

**JEWISH FOUNDATION FOR GROUP HOMES, INC.
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Jewish Foundation for Group Homes, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2020, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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.

Board of Directors
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, 2020, and changes in their net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, Jewish Foundation for Group Homes, Inc. and Affiliates has adopted Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Restatement of Prior Period Net Assets

As discussed in Note 21 to the consolidated financial statements, Jewish Foundation for Group Homes, Inc. and Affiliates has restated net assets of July 1, 2019, to properly reflect net assets with and without donor restriction. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Greenbelt, Maryland
February 11, 2021

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	983,659
Investments		3,820,226
Accounts Receivable – Governmental Agencies		1,052,679
Other Receivable - Life Insurance		431,000
Unconditional Promise to Give, Net of Allowance		369,044
Prepaid Expenses		28,284
Total Current Assets		6,684,892

PROPERTY AND EQUIPMENT

Net of Accumulated Depreciation		11,295,033
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OTHER ASSETS

Endowment Funds Held With JFGH-E		13,542,587
Unconditional Promise to Give, Net of Discount		177,277
Cash Surrender Value - Life Insurance		667,451
Investment - 457b Plan Asset		503,079
Deposits		11,960
Total Other Assets		14,902,354

Total Assets		\$ 32,882,279
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See accompanying Notes to Consolidated Financial Statements.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 789,831
Due to Consumers	3,611
Due to State	491,448
Deferred Revenue	5,000
Notes Payable, Current Portion	4,381
Capital Lease Obligations, Current Portion	242,446
Total Current Liabilities	1,536,717

LONG-TERM LIABILITIES

Security Deposits	6,200
Paycheck Protection Program Loan	2,286,960
Deferred Mortgages Payable	319,537
Deferred Grant Revenue	2,603,387
Deferred Compensation - 457b Plan Liability	503,079
Capital Lease Obligations, Net of Current Portion	296,008
Total Long-Term Liabilities	6,015,171

Total Liabilities	7,551,888
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NET ASSETS

Without Donor Restrictions:	
Undesignated	7,315,431
Board-Designated Reserves	2,076,993
Board-Designated Quasi Endowment	1,433,446
Total Net Assets Without Donor Restrictions	10,825,870

With Donor Restrictions:	
Purpose and Time Restrictions	6,397,844
Perpetual in Nature	8,106,677
Total Net Assets With Donor Restrictions	14,504,521
Total Net Assets	25,330,391

Total Liabilities and Net Assets	\$ 32,882,279
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See accompanying Notes to Consolidated Financial Statements.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
State Program Fees	\$ 10,886,867	\$ -	\$ 10,886,867
Contributions	1,507,336	981,768	2,489,104
Net Investment Return	220,261	32,863	253,124
Net Investment Return - Endowment Funds			
Held by JFGH-E	57,584	1,150,013	1,207,597
Other Grants	1,277,578	-	1,277,578
Other Program Service Fees	575,946	-	575,946
Consumer Fees	651,298	-	651,298
Fundraising and Special Events,			
Net of Direct Expenses	615,013	-	615,013
Gain on Disposal of Property and Equipment	11,366	-	11,366
Rental Income and Utilities Pass-Through	103,050	-	103,050
Other Income	445,723	-	445,723
Total	16,352,022	2,164,644	18,516,666
Net Assets Released from Restriction	912,818	(912,818)	-
 Total Revenues, Gains, and Other Support	 17,264,840	 1,251,826	 18,516,666
EXPENSES			
Program Services:			
Residential Group Homes	13,047,384	-	13,047,384
Greenwald Personal Support Program	1,017,144	-	1,017,144
MOST Program - Maryland	348,434	-	348,434
MOST Program - Virginia	468,483	-	468,483
Oshinsky Apartment Program	396,251	-	396,251
Private Pay Subleasing (MyPad)	138,795	-	138,795
Total Program Services	15,416,491	-	15,416,491
Supporting Services:			
Management and General	1,781,076	-	1,781,076
Fundraising	407,268	-	407,268
Total Supporting Services	2,188,344	-	2,188,344
 Total Expenses	 17,604,835	 -	 17,604,835
CHANGE IN NET ASSETS	(339,995)	1,251,826	911,831
NET ASSETS, BEGINNING OF THE YEAR, AS PREVIOUSLY REPORTED	9,763,669	17,290,702	27,054,371
Restatement of Prior Period Net Assets	1,402,196	(4,038,007)	(2,635,811)
NET ASSETS - END OF YEAR	\$ 10,825,870	\$ 14,504,521	\$ 25,330,391

See accompanying Notes to Consolidated Financial Statements.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services			Total
	Residential Group Homes	Greenwald Personal Support Program	MOST Program - MD	MOST Program - VA	Oshinsky Apartment Program	Private Pay Subleasing	Total Program Services	Management and General	Fundraising	
Salaries and Wages	\$ 9,155,779	\$ 839,005	\$ 217,555	\$ 300,889	\$ 299,351	\$ 34,498	\$ 10,847,077	\$ 758,804	\$ 281,903	\$ 11,887,784
Employee Benefits	686,401	70,311	23,951	22,379	49,433	653	853,128	101,932	35,646	990,706
Payroll Taxes	647,566	61,257	14,502	21,553	17,807	2,644	765,329	74,081	20,901	860,311
Total Salaries and Related Expenses	10,489,746	970,573	256,008	344,821	366,591	37,795	12,465,534	934,817	338,450	13,738,801
Occupancy	512,161	9,925	7,557	61,516	1,730	100,482	693,371	33,973	4,400	731,744
Depreciation	513,901	3,867	42,652	2,525	8,302	-	571,247	66,517	6,572	644,336
Food	439,686	-	-	-	-	-	439,686	-	-	439,686
Repairs and Maintenance	357,276	973	14,070	14,179	973	-	387,471	47,578	2,729	437,778
Supplies and Equipment	171,767	5,085	1,633	29,711	2,186	147	210,529	144,678	5,457	360,664
Fundraising, Marketing, and Events	-	-	-	-	-	-	-	-	318,461	318,461
Insurance	59,929	52	1,515	1,515	1,566	-	64,577	170,278	145	235,000
Miscellaneous	194,488	-	-	-	-	-	194,488	27,426	199	222,113
Information Technology	60,081	7,660	1,622	3,740	2,779	-	75,882	50,406	7,212	133,500
Contracted Services	58,135	8,901	1,350	1,748	2,520	224	72,878	20,070	8,898	101,846
Employment and Training	20,453	-	-	-	-	42	20,495	67,187	4,101	91,783
Transportation	76,500	7,076	14,364	2,340	7,898	2	108,180	9,274	5	117,459
Office Expenses	34,427	3,032	640	842	1,103	-	40,044	24,676	7,701	72,421
Bad Debt	-	-	-	-	-	-	-	36,861	10,507	47,368
Membership Dues	8,125	-	-	30	-	103	8,258	37,541	-	45,799
Interest	-	-	-	-	-	-	-	44,522	-	44,522
Client Activities	27,916	-	6,823	4,598	603	-	39,940	587	-	40,527
Meetings and Conferences	837	-	200	50	-	-	1,087	31,777	344	33,208
Staff Appreciation	8,168	-	-	-	-	-	8,168	22,742	-	30,910
Communications	-	-	-	558	-	-	558	10,166	10,548	21,272
Investment Fees	-	-	-	-	-	-	-	16,947	-	16,947
Medical	13,788	-	-	310	-	-	14,098	-	-	14,098
Total Expenses	13,047,384	1,017,144	348,434	468,483	396,251	138,795	15,416,491	1,798,023	725,729	17,940,243
Less: Special Events Expenses included with Revenue in the Statement of Activities	-	-	-	-	-	-	-	-	(318,461)	(318,461)
Less: Investment Expenses included with Revenue in the Statement of Activities	-	-	-	-	-	-	-	(16,947)	-	(16,947)
Total Expenses Reported in the Statement of Activities	<u>\$ 13,047,384</u>	<u>\$ 1,017,144</u>	<u>\$ 348,434</u>	<u>\$ 468,483</u>	<u>\$ 396,251</u>	<u>\$ 138,795</u>	<u>\$ 15,416,491</u>	<u>\$ 1,781,076</u>	<u>\$ 407,268</u>	<u>\$ 17,604,835</u>

See accompanying Notes to Consolidated Financial Statements.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	911,831
Adjustments tor Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization		644,336
Realized/Unrealized Gain on Investments		(191,867)
Contributions with Donor Restrictions in Perpetuity		(133,072)
Change in Value of Endowment Held With JFGH-E		(682,709)
Gain on Disposal of Property and Equipment		(11,366)
Bad Debt Write-Off		47,368
(Increase) Decrease in Operating Assets:		
Accounts Receivable - Governmental Agencies		(748,045)
Other Receivable - Life Insurance		(431,000)
Due to State		442,643
Prepaid Expenses		42,025
Unconditional Promises to Give		66,645
Cash Surrender Value - Life Insurance		(65,966)
Deposits		(3,957)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses		346,418
Due to Consumers		(57,034)
Deferred Revenue		(53,097)
Security Deposit Liability		(1,000)
Net Cash Provided by Operating Activities		<u>122,153</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment		(970,845)
Proceeds from Disposal of Property and Equipment		14,370
Purchase of Investments and Reinvested Earnings		(3,036,682)
Proceeds from Sale of Investments		<u>3,249,159</u>
Net Cash Used by Investing Activities		(743,998)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Line of Credit		1,140,000
Principal Payments on Line of Credit		(1,940,000)
Proceeds from PPP Loan		2,286,960
Proceeds from Contributions With Donor Restrictions in Perpetuity		133,072
Principal Payments on Notes Payable		(10,456)
Principal Payments on Capital Leases		(138,188)
Net Cash Provided by Financing Activities		<u>1,471,388</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

849,543

Cash and Cash Equivalents - Beginning of Year

134,116

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 983,659

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year for Interest	\$	<u>44,522</u>
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NONCASH INVESTING AND FINANCING ACTIVITIES

Property and Equipment Acquisitions	\$	1,091,024
Less: Amounts Financed		(120,179)
Net Cash Paid for Property and Equipment	\$	<u>970,845</u>

See accompanying Notes to Consolidated Financial Statements.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Jewish Foundation for Group Homes, Inc. (JFGH, Inc.) is incorporated under the laws of the State of Maryland. JFGH, Inc. is a nonprofit 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.

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.

JFGH, Inc., JFGH Homeownership, LLC, JFGH Leasing, LLC, and JFGH Leasing PP, LLC are collectively referred to as JFGH throughout the consolidated financial statements and notes.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of its wholly owned subsidiaries JFGH Homeownership, LLC, JFGH Leasing, LLC, and JFGH PP Leasing, LLC, which are under common control. Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

JFGH prepares its consolidated financial statements on the accrual basis of accounting. In accordance with accounting principles generally accepted in the United States of America, JFGH is required to report information regarding its financial position and activities according to three classes of net assets: net assets without donor restrictions, net assets with donor restrictions – time and purpose, and net assets with donor restrictions - perpetuity as follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category consist principally of federal and state government grants, program service fees, contributions, and related expenses associated with the operating activities of JFGH. JFGH reports amounts restricted by donors, that were initially conditional, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) simultaneous to conditions being met.

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.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the consolidated 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 consolidated statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 consolidated statement of financial position. Unrealized gains and losses are included in investment income in the consolidated statement of activities.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. The majority of the receivables consist of amounts due from governmental agencies. Accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the allowance for doubtful accounts. Management estimates that all receivables are fully collectible and did not maintain an allowance for doubtful accounts provision at June 30, 2020.

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 consolidated 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 \$41,130 for the year ended June 30, 2020.

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 0.75% discount rate for the year ended June 30, 2020. The present value discount was \$1,330 for the year ended June 30, 2020.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional 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. JFGH has elected the fair value option for unconditional promises to give in order to mitigate volatility in reported changes in net assets.

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.

Revenue Recognition

Revenue is recognized when earned. JFGH recognizes contributions when cash, securities or other assets; an unconditional promise to give are received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

At June 30, 2020, conditional grants and contributions (excluding government grants) approximated \$140,000.

Contributions and grants recognized as without or with donor restrictions depending on existence and/or nature of donor restrictions and recorded when there is sufficient evidence in the form of verifiable documentation that an unconditional promise to give was received. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, either by the passage of time or incurrence of donor specified expenses, these net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from 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. Donated assets are recognized as contribution revenue at their estimated fair market value on the date of donation.

A portion of JFGH's revenue is derived from cost-reimbursable grants and contracts. Amounts received are recognized as earned and are reported as revenue when JFGH has incurred expenditures in compliance with specific contract or grant provisions.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all nonprofit 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.

Income Taxes

JFGH, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) 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 for tax reporting purposes as the assets and liabilities of their sole member, JFGH, Inc.

The consolidated financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of June 30, 2020, JFGH had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

JFGH follows the income tax standard for uncertain tax positions. JFGH, Inc. evaluated its tax positions and determined that they are more likely than not to be sustained on examination. JFGH's tax returns are subject to review and examination by federal, state, and local authorities.

Change in Accounting Principles

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made - In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Standards Update

Revenue from Contracts with Customers - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. The standard will be effective for JFGH's consolidated financial statements for the year ending June 30, 2021. Management is evaluating the effect of this guidance on JFGH's consolidated financial statements.

Leases - In February 2016, the FASB issued ASU 2016-02, "Leases" and has subsequently issued supplemental and/or clarifying ASUs (collectively "ASC 842"). ASC 842 will require entities that lease assets – referred to as "lessees" – to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The liability will be equal to the present value of future minimum lease payments. The asset will be based on the liability, subject to adjustment for certain costs. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or an operating lease. The accounting by entities that own the assets leased by the lessee – referred to as the lessor – will remain largely unchanged. The guidance is effective for fiscal years beginning after December 15, 2021, for private companies, and early adoption is permitted. JFGH is in the process of assessing the impact of this standard on the consolidated financial statements beginning in fiscal year 2023.

NOTE 2 CONCENTRATION OF RISK

Credit Risk

Financial instruments, which potentially subject JFGH to concentration of credit risk, include cash and cash equivalents and investments. It is JFGH's practice to place its cash and cash equivalents and investments in high credit quality institutions to mitigate this risk. JFGH maintains its cash balances at several financial institutions which at times, may exceed federally insured limits.

Market Value Risk

JFGH invests in diversified investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amount reported in the consolidated financial statements.

Revenue Concentration

JFGH receives a majority of its revenues, approximately 76%, from government fees and grants. JFGH is highly dependent upon its government funding to continue its operations.

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NOTE 3 LIQUIDITY

The following represents JFGH's financial assets at June 30, 2020:

Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 983,659
Investments	3,820,226
Accounts Receivable – Funding Agencies	1,052,679
Other Receivable - Life Insurance	431,000
Unconditional Promises, Net of Allowance and Discount	546,321
Endowment Funds Held With JFGH-E	
Group Homes, Inc.	<u>13,542,587</u>
Total Financial Assets	20,376,472
Less Amounts not Available to be Used within One Year:	
Net Assets With Donor Restrictions	<u>(14,504,521)</u>
Financial Assets Available to Meet General Expenditures	
Over the Next Twelve Months before Board Designations	5,871,951
Less: Board-Designated Funds	<u>(3,510,439)</u>
Financial Assets Available to Meet General	
Expenditures Over the Next Twelve Months	<u><u>\$ 2,361,512</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 12 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 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, 2020:

	Fair Market
	Value
Cash and Money Market	<u>\$ 1,124,597</u>
Equity Securities	1,252,407
Fixed Income Securities	1,314,089
United Jewish Endowment Fund	78,632
Bonds Issued by the State of Israel	50,501
Total	<u><u>\$ 3,820,226</u></u>

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NOTE 4 INVESTMENTS (CONTINUED)

Net investment return is comprised of the following at June 30, 2020:

Net Realized/Unrealized Gain on Investments	\$ 191,867
Interest and Dividends	78,204
Investment Expenses	<u>(16,947)</u>
Net Investment Return	<u>\$ 253,124</u>

NOTE 5 FAIR VALUE MEASUREMENTS

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.

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.

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NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

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 nontransferability, 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 discounted to present value using a 0.75% discount rate for the year ended June 30, 2020.

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, 2020:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Money Market Funds	\$ 1,124,597	\$ -	\$ -	\$ 1,124,597
Equities	1,252,407	-	-	1,252,407
Fixed Income Securities	-	1,314,089	-	1,314,089
United Jewish Endowment Fund	-	78,632	-	78,632
Bonds Issued by the State of Israel	-	50,501	-	50,501
Total Investments	<u>2,377,004</u>	<u>1,443,222</u>	-	<u>3,820,226</u>
Unconditional Promises to Give	-	-	546,321	546,321
Endowment Funds Held with JFGH-E				
Investment Pool Held with JFGH-E	-	13,542,587	-	13,542,587
Investment - 457b Plan Assets				
Mutual Fund Equities	253,406	-	-	253,406
Mutual Fund Fixed Income Securities	2,060	-	-	2,060
Mutual Fund Other Securities	247,613	-	-	247,613
Total Investment - 457b Plan Assets	<u>503,079</u>	-	-	<u>503,079</u>
Total Assets	<u>\$ 2,880,083</u>	<u>\$ 14,985,809</u>	<u>\$ 546,321</u>	<u>\$ 18,412,213</u>

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NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table reconciles the beginning and ending balance of the JFGH's unconditional promises to give assets that are measured at fair value using significant unobservable inputs (Level 3) for the year ended June 30, 2020:

Balance - Beginning of Year	\$ 612,966
Contributions	294,707
Collections	(341,325)
Bad Debt Write Off	(7,525)
Change in Present Value Discount	15,855
Change in Allowance for Doubtful Promises	(28,357)
Balance - End of Year	<u>\$ 546,321</u>

NOTE 6 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are comprised of the following at June 30, 2020:

Unconditional Promises to Give Due in Less than One Year	\$ 410,174
Unconditional Promises to Give Due in One to Five Years	<u>178,607</u>
Total Unconditional Promises to Give	588,781
Allowance for Doubtful Accounts	(41,130)
Present Value discount	(1,330)
Net Unconditional Promises to Give	<u>\$ 546,321</u>

NOTE 7 CASH SURRENDER VALUE – LIFE INSURANCE

During the fiscal year ended June 30, 1987, JFGH received a legacy gift that will be funded by death benefits of a joint and last survivor life insurance policy issued by John Hancock. The life insurance policy names JFGH as the sole owner and beneficiary of the policy's death benefits. The policy, with a net death benefit in the amount of \$1,042,221, will be paid to JFGH upon the death of the surviving spouse. The cash surrender value was \$667,451 as of June 30, 2020 and is recorded as cash surrender value - life insurance on the consolidated statement of financial position.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
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NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020:

	Estimated Useful Life	Amount
Land	-	\$ 2,289,038
Buildings and Improvements	30 Years	13,640,186
Furniture and Equipment	5 Years	1,467,309
Vehicles	5 Years	1,249,007
Construction in Progress	-	25,959
Total		<u>18,671,499</u>
Less: Accumulated Depreciation and Amortization		<u>(7,376,466)</u>
Total		<u>\$ 11,295,033</u>

Depreciation and amortization expense was \$644,336 for the year ended June 30, 2020.

NOTE 9 LINE OF CREDIT

JFGH has a revolving line of credit with a bank, which is due on demand. The maximum borrowing potential was \$3,000,000 as of June 30, 2020. 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 4.5% as of June 30, 2020. The balance outstanding on the line as of June 30, 2020, was \$0.

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. These grants include the right of recovery by the State against the specific property, in 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. The circumstances that this could occur 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 during a period of 30 years for each grant, expiring in 2026 through 2036. The total amount received from the State amounted to \$2,603,387, and is reflected in the consolidated statement of financial position as deferred grant revenue at June 30, 2020. If JFGH does not meet the terms of the agreement the amount owed to the State may differ from the deferred grant revenue recorded and the consolidated financial statements have not been adjusted for this, as JFGH intends to continue to use the properties as required under the grant and does not expect to sell any of the properties or cease to use them as group homes. At the expiration of the 30-year period for each grant, when the conditions and barriers expire, JFGH will recognize the associated amount as revenue.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
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NOTE 11 NOTES PAYABLE

JFGH has a 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. The final payment on the note is due in fiscal year 2021 for \$4,381.

NOTE 12 DEFERRED MORTGAGES PAYABLE

On April 26, 2007, JFGH entered into two loan agreements with Fairfax County, Virginia in the amounts of \$169,955 and \$149,582. The mortgages are noninterest bearing with a 30-year term. No monthly payments are required until maturity as long as the property is owned and maintained by JFGH as a group home for the duration of the loan. The mortgages are secured by the respective group home and upon maturity of the mortgages or sale of the property, the County is entitled to 28% and 26%, respectively, of JFGH's equity in the respective properties.

NOTE 13 CAPITAL LEASE OBLIGATIONS

JFGH has agreements for the lease of vehicles with a combined capitalized cost of \$1,249,007 as of June 30, 2020. The lease terms call for monthly payments ranging from \$377 to \$1,113 including interest ranging from 4.86% - 8.57%. The leases' terms are for 60 months and mature between December 2020 and April 2025. Accumulated depreciation on the leased vehicles for the year ended June 30, 2020, was \$809,156. Depreciation expense for the vehicles amounted to \$211,429 for the year ended June 30, 2020.

Future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 279,278
2022	173,620
2023	80,293
2024	43,669
2025	<u>26,157</u>
Total Minimum Lease Payments	603,017
Less: Amounts Representing Interest	<u>(64,563)</u>
Present Value of Minimum Lease Payments (Including Current Portion of \$242,446)	<u><u>\$ 538,454</u></u>

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NOTE 14 COMMITMENTS

Operating Leases

JFGH entered into a noncancelable lease agreement on February 16, 2011, for property in Fairfax, Virginia. The current term of the lease is from November 1, 2019 to October 31, 2022. Monthly rent for the property is \$2,402 for the current term of the lease.

JFGH entered into a lease agreement on January 28, 2020 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.

Total rent expense for the year ended June 30, 2020, in the amount of \$292,424 is included in occupancy expense on the consolidated statement of functional expenses.

Future minimum lease payments are as follows through maturity:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 205,287
2022	85,991
2023	60,403
2024	62,217
2025	53,219
Total	<u>\$ 467,117</u>

Employment Contract

JFGH has entered into an employment contract with an employee. In the event of termination for reasons other than cause, the employee will receive severance pay as stipulated in the agreement.

NOTE 15 RETIREMENT PLANS

All All employees of JFGH are eligible to participate in a tax-deferred annuity plan under Section 403(b) of the IRC. Employees may elect to contribute up to 20% of their salary, up to a maximum amount established by federal regulations. JFGH did not contribute to this plan until the year beginning July 1, 2019. 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 sponsors a nonparticipatory 401(a) 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. This plan was terminated effective December 31, 2019. Upon termination all participants could elect to roll their account balances into the JFGH 403(b) Plan or an individual retirement annuity.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
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NOTE 15 RETIREMENT PLANS (CONTINUED)

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, 2020, in the amount of \$234,059 is included in employee benefits on the consolidated statement of functional expenses.

NOTE 16 RELATED PARTY TRANSACTIONS

Jewish Foundation for Group Homes Endowment, Inc.

The Jewish Foundation for Group Homes Endowment, Inc. (JFGH-E) is a nonprofit organization whose purpose is to hold and manage those assets donated as endowments to JFGH and to provide distributions to JFGH consistent with explicit donor stipulation of the JFGH-E's applicable spending policies. JFGH-E does not have variance power over the distribution of the endowment assets.

These endowments are pooled with the investments at JFGH-E and JFGH does not own specific underlying investments within the investment pool. The amount within the investment pool held for JFGH was \$13,542,585 as of June 30, 2020 and was made up of cash, equities, corporate bonds, government bonds and international bonds. The net investment income, appreciation, contributions, and expenditures recognized in the fund during the year ended June 30, 2020, is summarized in Note 19.

JFGH provides management, finance and accounting services for Jewish Foundation for Group Homes Endowment, Inc. (JFGH-E) which are treated as in-kind services. For the year ended June 30, 2020, JFGH donated \$13,500 to JFGH-E for these services. JFGH also paid audit fees of \$7,525 for JFGH-E for the year ended June 30, 2020.

Contributions received by JFGH but not yet transferred to the funds managed by JFGH-E as of June 30, 2020 were \$134,238.

As a result of JFGH-E's spending policy, \$104,551 was donated to JFGH during fiscal year 2020.

The financial activity of JFGH-E as of June 30, 2020, was as follows:

Investments	\$ 16,280,470
Endowment Funds Held for JFGH	(13,542,585)
Net Assets	(2,737,885)
Investment Income, Net	206,625
In-Kind Contribution	21,025
Contribution to JFGH	(104,551)
Professional Fees	(21,025)

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
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NOTE 16 RELATED PARTY TRANSACTIONS (CONTINUED)

JFGH Homeownership, LLC

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 \$1,294,439 as of June 30, 2020.

JFGH Leasing, LLC

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 \$133,886 as of June 30, 2020.

JFGH Leasing PP, LLC

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 \$69,004 as of June 30, 2020.

Other

For the year-end June 30, 2020, cash received from Board members for contributions including payments on pledges totaled \$371,042.

NOTE 17 NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD-DESIGNATED

The board of directors of JFGH has designated funds for the following purposes at June 30, 2020:

Operating Reserve	\$ 1,176,993
Capital Reserve	900,000
Quasi-Endowment	1,433,446
Total	<u><u>\$ 3,510,439</u></u>

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NOTE 18 NET ASSETS RESTRICTED WITH DONOR RESTRICTIONS

Time and purpose net assets invested and held at JFGH consist of the following at June 30, 2020:

Subject to Expenditure for Specified Purpose:	
Naming Rights of Residential Homes	\$ 836,101
Robert Shattner Building Fund	405,000
Program Operations	180,438
20 for 20	174,321
Resident Health, Medical, and Dental Expenses	131,502
Age in Place Fund	106,977
COVID-19 Fiscal Year 2021	102,004
Community Inclusion and Recreation	76,626
New or Enhanced Modalities Exploration	49,442
Group Home Renovations, Maintenance, and Support	45,095
Trips for Residents to Israel	29,551
Above and Beyond Call of Duty Program Fund	26,975
Resident and Sibling Support	23,024
Special Events	21,288
Art Activities	21,088
Direct Care Personnel Costs	18,750
Jewish Living Program	12,960
Total Net Assets with Donor Restrictions	\$ 2,261,142

Time and purpose net assets are released from donor restrictions when expenditures are made in accordance with the purposes specified by the donor. The following time and purpose net assets invested and held at JFGH were released from restrictions during the year ended June 30, 2020:

Resident Health, Medical, and Dental Expenses	\$ 101,771
Age in Place Fund	47,398
Group Home Renovations, Maintenance, and Support	42,032
Program Operations	30,065
Above and Beyond Call of Duty Program Fund	29,807
Naming Rights of Residential Homes	26,177
Direct Care Personnel Costs	25,000
Jewish Living Program	19,361
Special Events	10,387
Community Inclusion and Recreation	9,913
Trips for Residents to Israel	2,848
20 for 20	2,679
Art Activities	2,032
New or Enhanced Modalities Exploration	558
Total Net Assets with Donor Restrictions	\$ 350,028

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NOTE 18 NET ASSETS RESTRICTED WITH DONOR RESTRICTIONS (CONTINUED)

Time and purpose net assets held by JFGH-E and subject to appropriation and expenditure for specified purposes are as follows at June 30, 2020:

Group Home Renovations, Maintenance, and Support	\$	1,410,555
Program Operations		1,324,618
Resident Health, Medical, and Dental Expenses		290,888
Visual Arts and Cultural Activities		170,663
Personal Support Program		155,866
Vehicle Purchase and Maintenance		148,189
Direct Care Personnel Costs and Training		144,544
Anonymous Innovation Fund		93,736
Special Events		79,051
Financial Assistance		76,445
Jewish Living Program		70,624
Medical and Nursing Expenses Endowment		61,143
Virginia Resident Operations Endowment		60,427
Support Residents and Families on the Waiting List		29,099
Resident and Sibling Support		20,854
Total Net Assets Subject to Appropriation and Expenditure for Specified Purpose		4,136,702

Time and purpose net assets are released from donor restrictions when expenditures are made in accordance with the purposes specified by the donor. The following time and purpose net assets held by JFGH-E were released from restrictions during the year ended June 30, 2020 in accordance with the spending policy:

Program Operations	\$	207,862
Group Home Renovations, Maintenance, and Support		151,409
Anonymous Innovation Fund Endowment		34,767
Resident Health, Medical, and Dental Expenses		29,182
Direct Care Personnel Costs and Training		25,438
Visual Arts and Cultural Activities		23,747
Personal Support Program		19,981
Vehicle Purchase and Maintenance Endowment		19,343
Special Events		12,056
Jewish Living Program		10,315
Financial Assistance for Individuals Endowment		8,581
Medical and Nursing Expenses Endowment		8,210
Virginia Resident Operations Endowment		5,565
Support Residents and Families on the Waiting List		3,312
Resident and Sibling Support		3,022
Total Release of Endowment		562,790
Funds Subject to Appropriation and Expenditure	\$	562,790

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NOTE 18 NET ASSETS RESTRICTED WITH DONOR RESTRICTIONS (CONTINUED)

Endowment net assets, perpetual in nature, held by JFGH-E not subject to appropriation for specified purposes at June 30, 2020, are as follows:

Program Operations	\$	2,337,268
Group Home Renovations, Maintenance, and Support		2,168,766
Anonymous Innovation Fund Endowment		1,000,000
Direct Care Personnel Costs and Training		449,186
Resident Health, Medical, and Dental Expenses		377,011
Visual Arts and Cultural Activities		371,226
Vehicle Purchase and Maintenance Endowment		301,853
Personal Support Program		300,000
Special Events		211,615
Jewish Living Program		171,937
Financial Assistance for Individuals Endowment		125,000
Medical and Nursing Expenses Endowment		120,181
Virginia Resident Operations Endowment		72,370
Support Residents and Families on the Waiting List		50,264
Resident and Sibling Support		50,000
Total Net Assets not Subject to Appropriation or Expenditure		\$ 8,106,677

NOTE 19 ENDOWMENTS

JFGH's endowment (net assets restricted into perpetuity) has been funded by donor-restricted contributions to be held in perpetuity, the earnings of which can be used for specific donor-imposed purposes. In addition, prior to July 1, 2019, JFGH established quasi-endowment funds to provide for the long-term needs of group home renovations and maintenance. While functioning as an endowment, the quasi-endowment funds were established by JFGH and are net assets without donor restriction. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net assets consist of the following at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Quasi-Endowment Funds	\$ 1,433,446	\$ -	\$ 1,433,446
Donor Restricted Endowment Funds:			
Original Donor Restricted Gifts to be Held in Perpetuity	-	8,106,677	8,106,677
Portion Subject to Appropriation Under UPMIFA	-	4,136,702	4,136,702
Total	\$ 1,433,446	\$ 12,243,379	\$ 13,676,825

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NOTE 19 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

JFGH has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, JFGH classifies as net assets restricted into perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted into perpetuity is classified as net assets restricted for time or purpose until those amounts are appropriated for expenditure by JFGH in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, JFGH considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of JFGH and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of JFGH; and (7) investment policies of JFGH.

Spending Policy

JFGH's spending policy for endowments designed to stabilize annual spending levels and preserve the real value of the endowment over time. In accordance with the JFGH's policy, a predetermined endowment spending rate has been established. The endowment spending rate is calculated at 5% of the total fair value of the available funds managed by JFGH-E based on a three-year rolling average.

Return Objectives, Risk Parameters, and Strategies

JFGH follows a conservative investment policy for endowment assets that attempts to preserve fully the original corpus and optimize returns. Should significant new donations be made to the endowment assets, the JFGH's investment policy would permit a strategy of long-term growth of the endowment assets. Under such a policy, the endowment assets would be invested in a manner that is intended to produce favorable results while taking a prudent approach to risk.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
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NOTE 19 ENDOWMENTS (CONTINUED)

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the year ended June 30, 2020:

	Without Donor Restrictions - <u>Quasi-Endowment</u>	With Donor Restrictions - <u>Time and Purpose</u>	With Donor Restrictions - <u>Perpetuity</u>	<u>Total</u>
Endowment Net Assets - As previously Reported	\$ -	\$ 14,045,384	\$ 1,515,707	\$ 15,561,091
Prior Period Adjustment (See Note 22)	<u>1,402,196</u>	<u>(10,495,905)</u>	<u>6,457,898</u>	<u>(2,635,811)</u>
Endowment Net Assets - As Restated	1,402,196	3,549,479	7,973,605	12,925,280
Contributions	2,550	-	133,072	135,622
Investment Income, Net of Investment Fees	9,135	183,767	-	192,902
Net Appreciation (Realized and Unrealized)	48,449	966,246	-	1,014,695
Amounts Appropriated for Expenditure	<u>(28,884)</u>	<u>(562,790)</u>	<u>-</u>	<u>(591,674)</u>
Endowment Net Assets - End of Year	<u>\$ 1,433,446</u>	<u>\$ 4,136,702</u>	<u>\$ 8,106,677</u>	<u>\$ 13,676,825</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gift donated to the permanent endowment. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as a deduction into the corresponding category of net assets. As of June 30, 2020, there were no underwater endowments to report. Subsequent gains that restore the fair value of the endowment fund assets to the required level stipulated by the donor will be classified as increases in corresponding net assets category to the extent that the shortfalls were charged to the fund.

NOTE 20 COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

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.

JFGH earns a portion of its revenues through contracts with various federal, state and county agencies, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses and all of which may be subject to audit. Amounts received are recognized as revenue when JGH has incurred expenditures in compliance with specific grant provisions. Until such audits have been completed and final settlement reached, there exists a potential to refund any amounts received in excess of allowable costs. Management is not aware of any liability as a result of these audits. JFGH received cost-reimbursable grants of which \$150,000 has not been recognized as of June 30, 2020, because qualifying expenditures have not yet been incurred.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID-19

During the fiscal year ended June 31, 2020, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. This could impact transactions relating to customers and vendors. As of February 11, 2021, the amount and likelihood of loss relating to these events is not determined.

NOTE 21 PRIOR PERIOD ADJUSTMENTS

JFGH's July 1, 2019, net assets with and without donor restriction have been restated to correct an error in the reporting of contributions as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
As Originally Reported	\$ 9,763,669	\$ 17,290,702	\$ 27,054,371
Prior Period Adjustments	1,402,196	(4,038,007)	(2,635,811)
As Restated	<u>\$ 11,165,865</u>	<u>\$ 13,252,695</u>	<u>\$ 24,418,560</u>

The balance of net assets with and without donor restrictions at the beginning of the year has been restated to reflect a correction of errors in recording of contributions received and accumulated earnings of the endowment prior to July 1, 2019. The effect of this restatement is to decrease net assets by \$2,635,811 as of July 1, 2019.

Contributions received prior to July 1, 2019 totaling \$1,402,196 had been, were designated by the Board of Directors to be treated as quasi endowments.

Contributions and accumulated earnings of \$10,495,905 had been recorded as contributions with donor restrictions, time and purpose, were reclassified to net assets with donor restrictions, perpetual in nature, by \$6,457,898, resulting in a decrease of \$4,038,007 in net assets with donor restrictions.

As a result of these changes to classification to net assets with and without donor restrictions, the endowment funds held by JFGH-E decreased by \$2,635,811, as of July 1, 2019.

The reclassifications had no effect on the change of net assets in the current period.

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 22 PAYCHECK PROTECTION PROGRAM LOAN

On April 30, 2020, JFGH received a loan from Congressional Bank in the amount of \$2,286,960 to fund payroll, rent, utilities and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if JFGH fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from May 13, 2020 to July 7, 2020, is the time that a business has to spend their PPP Loan funds.

NOTE 23 SUBSEQUENT EVENTS

In preparing the consolidated financial statements, JFGH has evaluated events and transactions for potential recognition or disclosure through February 11, 2021, the date the consolidated financial statements were available to be issued.

Subsequent to year end, JFGH received additional funding under the CARES Act Provider Relief Fund. The second phase of the provider relief funding was received on August 18, 2020 and totaled \$252,729. The third phase of the provider relief funding was received on December 20, 2020 and totaled \$982,643.

Additionally, JFGH closed on the purchase of a new home in Silver Spring, MD on 2/9/21 in the amount of \$462,000. After accessible renovations are completed, three individuals currently supported by JFGH in a different home will be supported at this location.

SUPPLEMENTARY INFORMATION

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS	JFGH, Inc.	JFGH Homeownership, LLC	JFGH Leasing, LLC	JFGH Leasing PP, LLC	Elimination	Total
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 938,634	\$ 465	\$ 2,300	\$ 42,260	\$ -	\$ 983,659
Investments	3,820,226	-	-	-	-	3,820,226
Accounts Receivable – Governmental Agencies	1,052,679	-	-	-	-	1,052,679
Accounts Receivable - JFGH LLC's	1,497,329	-	-	-	(1,497,329)	-
Other Receivable - Life Insurance	431,000	-	-	-	-	431,000
Unconditional promises to give, Net of Allowance	369,044	-	-	-	-	369,044
Prepaid Expenses	28,284	-	-	-	-	28,284
Total Current Assets	<u>8,137,196</u>	<u>465</u>	<u>2,300</u>	<u>42,260</u>	<u>(1,497,329)</u>	<u>6,684,892</u>
PROPERTY AND EQUIPMENT						
Net of Accumulated Depreciation	10,116,858	1,167,435	10,740	-	-	11,295,033
OTHER ASSETS						
Endowment Funds Held With JFGH-E	13,542,587	-	-	-	-	13,542,587
Unconditional Promise to Give, Net of Discount	177,277	-	-	-	-	177,277
Cash Surrender Value - Life Insurance	667,451	-	-	-	-	667,451
Investment - 457b Plan Asset	503,079	-	-	-	-	503,079
Deposits	9,960	-	1,000	1,000	-	11,960
Total Other Assets	<u>14,900,354</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>14,902,354</u>
Total Assets	<u>\$ 33,154,408</u>	<u>\$ 1,167,900</u>	<u>\$ 14,040</u>	<u>\$ 43,260</u>	<u>\$ (1,497,329)</u>	<u>\$ 32,882,279</u>

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020

LIABILITIES AND NET ASSETS	JFGH, Inc.	JFGH Homeownership, LLC	JFGH Leasing, LLC	JFGH Leasing PP, LLC	Elimination	Consolidated Total
CURRENT LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 789,831	\$ -	\$ -	\$ -	\$ -	\$ 789,831
Due to JFGH	-	1,294,439	133,886	69,004	(1,497,329)	-
Due to Consumers	3,611	-	-	-	-	3,611
Due to State	491,448	-	-	-	-	491,448
Deferred Revenue	5,000	-	-	-	-	5,000
Notes Payable, Current Portion	4,381	-	-	-	-	4,381
Capital Lease Obligations, Current Portion	242,446	-	-	-	-	242,446
Total Current Liabilities	<u>1,536,717</u>	<u>1,294,439</u>	<u>133,886</u>	<u>69,004</u>	<u>(1,497,329)</u>	<u>1,536,717</u>
LONG-TERM LIABILITIES						
Security Deposits	-	-	-	6,200	-	6,200
Paycheck Protection Program Loan	2,286,960	-	-	-	-	2,286,960
Deferred Mortgages Payable	319,537	-	-	-	-	319,537
Deferred Grant Revenue	2,603,387	-	-	-	-	2,603,387
Deferred Compensation - 457b Plan Liability	503,079	-	-	-	-	503,079
Capital Lease Obligations, Net of Current Portion	296,008	-	-	-	-	296,008
Total Long-Term Liabilities	<u>6,008,971</u>	<u>-</u>	<u>-</u>	<u>6,200</u>	<u>-</u>	<u>6,015,171</u>
Total Liabilities	7,545,688	1,294,439	133,886	75,204	(1,497,329)	7,551,888
NET ASSETS						
Without Donor Restrictions:						
Undesignated	7,593,760	(126,539)	(119,846)	(31,944)	-	7,315,431
Board-Designated Reserves	2,076,993	-	-	-	-	2,076,993
Board-Designated Quasi Endowment	1,433,446	-	-	-	-	1,433,446
Total Net Assets Without Donor Restrictions	<u>11,104,199</u>	<u>(126,539)</u>	<u>(119,846)</u>	<u>(31,944)</u>	<u>-</u>	<u>10,825,870</u>
With Donor Restrictions:						
Purpose and Time Restrictions	6,397,844	-	-	-	-	6,397,844
Perpetual in Nature	8,106,677	-	-	-	-	8,106,677
Total Net Assets With Donor Restrictions	<u>14,504,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,504,521</u>
Total Net Assets	<u>25,608,720</u>	<u>(126,539)</u>	<u>(119,846)</u>	<u>(31,944)</u>	<u>-</u>	<u>25,330,391</u>
Total Liabilities and Net Assets	<u>\$ 33,154,408</u>	<u>\$ 1,167,900</u>	<u>\$ 14,040</u>	<u>\$ 43,260</u>	<u>\$ (1,497,329)</u>	<u>\$ 32,882,279</u>

JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions JFGH, Inc.	With Donor Restrictions JFGH, Inc.	Total JFGH, Inc.	Without Donor Restrictions			Elimination	Total
				JFGH	JFGH	JFGH		
				Homeownership, LLC	Leasing LLC	Leasing PP, LLC		
REVENUES, GAINS, AND OTHER SUPPORT								
State Program Fees	\$ 10,289,612	\$ -	\$ 10,289,612	\$ 597,255	\$ -	\$ -	\$ -	\$ 10,886,867
Contributions	1,507,336	981,768	2,489,104	-	-	-	-	2,489,104
Net Investment Return	220,261	32,863	253,124	-	-	-	-	253,124
Net Investment Return - Endowment Funds				-	-	-	-	-
Held by JFGH-E	57,584	1,150,013	1,207,597	-	-	-	-	1,207,597
Other Grants	1,229,961	-	1,229,961	47,617	-	-	-	1,277,578
Other Program Service Fees	546,138	-	546,138	-	-	29,808	-	575,946
Consumer Fees	610,423	-	610,423	27,375	13,500	-	-	651,298
Fundraising and Special Events, Net of Direct Expenses	615,013	-	615,013	-	-	-	-	615,013
Gain on Disposal of Property and Equipment	11,366	-	11,366	-	-	-	-	11,366
Rental Income and Utilities Pass-Through	1,423	-	1,423	-	-	101,627	-	103,050
Other Income	445,723	-	445,723	-	-	-	-	445,723
Total	15,534,840	2,164,644	17,699,484	672,247	13,500	131,435	-	18,516,666
Net Assets Released from Restriction	912,818	(912,818)	-	-	-	-	-	-
Total Revenues, Gains, and Other Support	16,447,658	1,251,826	17,699,484	672,247	13,500	131,435	-	18,516,666
EXPENSES								
Program Services:								
Residential Group Homes	12,140,170	-	12,140,170	844,683	62,531	-	-	13,047,384
Greenwald Personal Support Program	1,017,144	-	1,017,144	-	-	-	-	1,017,144
MOST Program - Maryland	348,434	-	348,434	-	-	-	-	348,434
MOST Program - Virginia	468,483	-	468,483	-	-	-	-	468,483
Oshinsky Apartment Program	396,251	-	396,251	-	-	-	-	396,251
Private Pay Subleasing (MyPad)	(44,119)	-	(44,119)	-	-	182,914	-	138,795
Total Program Services	14,326,363	-	14,326,363	844,683	62,531	182,914	-	15,416,491
Supporting Services:								
Management and General	1,781,076	-	1,781,076	-	-	-	-	1,781,076
Fundraising	407,268	-	407,268	-	-	-	-	407,268
Total Supporting Services	2,188,344	-	2,188,344	-	-	-	-	2,188,344
Total Expenses	16,514,707	-	16,514,707	844,683	62,531	182,914	-	17,604,835
CHANGE IN NET ASSETS	(67,049)	1,251,826	1,184,777	(172,436)	(49,031)	(51,479)	-	911,831
NET ASSETS, BEGINNING OF THE YEAR, AS PREVIOUSLY REPORTED	9,769,052	17,290,702	27,059,754	45,897	(70,815)	19,535	-	27,054,371
Restatement of Prior Period Net Assets	1,402,196	(4,038,007)	(2,635,811)	-	-	-	-	(2,635,811)
NET ASSETS - END OF YEAR	\$ 11,104,199	\$ 14,504,521	\$ 25,608,720	\$ (126,539)	\$ (119,846)	\$ (31,944)	\$ -	\$ 25,330,391