

**JEWISH FOUNDATION FOR GROUP HOMES, INC.
AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019**

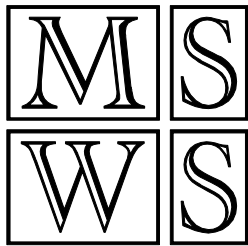


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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MULLEN & SONDBERG
WIMBISH & STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



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

Annapolis, Maryland
December 12, 2019

Jewish Foundation for Group Homes, Inc. and Affiliates
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With Summarized Financial Information as of June 30, 2018)

	ASSETS		
		2019	2018
CURRENT ASSETS			
Cash and cash equivalents		\$ 134,116	\$ 260,275
Investments		3,840,836	4,833,558
Accounts receivable - funding agencies		291,856	589,335
Accounts receivable - other, net of allowance for doubtful accounts		11,341	45,525
Unconditional promises to give, net of allowance		213,125	275,460
Prepaid expenses		70,309	152,412
Total current assets		4,561,583	6,156,565
PROPERTY AND EQUIPMENT			
Net of accumulated depreciation		10,851,349	11,150,380
OTHER ASSETS			
Beneficial interest in the assets of Jewish Foundation for Group Homes Endowment, Inc.		15,561,091	15,023,215
Unconditional promises to give, net of discount		399,841	160,802
Cash surrender value - life insurance		601,485	579,797
Deposits		8,003	7,980
Total other assets		16,570,420	15,771,794
Total assets		\$ 31,983,352	\$ 33,078,739

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, 2019
(With Summarized Financial Information as of June 30, 2018)

LIABILITIES AND NET ASSETS	2019	2018
	2019	2018
CURRENT LIABILITIES		
Accounts payable	\$ 172,716	\$ 270,840
Accrued payroll and related liabilities	270,697	203,126
Due to Jewish Foundation for Group Homes Endowment, Inc.	65,403	1,028,604
Due to consumers	60,645	30,378
Deferred revenue	58,097	77,684
Line of credit	800,000	1,950,000
Notes payable	10,703	10,258
Capital lease obligations	159,371	137,037
Total current liabilities	1,597,632	3,707,927
LONG-TERM LIABILITIES		
Security deposits	7,200	4,200
Notes payable	4,133	15,023
Deferred mortgages payable	319,537	319,537
Deferred grant revenue	2,603,387	2,603,387
Capital lease obligations	397,092	484,483
Total long-term liabilities	3,331,349	3,426,630
Total liabilities	4,928,981	7,134,557
NET ASSETS		
Without donor restrictions		
Undesignated	7,707,824	7,364,205
Board designated	2,055,845	2,017,162
Total net assets without donor restrictions	9,763,669	9,381,367
With donor restrictions		
Purpose and time restrictions	1,729,611	1,539,600
Purpose and time restrictions - JFGH-E	14,045,384	13,507,508
Perpetual in nature - JFGH-E	1,515,707	1,515,707
Total net assets with donor restrictions	17,290,702	16,562,815
Total net assets	27,054,371	25,944,182
Total liabilities and net assets	\$ 31,983,352	\$ 33,078,739

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, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions - JFGH	With Donor Restrictions - JFGH-E	Total	
				2019	2018
REVENUES, GAINS AND OTHER SUPPORT					
State program fees and grants	\$ 10,215,111	\$ -	\$ -	\$ 10,215,111	\$ 9,923,614
Contributions	663,110	789,838	32,177	1,485,125	2,836,463
Net investment return	234,591	7,959	1,113,031	1,355,581	2,028,698
Other grants	1,167,518	-	-	1,167,518	981,804
Other program service fees	716,679	-	-	716,679	684,920
Consumer fees	644,477	-	-	644,477	633,152
Fundraising and special events, net of direct expenses	488,595	-	-	488,595	600,881
Gain on disposal of property and equipment	195,194	-	-	195,194	6,905
Jewish Federation allocation	189,104	-	-	189,104	189,104
Rental income and utilities pass-through	61,745	-	-	61,745	18,863
Other income	15,309	-	-	15,309	15,116
	<u>14,591,433</u>	<u>797,797</u>	<u>1,145,208</u>	<u>16,534,438</u>	<u>17,919,520</u>
Net assets released from restriction	<u>1,215,118</u>	<u>(607,786)</u>	<u>(607,332)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>15,806,551</u>	<u>190,011</u>	<u>537,876</u>	<u>16,534,438</u>	<u>17,919,520</u>
EXPENSES					
Program services					
Residential Group Homes	10,886,903	-	-	10,886,903	10,636,108
Greenwald Personal Support Program	1,006,178	-	-	1,006,178	1,064,084
MOST Program - Maryland	372,982	-	-	372,982	435,745
MOST Program - Virginia	408,382	-	-	408,382	333,589
Oshinsky Apartment Program	545,297	-	-	545,297	447,069
Private Pay Sub-Leasing	57,884	-	-	57,884	20,293
Total program services	<u>13,277,626</u>	<u>-</u>	<u>-</u>	<u>13,277,626</u>	<u>12,936,888</u>
Supporting services					
Management and general	1,794,914	-	-	1,794,914	1,562,383
Fundraising	351,709	-	-	351,709	376,145
Total supporting services	<u>2,146,623</u>	<u>-</u>	<u>-</u>	<u>2,146,623</u>	<u>1,938,528</u>
Total expenses	<u>15,424,249</u>	<u>-</u>	<u>-</u>	<u>15,424,249</u>	<u>14,875,416</u>
Change in net assets	382,302	190,011	537,876	1,110,189	3,044,104
NET ASSETS AT BEGINNING OF YEAR	<u>9,381,367</u>	<u>1,539,600</u>	<u>15,023,215</u>	<u>25,944,182</u>	<u>22,900,078</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,763,669</u>	<u>\$ 1,729,611</u>	<u>\$ 15,561,091</u>	<u>\$ 27,054,371</u>	<u>\$ 25,944,182</u>

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, 2019
(With Summarized Information for the Year Ended June 30, 2018)

	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	2019	2018
Salaries and wages	\$ 7,530,898	\$ 856,522	\$ 251,627	\$ 252,957	\$ 373,633	\$ 11,662	\$ 9,277,299	\$ 740,431	\$ 250,102	\$ 10,267,832	\$ 9,886,119
Employee benefits	587,577	44,351	21,293	38,215	105,133	-	796,569	123,320	24,730	944,619	1,045,335
Payroll taxes	554,984	61,602	18,204	18,082	27,360	892	681,124	83,347	18,168	782,639	724,953
Total salaries and related expenses	8,673,459	962,475	291,124	309,254	506,126	12,554	10,754,992	947,098	293,000	11,995,090	11,656,407
Depreciation	480,028	3,170	41,834	1,533	9,413	-	535,978	80,228	8,193	624,399	576,691
Occupancy	454,444	10,917	17,240	51,845	2,763	45,270	582,479	13,652	4,335	600,466	505,348
Repairs and maintenance	363,271	381	3,125	18,184	305	-	385,266	67,147	639	453,052	482,887
Fundraising, marketing, and events	-	-	-	-	-	-	-	-	381,307	381,307	364,480
Food	358,069	-	-	-	-	-	358,069	-	-	358,069	350,397
Insurance	123,960	169	2,293	2,293	2,461	-	131,176	122,184	473	253,833	197,635
Meetings and conferences	25,711	-	125	391	-	56	26,283	214,161	302	240,746	135,100
Supplies and equipment	121,228	5,041	2,620	5,979	2,213	-	137,081	77,920	3,062	218,063	240,093
Transportation	91,716	7,384	5,404	4,185	11,390	4	120,083	12,215	99	132,397	140,037
Contracted services	56,683	5,373	1,546	1,597	2,316	-	67,515	55,744	2,329	125,588	196,839
Investment fees	-	-	-	-	-	-	-	123,043	-	123,043	101,506
Information technology	59,256	8,159	2,347	2,425	3,517	-	75,704	38,015	2,996	116,715	93,353
Office expenses	29,090	3,024	869	901	1,305	-	35,189	23,359	13,077	71,625	71,446
Interest	-	-	-	-	-	-	-	55,239	-	55,239	59,170
Membership dues	7,273	-	-	-	-	-	7,273	38,499	319	46,091	45,514
Staff appreciation	601	-	-	-	-	-	601	40,565	-	41,166	14,154
Medical	27,892	-	740	539	-	-	29,171	-	-	29,171	31,064
Client activities	11,570	85	3,715	9,256	3,488	-	28,114	182	-	28,296	32,187
Communications	-	-	-	-	-	-	-	1,498	21,547	23,045	28,287
Miscellaneous	2,652	-	-	-	-	-	2,652	7,208	26	9,886	2,844
Bad debt	-	-	-	-	-	-	-	-	1,312	1,312	15,963
Total expenses	10,886,903	1,006,178	372,982	408,382	545,297	57,884	13,277,626	1,917,957	733,016	15,928,599	15,341,402
Less: special events expenses included with revenue in the statement of activities	-	-	-	-	-	-	-	-	(381,307)	(381,307)	(364,480)
Less: investment expenses included with revenue in the statement of activities	-	-	-	-	-	-	-	(123,043)	-	(123,043)	(101,506)
Total expenses reported in the statement of activities	\$ 10,886,903	\$ 1,006,178	\$ 372,982	\$ 408,382	\$ 545,297	\$ 57,884	\$ 13,277,626	\$ 1,794,914	\$ 351,709	\$ 15,424,249	\$ 14,875,416

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, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,110,189	\$ 3,044,104
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	624,399	576,691
Realized/unrealized gain on investments	(1,029,341)	(1,756,977)
Gain on disposal of assets	(195,194)	(6,905)
Contributions made through JFGH Endowment, Inc. (net)	347,982	(707,447)
Donated Israel bonds	(115,000)	(115,000)
(Increase) decrease in operating assets:		
Accounts receivable	331,663	(142,889)
Unconditional promises to give	(176,704)	(268,825)
Prepaid expenses	82,103	(50,650)
Deposits	(23)	(100)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(30,553)	124,024
Due to Jewish Foundation for Group Homes Endowment, Inc.	(963,201)	933,110
Due to consumers	30,267	(1,522)
Deferred revenue	(19,587)	67,162
Security deposit liability	3,000	4,200
	-	1,698,976
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(756,844)	(589,193)
Proceeds from disposal of property and equipment	701,729	6,905
Purchase of investments and reinvested earnings	(797,266)	(2,024,264)
Proceeds from sale of investments	1,839,783	542,018
Proceeds from maturity of Israel bonds	187,000	91,238
	1,174,402	(1,973,296)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	3,030,000	5,378,000
Principal payments on line of credit	(4,180,000)	(5,303,000)
Principal payments on notes payable	(10,445)	(9,847)
Principal payments on capital leases	(140,116)	(110,836)
	(1,300,561)	(45,683)
Net change in cash and cash equivalents	(126,159)	(320,003)
Cash and cash equivalents at beginning of year	260,275	580,278
Cash and cash equivalents at end of year	\$ 134,116	\$ 260,275
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 55,239	\$ 59,170
Noncash investing and financing activities:		
Property and equipment acquisitions	\$ 831,903	\$ 783,294
Less amounts financed	(75,059)	(194,101)
Net cash paid for property and equipment	\$ 756,844	\$ 589,193

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

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

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, 2019. 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 of 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, 2019.

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.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

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

Basis of Accounting

The Organization 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.

Basis of Presentation

The financial statements of JFGH have been prepared in accordance with U.S. Generally Accepted Accounting Principles, which require JFGH to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of JFGH. These net assets may be used at the discretion of JFGH's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of JFGH or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information. 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, 2018, from which the summarized information was derived.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

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

Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, 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 net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

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.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

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

Income Taxes (Cont.)

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, 2016 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 non-profit 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 and supporting services as incurred or allocated based on usage or estimates of time and effort. Items such as occupancy and depreciation are allocated based on square footage, and items such as administrative personnel costs are allocated based on estimates of time and effort.

Reclassification of Prior Year Balances

Certain reclassifications of prior year balances were made to conform to current year presentation. JFGH-E net assets with donor restrictions that are perpetual in nature in the amount of \$240,749 have been reclassified to JFGH-E net assets with donor restrictions that have purpose restrictions as of June 30, 2018.

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.

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, 2019.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

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

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 \$12,774 for the year ended June 30, 2019.

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 4.19% discount rate for the year ending June 30, 2019.

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 Organization 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.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

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 support without donor restrictions, 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 support with donor restrictions. 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 (a) the services create or enhance non-financial assets or (b) 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 year ended June 30, 2019.

Advertising

JFGH expenses advertising costs when incurred. Advertising expenses were \$1,210 for the year ended June 30, 2019.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

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

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 is effective for the fiscal years beginning after December 15, 2017. JFGH has adjusted the presentation of these financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented. As a result of the implementation of ASU 2016-14, net assets have been reclassified in the accompanying financial statements as follows as of the year ending June 30, 2018:

<u>Net Asset Classification</u>	<u>Prior to Adoption of ASU 2016-14</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 7,364,205	\$ -
Unrestricted net assets - Board designated	2,017,162	-
Temporarily restricted net assets	1,539,600	-
Temporarily restricted net assets - JFGH-E	13,507,508	-
Permanently restricted net assets - JFGH-E	1,515,707	-
Net assets without donor restrictions	-	7,364,205
Net assets without donor restrictions - Board designated	-	2,017,162
Net assets with donor restrictions - purpose and time restrictions	-	1,539,600
Net assets with donor restrictions - purpose and time restrictions - JFGH-E	-	13,507,508
Net assets with donor restrictions - perpetual in nature - JFGH-E	-	1,515,707
	<u>\$ 25,944,182</u>	<u>\$ 25,944,182</u>

Note 2 - Concentration of Cash Balances

As of June 30, 2019 and at various times during the fiscal year 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. There were no amounts held in excess of FDIC insurance coverage at June 30, 2019.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 3 - Availability and Liquidity

The following represents JFGH's financial assets at June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 134,116
Investments	3,840,836
Accounts receivable - funding agencies	291,856
other, net of allowance for doubtful accounts	11,341
Unconditional promises to give, net of allowance and discount	<u>612,966</u>
Total financial assets	4,891,115
Less amounts not available to be used within one year:	
Net assets with donor restrictions - JFGH	<u>(1,729,611)</u>
Financial assets available to meet general expenditures over the next twelve months before board designations:	3,161,504
Less: Board designated funds	<u>(2,055,845)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,105,659</u></u>

It is the policy of JFGH to manage agency cash and cash equivalents to ensure appropriate levels and liquidity are maintained to support ongoing operating expenses, capital needs and strategic initiatives. JFGH shall maintain a minimum of \$620,000, approximately 14 days and a maximum of \$3,375,000, approximately 75 days in operating cash and cash equivalents available to meet general expenditures over the next twelve months. The policy provides instructions if operating cash falls either below the minimum or exceeds the maximum. In addition, JFGH has a line of credit in the amount of \$3,000,000 (see Note 9) which is secured by JFGH assets, which JFGH can draw upon if conditions dictate.

Note 4 - Investments

The market values and cost of investments were as follows at June 30, 2019:

	Cost	Fair Market Value	Gross Unrealized Gain
Cash / money market	\$ 429,710	\$ 429,710	\$ -
Equity securities	1,008,783	1,537,175	528,392
Fixed income securities	1,440,819	1,459,288	18,469
United Jewish Endowment Fund	246,862	246,862	-
Israel bonds	167,801	167,801	-
Total	<u><u>\$ 3,293,975</u></u>	<u><u>\$ 3,840,836</u></u>	<u><u>\$ 546,861</u></u>

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 4 - Investments (Cont.)

Net investment return is comprised of the following at June 30, 2019:

Realized/unrealized gain on investments	\$ 1,029,341
Interest and dividends	449,283
Investment expenses	<u>(123,043)</u>
Net investment return	<u>\$ 1,355,581</u>

Note 5 - Fair Value Measurement

ASC 820-10 Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC820 are as described 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 to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 5 - Fair Value Measurement (Cont.)

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.

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 4.19% based on 175% of the mid-term annual applicable federal rate as of June 30, 2019.

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash and money market funds	\$ 429,710	\$ -	\$ -	\$ 429,710
Equities	1,537,175	-	-	1,537,175
Fixed income securities	1,459,288	-	-	1,459,288
United Jewish Endowment fund	-	246,862	-	246,862
Bonds issued by the State of Israel	-	167,801	-	167,801
Total investments	<u>3,426,173</u>	<u>414,663</u>	<u>-</u>	<u>3,840,836</u>
Unconditional promises to give	<u>-</u>	<u>-</u>	<u>612,966</u>	<u>612,966</u>
Total assets	<u>\$ 3,426,173</u>	<u>\$ 414,663</u>	<u>\$ 612,966</u>	<u>\$ 4,453,802</u>

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 5 - 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 year ending June 30, 2019:

Balance, beginning of year	\$	436,262
Contributions		796,925
Collections		(617,603)
Bad debt write off		(33,660)
Change in present value discount		(1,305)
Change in allowance for doubtful promises		<u>32,347</u>
Balance, end of year	\$	<u><u>612,966</u></u>

Note 6 - Unconditional Promises to Give

Unconditional promises to give are comprised of the following at June 30, 2019:

Unconditional promises to give due in less than one year	\$	225,899
Unconditional promises to give due in one to five years		<u>417,026</u>
Total unconditional promises to give		642,925
Allowance for doubtful accounts		(12,774)
Present value discount		<u>(17,185)</u>
Net unconditional promises to give	\$	<u><u>612,966</u></u>

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 7 - Property and Equipment

Property and equipment consisted of the following at June 30, 2019:

	<u>Estimated Useful Life</u>		
Land	-	\$	2,076,411
Buildings and improvements	30 years		12,950,422
Furniture and equipment	5 years		1,398,178
Vehicles	5 years		1,200,437
Construction in progress	-		30,174
			17,655,622
Less accumulated depreciation			(6,804,273)
Net property and equipment		\$	10,851,349

Depreciation and amortization expense was \$624,399 for the year ended June 30, 2019.

Note 8 - 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 (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 year ended June 30, 2019 is summarized in Note 21. The balance of the beneficial interest in the assets of JFGH-E whose composition is described in Note 20 was \$15,561,091 as of June 30, 2019.

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, 2019. 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%, and was 5.5% as of June 30, 2019. The balance outstanding on the line as of June 30, 2019 was \$800,000.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

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, 2019.

Note 11 - Notes Payable

Notes payable consisted of the following at June 30, 2019:

	2019
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.	\$ 14,836
	14,836
Less current maturities	(10,703)
Notes payable, long-term	\$ 4,133

Future maturities of the notes payable are as follows:

Year Ended June 30	
2020	\$ 10,703
2021	4,133
Total	\$ 14,836

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 12 - Deferred Mortgages Payable

Deferred mortgages payable consisted of the following at June 30, 2019:

	<u>2019</u>
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
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.	<u>149,582</u>
Mortgages payable, long-term	<u><u>\$ 319,537</u></u>

Interest expense for the line of credit, notes, mortgages payable, and capital leases for the year ended June 30, 2019 amounted to \$55,239.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 13 - Capital Lease Obligations

JFGH has agreements for the lease of vehicles with a combined capitalized cost of \$881,208 as of June 30, 2019. The lease terms call for monthly payments ranging from \$389 to \$1,100 including interest ranging from 4.25% - 8.57%. The leases terms are for 60 months and mature between December 2020 and May 2024. Accumulated depreciation on the leased vehicles for the year ended June 30, 2019 was \$400,065. Depreciation expense for the vehicles amounted to \$165,923 for the year ended June 30, 2019.

Future minimum lease payments under these leases are as follows:

Year Ended June 30	
2020	\$ 194,363
2021	215,955
2022	147,110
2023	53,782
2024	17,158
Total minimum lease payments	628,368
Less amounts representing interest	(71,905)
Present value of minimum lease payments (including current portion of \$159,371)	\$ 556,463

Note 14 - Commitment - Operating Lease

JFGH entered into a non-cancelable lease agreement on February 16, 2011 for property in Fairfax, Virginia. The term of the lease is from November 1, 2016 through October 31, 2018. The lease was renewed in May 2019 and the term of the lease was extended from November 1, 2019 through October 31, 2022. Monthly rent as of June 30, 2019 was \$2,402.

JFGH entered into a lease agreement on May 13, 2016 for an apartment in Potomac, Maryland. The current term of the lease is from May 18, 2019 to May 17, 2020. Monthly rent as of June 30, 2019 was \$2,396.

JFGH entered into a lease agreement on May 13, 2016 for an apartment in Potomac, Maryland. The current term of the lease is from May 18, 2019 to May 17, 2020. Monthly rent as of June 30, 2019 was \$2,159.

JFGH Leasing, LLC entered into two lease agreements on November 8, 2017 for apartments in Bethesda, Maryland. The current term of the leases are from June 14, 2019 to June 13, 2020. Monthly rent for each of the two properties is \$1,495 for the term of the current leases.

Jewish Foundation for Group Homes, Inc. and Affiliates
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
 June 30, 2019

Note 14 - Commitment - Operating Lease (Cont.)

JFGH Leasing, LLC entered into a lease agreement on April 22, 2019 for an apartment in Rockville, Maryland. The lease term is for 12 months and expires on April 21, 2020. Monthly rent for the property is \$1,510 for the term of the lease.

JFGH Leasing PP, LLC entered into two lease agreements on December 15, 2017 for apartments in Bethesda, Maryland. The current lease term of the leases is from June 14, 2019 to June 13, 2019. Monthly rent for each of the properties is \$1,495 for the term of the current leases.

JFGH Leasing, LLC entered into two lease agreements on July 1, 2019 for apartments in Rockville, Maryland. The lease terms are for 12 months and expire on June 30, 2020. Monthly rent for each of the two properties is \$1,510 for the term of the leases.

JFGH Leasing PP, LLC entered into a lease agreement on July 1, 2019 for an apartment in Rockville, Maryland. The term of the lease is for 12 months and expires on June 30, 2020. Monthly rent as of June 30, 2019 was \$1,510.

Total rent expense for the year ended June 30, 2019 in the amount of \$247,078 is included in occupancy expense on the consolidated statement of functional expenses.

Future minimum lease payments are as follows through maturity:

<u>Year Ended June 30</u>	
2020	\$ 141,675
2021	28,824
2022	28,824
2023	<u>9,608</u>
Total	<u>\$ 208,931</u>

Note 15 - Rental Income

JFGH Leasing PP, LLC entered into agreements with four consumers in their private pay program to sub-lease apartments. The sub-lease agreements commenced on February 23, 2018 and expired on October 23, 2018. The sub-lease agreements were renewed on October 24, 2018 and expire on October 24, 2019. Monthly rent for each of the sub-lease agreements for the current term of the lease is \$1,082 per month. The sub-lease agreements were renewed and extended through October 25, 2020, and monthly rent was increased to \$1,115 per tenant.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 15 - Rental Income (Cont.)

JGFH Leasing PP, LLC entered into agreements with two consumers in their private pay program to sub-lease one apartment. The sub-lease agreements commenced on April 22, 2019 and expire on April 21, 2020. Monthly rent for each of the sub-lease agreements for the term of the lease is \$1,220 per month.

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

<u>Year Ended June 30</u>	
2020	\$ 102,292
2021	<u>17,840</u>
Total	<u><u>\$ 120,132</u></u>

Note 16 - Special Events

The direct costs of special events have been netted with fundraising revenue on the statement of activities. Special event direct expenses amounted to \$381,307 for the year ended June 30, 2019.

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 year ended June 30, 2019 in the amount of \$160,435 is included in employee benefits on the consolidated statement of functional expenses.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 18 - Related Party Transactions

JFGH provides management, finance and accounting services for Jewish Foundation for Group Homes Endowment, Inc. (JFGH-E). For the year ended June 30, 2019, JFGH charged JFGH-E \$13,500 for these services. JFGH-E also reimbursed JFGH \$7,367 for audit fees for the year ended June 30, 2019. The amount due to JFGH-E as of June 30, 2019 was \$65,403.

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 \$685,638 as of June 30, 2019.

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 \$114,026 as of June 30, 2019.

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 this LLC was \$1,913 as of June 30, 2019.

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 year ended June 30, 2019. The employee benefits company was sold on October 1, 2018.

Note 19 - Net Assets Without Donor Restrictions – Board Designated

The Board of Directors of JFGH have designated funds for the following purposes at June 30, 2019:

Operating reserve	\$ 1,155,845
Capital reserve	<u>900,000</u>
	<u>\$ 2,055,845</u>

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 20 - Net Assets With Donor Restrictions

JFGH's net assets with donor restrictions consist of funds restricted for the following purposes at June 30, 2019:

Subject to expenditure for specified purpose - JFGH:	
Naming rights of residential homes	\$ 846,772
Program operations	190,793
Resident health, medical, and dental expenses	150,637
20 for 20	92,000
Community inclusion and recreation	80,161
Group home renovations, maintenance, and support	73,525
Age in place fund	51,260
New or enhanced modalities exploration	50,000
Direct care personnel costs	43,750
Above and beyond call of duty program fund	38,652
Trips for residents to Israel	29,019
Jewish living program	28,079
Art activities	20,708
Resident and sibling support	20,000
Special events	14,255
	<hr/>
Total net assets with donor restrictions - JFGH	<u>\$ 1,729,611</u>

Net assets are released from donor restrictions when expenditures are made in accordance with the purposes specified by the donor. The following net assets were released from restrictions during the year ended June 30, 2019:

Purpose restriction accomplished - JFGH:	
Naming rights of residential homes	\$ 365,917
Program operations	52,142
Resident health, medical, and dental expenses	68,711
Community inclusion and recreation	5,114
Group home renovations, maintenance, and support	42,112
Direct care personnel costs	31,250
Above and beyond call of duty program fund	3,250
Trips for residents to Israel	2,487
Jewish living program	6,033
Art activities	1,766
Resident and sibling support	20,000
Special events	9,004
	<hr/>
Total net assets released from restriction - JFGH	<u>\$ 607,786</u>

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 20 - Net Assets With Donor Restrictions (Cont.)

JFGH-E's net assets with donor restrictions consist of funds restricted for the following purposes at June 30, 2019:

Subject to expenditure for specified purpose - JFGH-E:	
Program operations	\$ 6,769,381
Group home renovations, maintenance, and support	3,861,930
Resident health, medical, and dental expenses	768,358
Direct care personnel cost and training	567,743
Visual arts and cultural activities	518,598
Personal support program	436,359
Special events	272,102
Jewish living program	231,873
Building maintenance	144,115
Vehicle purchase and maintenance	229,753
Support for residents and families on the waiting list	75,752
Resident and sibling support	67,740
Financial assistance	67,582
Anonymous innovation fund	34,098
Total net assets subject to expenditure for specified purpose - JFGH-E	14,045,384
Not subject to appropriation or expenditure - JFGH-E:	
Net assets from endowments held in perpetuity for:	
Anonymous innovation fund endowment	1,000,000
Vehicle purchase and maintenance endowment	200,656
Financial assistance for individuals endowment	125,000
Medical and nursing expenses endowment	117,681
Virginia residence operations endowment	72,370
Total net assets not subject to appropriation or expenditure - JFGH-E	1,515,707
Total net assets with donor restrictions - JFGH-E	\$ 15,561,091

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 20 - Net Assets With Donor Restrictions (Cont.)

Net assets are released from donor restrictions when expenditures are made in accordance with the purposes specified by the donor. The following net assets for JFGH-E were released from restrictions during the year ended June 30, 2019:

Purpose restriction accomplished - JFGH-E:	
Program operations	\$ 265,836
Group home renovations, maintenance, and support	149,201
Resident health, medical, and dental expenses	28,053
Direct care personnel cost and training	22,292
Visual arts and cultural activities	20,365
Personal support program	17,137
Special events	10,321
Jewish living program	8,618
Building maintenance	5,660
Vehicle purchase and maintenance	5,266
Support for residents and families on the waiting list	2,987
Resident and sibling support	2,660
	<hr/>
Total release of purpose restriction accomplished - JFHG-E	538,396
Release of appropriated endowment funds JFGH-E:	
Anonymous innovation fund endowment	40,583
Vehicle purchase and maintenance endowment	11,629
Financial assistance for individuals endowment	7,561
Medical and nursing expenses endowment	6,626
Virginia residence operations endowment	2,537
	<hr/>
Total release of appropriated endowment funds - JFGH-E	68,936
	<hr/>
Total net assets released from restriction - JFGH-E	<u>\$ 607,332</u>

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 21 - 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, 2019:

	With Donor Restrictions JFGH-E		
	Original		
	Amount of Gift	Accumulated Net Gains	Total
Endowment net assets, beginning of year	\$ 10,879,971	\$ 4,143,244	\$ 15,023,215
Contributions	31,796	381	32,177
Investment income, net of investment fees	-	227,173	227,173
Net appreciation (realized and unrealized)	-	885,858	885,858
Amounts appropriated for expenditure	-	(607,332)	(607,332)
	<u>\$ 10,911,767</u>	<u>\$ 4,649,324</u>	<u>\$ 15,561,091</u>

Note 22 - 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.

JFGH has received grant funds from the State of Maryland for capital projects to group homes. The grant agreements include 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.

Jewish Foundation for Group Homes, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 23 - Significant Funding Source

JFGH receives a majority of its revenues, approximately 62%, from government fees and grants. JFGH is highly dependent upon its government funding to continue its operations.

Note 24 - Subsequent Events

The Organization has evaluated the impact of significant subsequent events through December 12, 2019, which is the date the financial statements were available to be issued, that require recognition or disclosure. Except for the following, there are no subsequent events that require recognition or disclosure.

Subsequent to year end, JFGH entered into a lease agreement for property in Loudoun County Virginia. The term of the lease is from February 1, 2020 to April 30, 2025. Monthly rent for the property ranges from \$3,842 to \$4,454 for the term of the lease.

Subsequent to year end, JFGH Leasing, LLC entered into two apartment lease agreements in Rockville, Maryland. The term of the leases are from July 1, 2019 to June 30, 2020. Monthly rent for each of the two properties is \$1,510 for the term of the leases.

Subsequent to year end, JFGH Leasing PP, LLC entered into a lease agreement for property in Rockville, Maryland. The term of the lease is from July 1, 2019 to June 30, 2020. Monthly rent for the property is \$1,510 for the term of the lease.

On August 30, 2019, JFGH purchased a residential property in Silver Spring, Maryland. JFGH purchased the property for a total of \$274,250.