Deferred revenue	67,162	(37,203)
Security deposit liability	4,200	-
Net cash provided by operating activities	1,698,976	589,590
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(589,193)	(354,270)
Proceeds from disposal of property and equipment	6,905	40,190
Purchase of investments and reinvested earnings	(2,024,264)	(993,304)
Proceeds from sale of investments	542,018	802,000
Proceeds from maturity of government bonds	91,238	80,512
Net cash used in investing activities	(1,973,296)	(424,872)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	5,378,000	5,335,000
Principal payments on line of credit	(5,303,000)	(4,895,000)
Principal payments on notes payable	(9,847)	(10,250)
Principal payments on capital leases	(110,836)	(67,861)
Net cash provided by (used in) financing activities	(45,683)	361,889
Net change in cash and cash equivalents	(320,003)	526,607
Cash and cash equivalents at beginning of year	580,278	53,671
Cash and cash equivalents at end of year	$ 260,275	$ 580,278
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 59,170	$ 49,500
Noncash investing and financing activities:		
Property and equipment acquisitions	$ 783,294	$ 805,065
Less amounts financed	(194,101)	(450,795)
Net cash paid for property and equipment	$ 589,193	$ 354,270

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

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

Jewish Foundation for Group Homes, Inc. (JFGH) is incorporated under the laws of the State of Maryland. JFGH is a non-profit Organization which provides community residential services and support for persons with developmental disabilities. JFGH's primary sources of support are government program service fees, grants, and charitable contributions.

Consolidation of Related Entities

JFGH has adopted the provisions of the Financial Accounting Standards Board (FASB) ASC 958-810 *Not-for-Profit Entities – Consolidation.* JFGH has included its wholly owned subsidiaries JFGH Homeownership, LLC, JFGH Leasing, LLC, and JFGH PP Leasing, LLC, in its financial statements for the year ended June 30, 2018. FASB ASC 958-810 states that a not-for-profit organization should consolidate another not-for-profit organization if the reporting not-for-profit organization has both control of the other not-for-profit organization, as evidenced by either majority ownership or a majority voting interest in the Board of the other not-for-profit organization, and an economic interest in the other not-for-profit organization.

JFGH Homeownership, LLC, JFGH Leasing, LLC, and JFGH Leasing PP, LLC filed articles of organization in the State on Maryland on October 30, 2017 to provide housing to individuals with intellectual and developmental disabilities. The entities are wholly owned limited liability company subsidiaries of JFGH and qualify as related entities under FASB ASC 958-810 and, accordingly, the accompanying consolidated financial statements present the financial information of all three limited liability companies for the year ended June 30, 2018.

JFGH is also required to comply with the provisions of FASB ASC 850 *Related Party Disclosures*. Under this provision, all material related party transactions have been eliminated in the consolidating process, and substantive disclosure of these amounts is not required.

Basis of Accounting

JFGH prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Basis of Presentation

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with JFGH's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unexpended grant awards are classified as deferred grant revenue until expended for the purposes of the grants since they are considered conditional promises to give.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

JFGH is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. It is exempt from paying federal income tax on any income except unrelated business income. There is no provision for income taxes as JFGH had no unrelated business income.

As single member limited liability companies, JFGH Homeownership, LLC, JFGH Leasing, LLC, and JFGH Leasing PP, LLC are, for federal income tax purposes, disregarded entities such that all of the assets and liabilities of the limited liability companies are treated as the assets and liabilities of their sole member, JFGH

Note 1 - Summary of Significant Accounting Policies (Cont.)

Income Taxes (Cont.)

JFGH follows the guidance of ASC 740-10, "*Accounting for Uncertainty in Income Taxes*" which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the JFGH's financial statements.

JFGH analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. JFGH does not know of any tax benefits arising from uncertain tax positions and there was no effect on JFGH's financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after June 30, 2015 remain subject to examination by federal and State authorities.

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all voluntary health and welfare organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on usage for items such as occupancy, depreciation and administrative salaries.

Reclassification of Prior Year Balances

Certain reclassifications of prior year balances were made to conform to current year presentation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash accounts and all highly liquid investments with an initial maturity of three months or less, except those that are part of an investment portfolio.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in investment income in the statement of activities.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Accounts Receivable

Accounts receivable consists of amounts due from governmental agencies and consumers for services provided by program activities. Accounts receivable due from consumers is presented in the financial statements net of an allowance for doubtful accounts. Management has established an allowance for doubtful accounts for consumer receivables in the amount of $3,471 at June 30, 2018 and 2017.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are not included as support until the conditions are substantially met. Promises to give are presented in the financial statements net of an allowance for doubtful accounts. Promises to give are determined to be past due on a review of how recently payments have been received. The allowance for doubtful accounts is determined based on an annual review of account balances, including the age of the balance and the past experience with the beneficiary or the beneficiary's sponsor. Bad debt expense is recorded when the allowance is adjusted. Uncollectible promises to give are charged to the allowance for doubtful accounts. The allowance for doubtful accounts was $45,121 and $53,874 for the years ended June 30, 2018 and 2017, respectively.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Unconditional promises to give are discounted to present value using a 5.03% and 3.44% discount rate for the years ending June 30, 2018 and 2017, respectively.

Promises to Give – Fair Value Election

ASC 825, *Financial Instruments* provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. The Foundation has elected the fair value option for unconditional promises to give.

Beneficial Interest

JFGH follows FASB 136 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. The Jewish Foundation for Group Homes Endowment, Inc. (JFGH-E) is a not-for-profit Organization whose purpose is to hold and manage those assets donated as endowments for the benefit of JFGH and to provide distributions to JFGH therefrom consistent with explicit donor stipulation or the JFGH-E's applicable spending policies.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Property and Equipment

Property and equipment acquisitions in excess of $1,000 are capitalized and recorded at cost. The cost of maintenance and repairs is charged to current operations as incurred, whereas significant renewals and betterments are capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values at date of donation and reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, JFGH reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Donated Services

Donated services are recognized as contributions, if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by JFGH. Volunteers perform a variety of tasks throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. JFGH recognized $-0- in donated services for the years ended June 30, 2018 and 2017, respectively.

Advertising

JFGH expenses advertising costs when incurred. Advertising expenses were $3,202 and $1,584 for the years ended June 30, 2018 and 2017, respectively.

Note 2 - Concentration of Cash Balances

As of June 30, 2018 and 2017, and at various times during the fiscal years then ended, JFGH maintained cash-in-bank balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Amounts held in excess of FDIC insurance coverage were approximately $46,000 and $423,000 at June 30, 2018 and 2017, respectively.

Note 3 - Investments

The market values and cost of investments were as follows at June 30:

	2018		
	Cost	Fair Market Value	Gross Unrealized Gain (Loss)
Cash / money market	$ 1,870,182	$ 1,870,182	$ -
Equity securities	1,022,667	1,542,709	520,042
Fixed income securities	955,753	945,454	(10,299)
United Jewish Endowment Fund	235,412	235,412	-
Israel bonds	239,801	239,801	-
Total	$ 4,323,815	$ 4,833,558	$ 509,743

	2017		
	Cost	Fair Market Value	Gross Unrealized Gain
Cash / money market	$ 463,557	$ 463,557	$ -
Equity securities	1,226,622	1,555,170	328,548
Fixed income securities	661,955	675,720	13,765
United Jewish Endowment Fund	217,689	217,689	-
Israel bonds	216,039	216,039	-
Total	$ 2,785,862	$ 3,128,175	$ 342,313

Investment income is comprised of the following at June 30:

	2018	2017
Interest and dividends	$ 373,227	$ 374,446
Investment expenses	(101,506)	(100,806)
Investment income, net	$ 271,721	$ 273,640

Note 4 - Fair Value Measurement

ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. JFGH measures fair value as 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. JFGH also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that JFGH has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by JFGH. JFGH considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to JFGH's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, include active listed equity securities, fixed income securities, and cash and money market funds traded in brokerage firms.

Investments that trade in markets that are not considered to be active, but are valued on quoted market prices, dealer quotations, or alternative price sources supported by observable inputs are classified with Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or non-transferability, which are generally based on available market information. Investments whose values are based on inputs in markets that are not considered to be active, and are therefore classified with Level 2, include the United Jewish Endowment fund, and bonds issued by the State of Israel.

Note 4 - Fair Value Measurement (Cont.)

Assets classified with Level 3 have significant unobservable inputs. Level 3 instruments consist of unconditional promises to give. Unconditional promises to give are reflected at present value of estimated future cash flows using a discount rate of 5.03% and 3.44% based on 175% of the mid-term annual applicable federal rate as of June 30, 2018 and 2017, respectively.

There have been no changes in investment valuation or techniques.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30:

	2018			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and money market funds	$ 1,870,182	$ -	$ -	$ 1,870,182
Equities	1,542,709	-	-	1,542,709
Fixed income securities	945,454	-	-	945,454
United Jewish Endowment fund	-	235,412	-	235,412
Bonds issued by the State of Israel	-	239,801	-	239,801
Total investments	4,358,345	475,213	-	4,833,558
Unconditional promises to give	-	-	436,262	436,262
Total assets	$ 4,358,345	$ 475,213	$ 436,262	$ 5,269,820

	2017			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and money market funds	$ 463,557	$ -	$ -	$ 463,557
Equities	1,555,170	-	-	1,555,170
Fixed income securities	675,720	-	-	675,720
United Jewish Endowment fund	-	217,689	-	217,689
Bonds issued by the State of Israel	-	216,039	-	216,039
Total investments	2,694,447	433,728	-	3,128,175
Unconditional promises to give	-	-	167,437	167,437
Total assets	$ 2,694,447	$ 433,728	$ 167,437	$ 3,295,612

Note 4 - Fair Value Measurement (Cont.)

The following table reconciles the beginning and ending balances of the JFGH's unconditional promises to give assets that are measured at fair value using significant unobservable inputs (level 3) for the years ending June 30:

	2018	2017
Balance, beginning of year	$ 167,437	$ 217,974
Contributions	1,280,485	263,020
Collections	(984,128)	(280,075)
Bad debt write off	(22,655)	(61,810)
Change in present value discount	(13,630)	249
Change in allowance for doubtful promises	8,753	28,079
Balance, end of year	$ 436,262	$ 167,437

Note 5 - Unconditional Promises to Give

Unconditional promises to give are comprised of the following at June 30:

	2018	2017
Unconditional promises to give due in less than one year	$ 320,581	$ 186,225
Unconditional promises to give due in one to five years	176,682	37,336
Total unconditional promises to give	497,263	223,561
Allowance for doubtful accounts	(45,121)	(53,874)
Present value discount	(15,880)	(2,250)
Net unconditional promises to give	$ 436,262	$ 167,437

Note 6 - Property and Equipment

Property and equipment consisted of the following at June 30:

	Estimated Useful Life	2018	2017
Land	-	$ 2,111,918	$ 2,044,524
Buildings and improvements	30 years	12,959,726	12,632,724
Furniture and equipment	5 years	1,377,210	1,323,402
Vehicles	5 years	1,157,894	1,003,601
Construction in progress	-	128,798	-
		17,735,546	17,004,251
Less accumulated depreciation		(6,585,166)	(6,060,474)
Net property and equipment		$ 11,150,380	$ 10,943,777

Depreciation and amortization expense was $576,691 and $515,087 for the years ended June 30, 2018 and 2017, respectively.

Note 7 - Beneficial Interest in the Assets of Jewish Foundation for Group Homes Endowment, Inc.

The fair value of assets contributed by donors to Jewish Foundation for Group Homes Endowment, Inc. (JFGH-E) for the benefit of JFGH is recognized as a beneficial interest in the assets of JFGH-E on the statement of financial position in other assets. The net investment income, appreciation, contributions, and expenditures recognized in the beneficial interest during the years ended June 30, 2018 and 2017 are summarized in Note 22. The balance of the beneficial interest in the assets of JFGH-E whose composition is described in Notes 20 and 21 was $15,023,215 and $12,778,502 as of June 30, 2018 and 2017, respectively.

Note 8 - Accrued Vacation

JFGH does not accrue vacation for employees because unused vacation time is rolled into the employee’s sick leave which is not paid out upon termination of employment.

Note 9 - Line of Credit

JFGH has a revolving line of credit with a bank. The maximum borrowing potential was $3,000,000 as of June 30, 2018 and 2017, respectively. The line is secured by cash balances, accounts receivable, JFGH’s personal property, and certain investments defined in the security agreement. The line bears interest at a floor of 4.5%. The balance outstanding on the line as of June 30, 2018 and 2017 was $1,950,000 and $1,875,000, respectively.

Note 10 - Deferred Grant Revenue

JFGH obtained grants from the State of Maryland for the purchase or renovation of certain group homes and the JFGH administrative building. For periods of thirty years, expiring in 2026 through 2036, the State has a right of recovery against the specific group home and JFGH administrative building, under certain circumstances, of an amount bearing the same ratio to the then current fair market value of the property as the amount of the State participation in the total eligible cost of the property. Such circumstances would include a sale or transfer to any person, agency or organization that would not qualify as an applicant or if the property ceases as a developmental disabilities facility. The total amount received from the State amounted to $2,603,387, and is reflected in the statement of financial position as a long-term liability at June 30, 2018 and 2017.

Note 11 - Notes Payable

Notes payable consisted of the following at June 30:

	2018	2017
Note payable for $50,000 dated November 13, 2015. Monthly installment payments of $928 include interest at 4.25%. The note matures on November 13, 2020. The note is secured by cash balances, accounts receivable, personal property, and certain investments defined in the security agreement.	$ 25,281	$ 35,128
	25,281	35,128
Less current maturities	(10,258)	(9,832)
Notes payable, long-term	$ 15,023	$ 25,296

Future maturities of the notes payable are as follows:

Year Ended June 30	
2019	$ 10,258
2020	10,703
2021	4,320
Total	$ 25,281

Note 12 - Deferred Mortgages Payable

Deferred mortgages payable consisted of the following at June 30:

	2018	2017
Mortgage payable to Fairfax County, Virginia dated April 26, 2007. The mortgage is non-interest bearing and does not require monthly payments. The mortgage is secured by a group home. The mortgage will be forgiven after 30 years if the property is maintained as a group home. Upon maturity of the mortgage or sale of the property, the County is entitled to 26% of the increase in market value of property over the market value at the time the mortgage was initiated. The mortgage matures in April 2037.	$ 169,955	$ 169,955
Mortgage payable to Fairfax County, Virginia dated April 26, 2007. The mortgage is non-interest bearing and does not require monthly payments. The mortgage is secured by a group home. The mortgage will be forgiven after 30 years if the property is maintained as a group home. Upon maturity of the mortgage or sale of the property, the County is entitled to 26% of the increase in market value of property over the market value at the time the mortgage was initiated. The mortgage matures in April 2037.	149,582	149,582
Mortgages payable, long-term	$ 319,537	$ 319,537

Interest expense for the line of credit, notes, mortgages payable, and capital leases for the years ended June 30, 2018 and 2017 amounted to $59,170 and $49,500, respectively.

Note 13 - Capital Lease Obligations

JFGH has agreements for the lease of vehicles with a combined capitalized cost of $806,148 and $612,048 as of June 30, 2018 and 2017, respectively. The lease terms call for monthly payments ranging from $389 to $1,100 including interest ranging from 4.25% - 8.36%. The leases terms are for 60 months and mature between December 2020 and May 2023. Accumulated depreciation on the leased vehicles for the years ended June 30, 2018 and 2017 was $234,142 and $97,777, respectively. Depreciation expense for the vehicles amounted to $136,366 and $89,880 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments under these leases are as follows:

Year Ended June 30	
2019	$ 176,107
2020	176,688
2021	198,280
2022	129,435
2023	36,108
Total minimum lease payments	716,618
Less amounts representing interest	(95,098)
Present value of minimum lease payments (including current portion of $137,037)	$ 621,520

Note 14 - Commitment - Operating Lease

JFGH entered into a non-cancelable lease agreement on February 16, 2011 for property in Fairfax, Virginia. The current term of the lease is from November 1, 2016 through October 31, 2018. The lease was renewed commencing on November 1, 2018 and expires on October 31, 2019. Monthly rent as of June 30, 2018 was $2,394.

JFGH entered into a lease agreement on May 13, 2016 for an apartment in Potomac, Maryland. The term of the lease is from May 18, 2016 to May 17, 2018. The lease was renewed for the term May 18, 2018 to May 17, 2019. Monthly rent as of June 30, 2018 was $2,015.

JFGH entered into a lease agreement on May 13, 2016 for an apartment in Potomac, Maryland. The term of the lease is from May 18, 2016 to May 17, 2018. The lease was renewed for the term May 18, 2018 to May 17, 2019. Monthly rent as of June 30, 2018 was $2,304.

JFGH Leasing, LLC entered into two apartment lease agreements on November 8, 2017. The lease terms are for 12 months and expire on November 7, 2018. Aggregate monthly rent for the two properties is $2,900 for the term of the leases.

Note 14 - Commitment - Operating Lease (Cont.)

JFGH Leasing PP, LLC entered into two apartment lease agreements on December 15, 2017. The lease terms are for 12 months and expire on December 14, 2018. Aggregate monthly rent for the two properties is $2,900 for the term of the leases.

Total rent expense for the years ended June 30, 2018 and 2017 was $177,180 and $128,149, respectively.

Future minimum lease payments are as follows through maturity:

Year Ended June 30		
2019	$	100,873
2020		18,592
Total	$	119,465

Note 15 - Rental Income

JFGH Leasing PP, LLC entered into agreements with four consumers in their private pay program to sub-lease two apartments. The sub-lease agreements commenced on February 23, 2018 and expire on October 23, 2018. Monthly rent for each of the sub-lease agreements for the term of the lease is $1,050 per month. The sub-lease agreements were renewed on October 24, 2018 and extended through October 24, 2019, and monthly rent was increased to $1,082 per tenant.

Future minimum rental income to be collected under the sub-lease agreements is as follows:

Year Ended June 30		
2019	$	51,424
2020		17,312
Total	$	68,736

Note 16 - Special Events

The direct costs of special events have been netted with contributions and fundraising revenue on the statement of activities. Special event direct expenses amounted to $364,480 and $388,245 for the years ended June 30, 2018 and 2017, respectively.

Note 17 - Retirement Plans

All employees of JFGH are eligible to participate in a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. Employees may elect to contribute up to 20% of their salary, up to a maximum amount established by federal regulations. JFGH does not contribute to this plan.

JFGH sponsors a non-participatory defined contribution plan. All employees except highly compensated individuals, as defined, are eligible for this plan. JFGH's annual contribution to this plan is determined by the Board of Directors and is allocated to participants based upon length of service.

JFGH has an IRC section 457(b) plan to supplement retirement income for certain key members of the JFGH's executive management team. JFGH's annual contribution to this plan is determined by the Board of Directors and is allocated to participants based upon years of service and compensation level.

JFGH's contributions to the Plans for the years ended June 30, 2018 and 2017 was $145,992 and $144,924, respectively.

Note 18 - Related Party Transactions

JFGH provides management, finance and accounting services for Jewish Foundation for Group Homes Endowment, Inc. (JFGH-E). For the years ended June 30, 2018 and 2017, JFGH charged JFGH-E $13,500 for these services. JFGH-E also reimbursed JFGH $6,895 and $-0- for audit fees for the years ended June 30, 2018 and 2017, respectively. The amount due to JFGH-E as of June 30, 2018 and 2017 was $1,028,604 and $95,494, respectively.

JFGH Homeownership, LLC was formed during the year ended June 30, 2018 to purchase residential homes to be used in JFGH's Maryland residential group home program. The amount due to JFGH from this LLC was $414,465 as of June 30, 2018.

JFGH Leasing, LLC was formed during the year ended June 30, 2018 to lease residential apartments to be used in JFGH's Oshinsky apartment program. The amount due to JFGH from this LLC was $36,086 as of June 30, 2018.

JFGH Leasing PP, LLC was formed during the year ended June 30, 2018 to lease residential apartments to be used in JFGH's private pay program and periodic supports through the Oshinsky apartment program. The amount due to JFGH from was $3,268 as of June 30, 2018.

JFGH utilizes an employee benefits company that is partially owned by a member of the JFGH's Board of Directors. JFGH did not pay commissions to the Board member during the years ended June 30, 2018 and 2017. The employee benefits company was sold on October 1, 2018.

Note 19 - Board Designated Net Assets

The Board of Directors of JFGH have designated funds for the following purposes at June 30:

	2018	2017
Operating reserve	$ 1,117,162	$ 1,035,455
Capital reserve	900,000	900,000
	$ 2,017,162	$ 1,935,455

Note 20 - Temporarily Restricted Net Assets

JFGH's temporarily restricted net assets consist of funds restricted for the following purposes at June 30:

	2018	2017
Naming rights of residential homes	$ 720,482	$ 512,497
Program operations	221,593	232,810
Group home renovations, maintenance, and support	80,326	59,526
Community inclusion and recreation	78,660	73,715
Direct care personnel costs	75,000	25,000
Resident health, medical, and dental expenses	67,536	15,217
Above and beyond call of duty program fund	52,102	-
Age in place fund	51,260	-
New or enhanced modalities exploration	50,000	75,000
Resident and sibling support	40,000	80,000
Jewish living program	32,783	1,430
Trips for residents to Israel	28,048	25,997
Special events	21,892	20,654
Art activities	19,918	18,438
	$ 1,539,600	$ 1,140,284

Note 20 - Temporarily Restricted Net Assets (Cont.)

JFGH-E's temporarily restricted net assets consist of funds restricted for the following purposes at June 30:

	2018	2017
Program operations	$ 6,550,470	$ 6,019,534
Group home renovations, maintenance, and support	3,676,525	3,371,598
Resident health, medical, and dental expenses	691,282	634,749
Direct care personnel cost and training	549,322	495,680
Visual arts and cultural activities	501,822	461,725
Personal support program	422,267	388,533
Special events	254,332	226,026
Jewish living program	212,376	144,869
Building maintenance	139,461	128,320
Vehicle purchase and maintenance	129,757	119,391
Support for residents and families on the waiting list	73,608	66,981
Resident and sibling support	65,537	58,445
	$ 13,266,759	$ 12,115,851

Note 21 – Permanently Restricted Net Assets

JFGH-E's permanently restricted net assets consist of funds restricted for the following purposes at June 30:

	2018	2017
Anonymous innovation fund	$ 1,000,000	$ -
Vehicle purchase and maintenance endowment	286,551	251,886
Financial assistance for individuals endowment	186,235	163,705
Medical and nursing expenses endowment	163,262	141,218
Virginia residence operations endowment	120,408	105,842
	$ 1,756,456	$ 662,651

Note 22 - Net Assets - Endowment

JFGH-E's endowment holdings consist of contributions of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the nature of donor-imposed restrictions.

JFGH-E's endowment funds are managed and invested consistent with the standards prescribed by Section 15-402 of the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA). The JFGH-E Board of Trustees annually directs the investment manager to disburse to a JFGH designated operating account an amount as determined by JFGH-E's spending policy. That amount, consistent with UPMIFA Section 15-403, currently is set at 5% of the average endowment funds' year-end balances over the prior three calendar years.

Endowment funds by net asset class and changes in endowment net assets are as follows as of June 30:

2018	Temporarily Restricted JFGH-E	Permanently Restricted JFGH-E	Total Endowment Net Assets
Endowment net assets, beginning of year	$12,115,851	$ 662,651	$ 12,778,502
Contributions	66,709	1,002,500	1,069,209
Investment income, net of investment fees	189,596	11,636	201,232
Net appreciation (realized and unrealized)	1,456,515	80,751	1,537,266
Amounts appropriated for expenditure	(561,912)	(1,082)	(562,994)
Endowment net assets, end of year	$13,266,759	$ 1,756,456	$ 15,023,215
2017			
Endowment net assets, beginning of year	$10,933,125	$ 570,876	$ 11,504,001
Contributions	31,856	2,780	34,636
Investment income, net of investment fees	206,240	10,900	217,140
Net appreciation (realized and unrealized)	1,478,246	78,095	1,556,341
Amounts appropriated for expenditure	(533,616)	-	(533,616)
Endowment net assets, end of year	$12,115,851	$ 662,651	$ 12,778,502

Note 23 - Contingent Liabilities

JFGH receives a substantial portion of its revenue from governmental grants and contracts, all of which are subject to audits by the government. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management of JFGH is of the opinion that no significant liability will result from audit adjustments, if any.

During the years ended June 30, 2018 and 2017, JFGH received grant funds in the amount of $51,801 and $48,199, respectively, from the State of Maryland for capital projects to group homes. The grant agreement includes a disposition clause whereby JFGH may not sell or otherwise transfer or dispose of real or personal property acquired with grant funds without prior written consent from the State. If the State elects to permit any such transfer or disposition, it may, in its sole discretion, require that JFGH thereupon repay the State a percentage of the proceeds allocable to the grant that was used to acquire such property.

Note 24 - Significant Funding Source

JFGH receives a majority of its revenues from government fees and grants. JFGH is highly dependent upon its government funding to continue its operations.

Note 25 - Subsequent Events

The Organization has evaluated the impact of significant subsequent events through December 6, 2018, which is the date the financial statements were available to be issued, that require recognition or disclosure.

Subsequent to year end, JFGH renewed their lease agreement for property in Fairfax, Virginia. The renewed term of the lease commences on November 1, 2018 and expires on October 31, 2019. Monthly rent through the term of the renewed lease is $2,402.

Subsequent to year end, JFGH Leasing PP, LLC extended their sub-lease agreements with four tenants for two apartments. The renewed term of the leases commence on October 24, 2018 and expire on October 24, 2019. Monthly rent to be collected over the term of the sub-leases is $1,082 per month per tenant.

On July 1, 2018, JFGH entered into a group annuity contract with Mutual of America Life Insurance Company for their 401(a) Profit-Sharing Plan for Employees of JFGH, Inc.