
Jewish Family Service of Colorado, Inc.

Consolidated Financial Report
June 30, 2021

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Independent Auditor's Report

To the Board of Trustees
Jewish Family Service of Colorado, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Jewish Family Service of Colorado, Inc. and its subsidiaries (JFS), which comprise the consolidated statement of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family Service of Colorado, Inc. and its subsidiaries as of June 30, 2021 and 2020 and the results of their operations, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Jewish Family Service of Colorado, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021 on our consideration of Jewish Family Service of Colorado, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jewish Family Service of Colorado, Inc.'s internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 28, 2021

Jewish Family Service of Colorado, Inc.

Consolidated Statement of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,048,248	\$ 2,840,467
Investments	5,713,997	3,795,696
Receivables - Net of allowances:		
Trade accounts receivable	824,120	627,889
Contributions receivable	454,803	1,084,487
Assets held under deferred compensation plan	241,624	236,587
Beneficial interests in assets held by foundations	978,302	842,885
Prepaid expenses and other current assets	168,656	334,598
	<u>9,429,750</u>	<u>9,762,609</u>
Total current assets	9,429,750	9,762,609
Investments - Endowment	5,332,149	4,103,209
Property and Equipment - Net	2,406,571	2,996,510
Assets Held For Sale - Net	701,280	-
	<u>\$ 17,869,750</u>	<u>\$ 16,862,328</u>
Total assets	<u>\$ 17,869,750</u>	<u>\$ 16,862,328</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 215,031	\$ 264,119
Accrued liabilities and other	1,311,961	1,530,411
Current portion of Paycheck Protection Program loan	-	574,930
	<u>1,526,992</u>	<u>2,369,460</u>
Total current liabilities	1,526,992	2,369,460
Noncurrent Notes Payable - Net of current portion	-	1,034,870
	<u>1,526,992</u>	<u>3,404,330</u>
Total liabilities	1,526,992	3,404,330
Net Assets		
Without donor restrictions - Board designated	8,294,626	6,088,296
With donor restrictions	8,048,132	7,369,702
	<u>16,342,758</u>	<u>13,457,998</u>
Total net assets	16,342,758	13,457,998
	<u>\$ 17,869,750</u>	<u>\$ 16,862,328</u>
Total liabilities and net assets	<u>\$ 17,869,750</u>	<u>\$ 16,862,328</u>

Jewish Family Service of Colorado, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	\$ 4,673,886	\$ 874,364	\$ 5,548,250	\$ 4,046,106	\$ 853,519	\$ 4,899,625
Foundation grants	1,454,221	990,575	2,444,796	1,714,180	1,860,356	3,574,536
Federal grants and program fees	2,850,817	-	2,850,817	2,908,662	-	2,908,662
Program service fees - Net	1,797,742	-	1,797,742	1,805,932	-	1,805,932
Contract sales	253,227	-	253,227	283,987	-	283,987
Interest income	107,735	108,699	216,434	68,832	183,653	252,485
Net realized and unrealized gains (losses) on investments	1,089,189	1,091,969	2,181,158	(28,739)	(56,552)	(85,291)
Net gain (loss) on sale of property and equipment	355,788	-	355,788	(58,594)	-	(58,594)
Other revenue (Note 9)	1,618,443	-	1,618,443	107,677	(21,039)	86,638
Net assets released from restrictions	2,387,177	(2,387,177)	-	3,589,849	(3,589,849)	-
Total revenue, gains, and other support	16,588,225	678,430	17,266,655	14,437,892	(769,912)	13,667,980
Expenses						
Program services:						
Mental Health Services	2,350,576	-	2,350,576	2,467,134	-	2,467,134
Aging Care & Connections	2,412,461	-	2,412,461	2,434,748	-	2,434,748
Community Resources for Stability	3,360,283	-	3,360,283	2,560,104	-	2,560,104
JFS Boulder	388,439	-	388,439	259,402	-	259,402
Volunteer and Chaplaincy Services	204,876	-	204,876	202,696	-	202,696
Disability and Employment Services	1,465,589	-	1,465,589	2,303,203	-	2,303,203
Temporary Assistance for Needy Families	428,869	-	428,869	489,179	-	489,179
Total program services	10,611,093	-	10,611,093	10,716,466	-	10,716,466
Support services:						
General and administrative	2,472,791	-	2,472,791	2,204,871	-	2,204,871
Fundraising	1,298,011	-	1,298,011	1,581,956	-	1,581,956
Total support services	3,770,802	-	3,770,802	3,786,827	-	3,786,827
Total expenses	14,381,895	-	14,381,895	14,503,293	-	14,503,293
Change in Net Assets	2,206,330	678,430	2,884,760	(65,401)	(769,912)	(835,313)
Net Assets - Beginning of year	6,088,296	7,369,702	13,457,998	6,153,697	8,139,614	14,293,311
Net Assets - End of year	\$ 8,294,626	\$ 8,048,132	\$ 16,342,758	\$ 6,088,296	\$ 7,369,702	\$ 13,457,998

See notes to consolidated financial statements.

Jewish Family Service of Colorado, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services							Support Services				
	Mental Health Services	Aging Care & Connections	Community Resources for Stability	JFS Boulder	Volunteer and Chaplaincy Services	Disability and Employment Services	Temporary Assistance for Needy Families	Total	General and Administrative	Fundraising	Total	Total
Salaries	\$ 1,630,582	\$ 853,160	\$ 680,583	\$ 183,097	\$ 152,507	\$ 747,203	\$ 336,815	\$ 4,583,947	\$ 1,774,673	\$ 656,342	\$ 2,431,015	\$ 7,014,962
Benefits and payroll taxes	335,098	195,179	143,653	34,962	26,268	173,026	73,021	981,207	306,378	122,724	429,102	1,410,309
Total salaries and related expenses	1,965,680	1,048,339	824,236	218,059	178,775	920,229	409,836	5,565,154	2,081,051	779,066	2,860,117	8,425,271
Occupancy	151,535	77,261	95,467	21,882	10,086	98,633	10,271	465,135	48,355	76,277	124,632	589,767
Professional	135,101	54,343	37,355	9,515	9,248	79,533	7,140	332,235	230,551	148,057	378,608	710,843
Printing and publicity	1,537	39	1,504	443	3,339	363	-	7,225	542	115,547	116,089	123,314
Postage	673	1,362	878	60	-	203	439	3,615	2,332	20,087	22,419	26,034
Supplies	6,567	1,944	31,451	1,009	158	11,485	786	53,400	16,274	1,901	18,175	71,575
Business meetings	150	240	1,884	130	22	299	-	2,725	8,714	1,152	9,866	12,591
Special events	-	-	-	-	-	-	-	-	447	129,730	130,177	130,177
Travel	92	16,740	968	166	137	1,180	73	19,356	1,935	210	2,145	21,501
Dues and subscriptions	2,456	10	2,174	-	712	2,499	-	7,851	16,021	1,121	17,142	24,993
Direct assistance	3,220	1,178,148	2,329,061	137,157	-	5,255	-	3,652,841	18,550	-	18,550	3,671,391
Business services	-	-	-	-	-	197,596	-	197,596	-	-	-	197,596
Other	5,649	265	50	-	49	28,856	28	34,897	16,535	3,860	20,395	55,292
Depreciation and amortization	77,916	33,770	35,255	18	2,350	119,458	296	269,063	31,484	21,003	52,487	321,550
Subtotal	384,896	1,364,122	2,536,047	170,380	26,101	545,360	19,033	5,045,939	391,740	518,945	910,685	5,956,624
Total functional expenses	\$ 2,350,576	\$ 2,412,461	\$ 3,360,283	\$ 388,439	\$ 204,876	\$ 1,465,589	\$ 428,869	\$ 10,611,093	\$ 2,472,791	\$ 1,298,011	\$ 3,770,802	\$ 14,381,895

Jewish Family Service of Colorado, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services							Support Services				
	Mental Health Services	Aging Care & Connections	Community Resources for Stability	JFS Boulder	Volunteer and Chaplaincy Services	Disability and Employment Services	Temporary Assistance for Needy Families	Total	General and Administrative	Fundraising	Total	Total
Salaries	\$ 1,641,676	\$ 927,001	\$ 468,029	\$ 144,990	\$ 148,937	\$ 1,301,036	\$ 345,965	\$ 4,977,634	\$ 1,494,841	\$ 765,451	\$ 2,260,292	\$ 7,237,926
Benefits and payroll taxes	339,658	179,122	77,494	20,560	25,449	278,435	79,043	999,761	174,237	126,641	300,878	1,300,639
Total salaries and related expenses	1,981,334	1,106,123	545,523	165,550	174,386	1,579,471	425,008	5,977,395	1,669,078	892,092	2,561,170	8,538,565
Occupancy	92,974	43,992	59,520	15,034	11,690	123,931	16,209	363,350	235,696	60,988	296,684	660,034
Professional	285,174	88,115	48,404	14,592	7,311	115,350	27,672	586,618	194,451	207,471	401,922	988,540
Printing and publicity	569	846	45	-	-	100	-	1,560	-	101,465	101,465	103,025
Postage	250	1,865	323	150	35	4,969	1	7,593	1,855	30,699	32,554	40,147
Supplies	9,432	7,786	22,107	432	243	27,819	3,228	71,047	23,148	3,200	26,348	97,395
Business meetings	2,206	437	1,192	50	61	1,532	130	5,608	10,101	12,577	22,678	28,286
Special events	-	500	-	926	-	75	-	1,501	-	132,570	132,570	134,071
Travel	2,719	22,832	2,496	2,178	835	5,767	685	37,512	10,919	314	11,233	48,745
Dues and subscriptions	3,324	701	1,653	-	682	5,517	-	11,877	12,700	942	13,642	25,519
Direct assistance	671	1,125,452	1,839,927	59,985	-	21,275	-	3,047,310	-	-	-	3,047,310
Business services	-	-	-	-	-	280,630	-	280,630	-	-	-	280,630
Other	7,712	1,091	-	-	35	2,395	-	11,233	14,286	117,910	132,196	143,429
Depreciation and amortization	80,769	35,008	38,914	505	7,418	134,372	16,246	313,232	32,637	21,728	54,365	367,597
Subtotal	485,800	1,328,625	2,014,581	93,852	28,310	723,732	64,171	4,739,071	535,793	689,864	1,225,657	5,964,728
Total functional expenses	\$ 2,467,134	\$ 2,434,748	\$ 2,560,104	\$ 259,402	\$ 202,696	\$ 2,303,203	\$ 489,179	\$ 10,716,466	\$ 2,204,871	\$ 1,581,956	\$ 3,786,827	\$ 14,503,293

Jewish Family Service of Colorado, Inc.

Consolidated Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 2,884,760	\$ (835,313)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	321,550	367,597
Investment return	(2,278,598)	(188,233)
Change in beneficial interests in assets held by foundations	(135,417)	21,039
Donation of investments	(219,000)	(206,361)
Contributions received for endowment	(250,000)	-
Donation of property and equipment	(307,123)	-
(Gain) loss on sale of property and equipment	(355,788)	58,594
Gain on forgiveness of PPP loan	(1,609,800)	-
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(196,231)	444,726
Contributions receivable	629,684	476,875
Prepaid expenses and other assets	165,942	(143,233)
Accounts payable and accrued expenses	(272,575)	580,494
Net cash and cash equivalents (used in) provided by operating activities	(1,622,596)	576,185
Cash Flows from Investing Activities		
Purchases of investments	(649,643)	(545,467)
Proceeds from sales and maturities of investments	-	781,708
Purchase of property and equipment	(273,381)	(224,013)
Proceeds from sale of property and equipment	503,401	11,000
Net cash and cash equivalents (used in) provided by investing activities	(419,623)	23,228
Cash Flows from Financing Activities		
Proceeds from PPP loan	-	1,609,800
Proceeds from contributions restricted for endowments	250,000	-
Net cash and cash equivalents provided by financing activities	250,000	1,609,800
Net (Decrease) Increase in Cash and Cash Equivalents	(1,792,219)	2,209,213
Cash and Cash Equivalents - Beginning of year	2,840,467	631,254
Cash and Cash Equivalents - End of year	<u><u>\$ 1,048,248</u></u>	<u><u>\$ 2,840,467</u></u>

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 1 - Nature of Business

Founded in 1872, Jewish Family Service of Colorado, Inc. (JFS) is a nondenominational, nonprofit human services agency serving Colorado. JFS believes in strengthening the community by providing vital services to vulnerable individuals and families. JFS offers a variety of programs to help those in need navigate life's challenges through integrated support. The full continuum of care includes helping older adults stay supported, connected, and engaged as they age while maintaining a high quality of life; providing quality mental health counseling and case management to children, adults, immigrants, and refugees; offering training, job placement, and community enrichment to people with disabilities; and providing housing stability, employment support, and food security to individuals and families. Every year, JFS serves thousands of individuals and impacts more than 15,000 people of all faiths, races, sexual orientation, ages, incomes, and abilities.

JFS holds properties through its wholly owned subsidiaries, Shalom LLC and JFST LLC (Colorado limited liability companies). The accompanying financial statements are consolidated to include the activities of Jewish Family Service of Colorado, Inc.; Shalom LLC; and JFST LLC. All significant intercompany transactions have been eliminated.

Highlights of our COVID-19 Response

When the pandemic struck in 2020, JFS responded to the crisis by making emergency adjustments to its services, striving to provide critical care while also adhering to public health orders and guidelines to prevent the spread of COVID-19. These modified and adjusted services continued into 2021.

The Harry and Jeanette Weinberg Food Pantry provided prepacked boxes of food through a drive-thru model to anyone experiencing food insecurity with no documentation or sign-up needed. JFS provided over 1,375,000 meals to 4,691 households.

Through its Emergency Housing Assistance Program, JFS provides emergency financial assistance protecting families facing eviction, ensuring their ability to pay their rent, mortgage, or bills, and increasing their long-term financial stability. There were 639 households served in FY 2021.

Mental health counseling and services use HIPAA-approved teletherapy for clients including school-based youths we normally serve through our KidSuccess program and adults, refugees, and immigrants who come to our Denver location.

Aging Care & Connections provides counseling services for older adults through a virtual telehealth model to ensure older adults have access to quality mental health care. This has become a critical need for many older adults who are experiencing heightened stress, anxiety, and depression related to COVID-19 and increased social isolation. Counseling services are also offered in person as needed.

JFS Boulder continues to process emergency housing assistance claims for individuals and families whose incomes have been directly impacted by COVID-19.

Mental Health Counseling and Services

JFS provides quality trauma-informed therapy for more than 1,000 individuals, couples, and families dealing with a variety of issues, including depression, grief, trauma, relationship issues, anxiety, and family crises. Our bilingual Russian-speaking therapist offers counseling and support to Denver's underserved Russian population. Through the Refugee Mental Health program, JFS provides competent, trauma-informed therapy on an outpatient basis to refugee individuals and families who are adjusting to life in Colorado for more than 160 refugees from 10 different countries. KidSuccess and International KidSuccess provide free school-based mental health services to students at 13 public schools and 1 private school in Denver.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 1 - Nature of Business (Continued)

Aging Care & Connections

The Jay and Rose Phillips Aging Care & Connections department helps more than 1,300 older adults live safely and independently in the setting of their choosing by providing care management, counseling, and homemaker services. The Aging Care & Connections program reduces social isolation and barriers to care for older adults in aging-friendly communities by offering inclusive programs and support services, such as Kosher Meals on Wheels, meals at the Jewish Community Center, and Friendly Visitors. Additionally, JFS provides vital services to 74 Holocaust survivors in need of care and support that allow them to remain safely in their own homes and maintain a good quality of life.

Disability Services

JFS supports over 100 people with disabilities and their families and caregivers by providing a person-centered approach to individually customized services. Services for people with disabilities include connecting participants to volunteer opportunities, meaningful employment, and social and recreational activities. Our disability program builds the workforce of the Denver metropolitan area by providing individual and group employment support for those with barriers to employment. The ACE: Arts and Community Exploration program is a people-centered interactive day program for individuals with intellectual and developmental disabilities. In addition, JFS coordinates the Jewish Disability Advocates (JDA) program to promote full participation and inclusion of people with disabilities who are of the Jewish faith into the Jewish community and the community at large.

Community Resources for Stability

JFS offers robust and comprehensive assistance to individuals and families in crisis while promoting long-term self-sufficiency and preventing homelessness. By providing supportive services, such as financial assistance, case management, financial literacy/debt reduction classes, job preparation/employment services, JFS is helping people the most at risk in our community stabilize their lives and improve their economic security. JFS advances clients' work experience by providing intensive case management and job readiness services for those eligible for Temporary Assistance to Needy Families (TANF). In addition, JFS increases access to fresh, healthy, and nutritious foods and meals at the Weinberg Food Pantry, serving over 1,375,000 meals annually. The Lunchbox Express program provided over 90,000 free, healthy lunches and breakfasts to children living in neighborhoods with high rates of poverty to combat childhood hunger.

Volunteers and Chaplaincy Services

The Volunteer Services program utilizes the skills and experience of a diverse pool of volunteers to strengthen the services of the agency by helping to coordinate food distribution in the food pantry; enhancing the lives of older adults with regular visits and outings; leading holiday and Shabbat celebrations at nursing homes, assisted living facilities, hospitals, and prisons; distributing lunches to children in low-income neighborhoods during the summer; and providing pro bono professional services. In 2021, 1,671 volunteers supported JFS programs and services.

JFS' community chaplain provides spiritual comfort to 788 Jewish individuals and families with direct spiritual care to those who are ill, in crisis, or near the end of their lives, in hospitals, mental health institutions, correctional facilities, or at home.

JFS Boulder

JFS Boulder helps 127 individuals maintain a high quality of life through programs and services that keep them supported, connected, and engaged. Services include care management, counseling, companionship, emergency assistance, and holiday celebrations.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 2 - Significant Accounting Policies

Classification of Net Assets

Net assets of JFS are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of JFS.

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 JFS or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Cash Equivalents

JFS considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents unless held as part of the investment portfolio. Accounts, at times, may exceed federally insured limits; however, management does not believe that it is exposed to any significant risk on cash and cash equivalents, as deposits are with major financial institutions and are monitored closely.

Accounts Receivable

Accounts receivable represent amounts due from the performance of services provided to other organizations and individuals. Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts on accounts receivable balances was \$9,233 and \$14,297 as of June 30, 2021 and 2020, respectively.

Investments

JFS has investment guidelines that are recommended by JFS' investment committee and approved by the board of trustees. The overall objective of the guidelines is to provide capital growth in the investment portfolio while also considering market risks, restrictions pertinent to the invested assets, and the cash flow requirements of JFS.

JFS pools its investments for the majority of its endowments, plant funds, unemployment fund, other board-designated funds, and excess operating funds. Pooling funds for investment purposes spreads the total risk and makes the risk equal for all funds invested, enhancing the investment performance relative to that of an individual fund and reducing management fees. Realized and unrealized gains and losses from securities in the pooled investments are allocated proportionally among all funds that comprise the pool.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value. Investment income and realized and unrealized gains and losses are reflected in the consolidated statement of activities and changes in net assets as with or without donor restrictions based on the existence of donor-imposed restrictions. Donated marketable investments are sold upon receipt. The fair value of the securities on the date received is recognized as a contribution. During the years ended June 30, 2021 and 2020, JFS recorded donated investments valued at approximately \$219,000 and \$206,000, respectively.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

The various investments are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the consolidated financial statements of JFS.

Property and Equipment

Property and equipment are recorded at cost or, if donated, the estimated fair value of the asset at the date of receipt. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives, which range from 5 to 30 years. The cost of leasehold improvements is depreciated (amortized) over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Assets Held for Sale

During the year ended June 30, 2021, JFS placed its Shalom Denver building and land in Denver, Colorado for sale. JFS classifies long-lived assets to be sold as held for sale in the period in which all of the following criteria are met: (1) the board of trustees commits to a plan to sell the asset, (2) the asset is available for sale in its present condition, (3) the asset has been listed for sale and is being actively marketed, and (4) the sale is probable and is expected to be completed within one year. Assets classified as held for sale are measured at the lower of their carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held-for-sale criteria are met. Conversely, gains are not recognized on the sale until the date of the sale. No loss was recognized on assets held for sale during the year ended June 30, 2021.

Upon determining that a long-lived asset meets the criteria to be classified as held for sale, JFS ceases depreciation and reports those assets in the assets held for sale line item in the consolidated statement of financial position.

Contributions

Unconditional promises to give cash and other assets to JFS are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. 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. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. Management has deemed that all contributions receivable are considered collectible as of June 30, 2021 and 2020.

JFS receives support from various sources, including federal and state government grants. Amounts received are deemed to be earned and are reported as revenue when JFS has incurred expenditures or performed services in compliance with the specific contract restrictions. Grant funding received in advance of conditions being met is recorded as deferred revenue. These grant funds are conditional based on future expenditures and activities occurring. As of June 30, 2021, conditional grant contributions outstanding totaled approximately \$1,561,000 for governmental grants to be expended in future years.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Donated Services and Assets

Certain donated services are recognized as support in the consolidated statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. During the years ended June 30, 2021 and 2020, JFS recorded donated services valued at approximately \$65,000 and \$90,000, respectively. These donations were primarily related to legal services.

Donated food is valued at an average of the national wholesale prices determined by Feeding America, a hunger relief organization. Donated commodities received by The Emergency Food Assistance Program (TEFAP) are valued based on prices provided by the U.S. Department of Agriculture. Donated materials and goods are recorded as revenue and expense at their estimated fair market value at the time of receipt. During the years ended June 30, 2021 and 2020, JFS recorded donated food and donated household items valued at approximately \$679,000 and \$754,000, respectively.

Adoption of New Accounting Pronouncement

As of July 1, 2020, JFS adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (ASC 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 the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. JFS adopted ASC 606 effective July 1, 2020 using the modified retrospective adoption method. There was no material effect on the opening balance of net assets as a result of adopting the standard.

Revenue Recognition

JFS' revenue from contracts with customers comprises program service fees for counseling and disability services, which are recognized point in time as the services are provided. These services are rendered to Medicaid program beneficiaries and individual self-payors and are paid at prospectively determined rates based upon clinical, diagnostic, and other factors. Payment for services is due within 30 days. Program fees are reported at the estimated net realizable amounts. Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net program fees are adjusted as required in subsequent periods based on final settlements. Revenue from contracts with customers totaled \$1,797,742 and \$1,805,932 as of June 30, 2021 and 2020, respectively. Accounts receivable from contracts with customers totaled approximately \$226,000, \$230,000, and \$220,000 as of June 30, 2021, 2020, and 2019, respectively. There were no contract liabilities related to contracts with customers for the years ended June 30, 2021, 2020, and 2019.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies, principally the federal government. The amount of expenditures that potentially may be disallowed cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel costs have been allocated based on time and effort. Occupancy costs, including depreciation, are allocated based on square footage. Information technology (IT) support, insurance, and supplies have been allocated based on full-time equivalent employees. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

Income Taxes

JFS is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). However, income from activities not directly related to JFS' tax-exempt purpose is subject to taxation as unrelated business income. There was no significant unrelated taxable business income in 2021 or 2020.

Upcoming Accounting Pronouncements

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for JFS' year ending June 30, 2023 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is not expected to have a significant effect on JFS' financial statements as a result of JFS' operating leases, as disclosed in Note 13, that will be reported on the consolidated statement of financial position at adoption. Upon adoption, JFS will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides clearer financial information about important noncash contributions charities and other not-for-profit organizations receive known as gifts in kind (GIKs). The standard provides new presentation and disclosure requirements about contributed nonfinancial assets for nonprofits, including additional disclosure rules for recognized contributed services. The new guidance will be effective for JFS' year ending June 30, 2022 and will be applied using the retrospective method. The amendments will not change the recognition and measurement requirements for those assets.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 28, 2021, which is the date the financial statements were available to be issued.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 3 - Liquidity and Availability of Resources

The following reflects JFS' financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,048,248	\$ 2,840,467
Accounts receivable	824,120	627,889
Contributions receivable	454,803	1,084,487
Investments	11,046,146	7,898,905
Beneficial interests in assets held by foundations	<u>978,302</u>	<u>842,885</u>
Financial assets - At year end	14,351,619	13,294,633
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	300,000	458,000
Endowment - Amounts held in perpetuity	4,311,825	4,056,581
Board designations - Assets not available for general use	<u>6,845,458</u>	<u>5,263,606</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,894,336</u>	<u>\$ 3,516,446</u>

JFS is substantially supported by restricted contributions and grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, JFS must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of JFS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, JFS invests cash in excess of daily requirements in short-term investments. There is a fund established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, JFS also could draw upon its \$500,000 available line of credit (as further discussed in Note 8).

Note 4 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give. Promises to give due in more than one year are discounted using a rate of return between 1.71 and 2.39 percent.

Unconditional promises to give at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Gross promises to give before unamortized discount	\$ 463,000	\$ 1,092,684
Less net present value discount	<u>(8,197)</u>	<u>(8,197)</u>
Net contributions receivable	<u>\$ 454,803</u>	<u>\$ 1,084,487</u>
Amounts due in:		
Less than one year	\$ 163,000	\$ 634,684
One to five years	<u>300,000</u>	<u>458,000</u>
Total	<u>\$ 463,000</u>	<u>\$ 1,092,684</u>

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about JFS' assets measured at fair value on a recurring basis at June 30, 2021 and 2020 and the valuation techniques used by JFS to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that JFS has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. JFS' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds

The fair value of mutual funds is based on quoted prices on nationally recognized securities exchanges.

Beneficial Interests in Assets Held by Foundations

The beneficial interests in assets held by foundations have been valued, as a practical expedient, at the fair value of JFS' share of the foundations' investment pool as of the measurement date. The fair values of the investments held by foundations include Levels 1, 2, and 3; however, JFS' pro rata share of the pooled investments is not quoted in active markets and, therefore, is classified under Level 3 in the fair value hierarchy.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 5 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021			
	Quoted Prices in			Balance at June 30, 2021
	Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	
Mutual funds:				
Domestic equity	\$ 4,941,767	\$ -	\$ -	\$ 4,941,767
International equity	2,677,228	-	-	2,677,228
Bonds	1,544,249	-	-	1,544,249
Other	557,919	-	-	557,919
Commodities	80,946	-	-	80,946
Total mutual funds	9,802,109	-	-	9,802,109
Money markets funds	1,244,037	-	-	1,244,037
Beneficial interests in assets held by foundation	-	-	978,302	978,302
Total assets	\$ 11,046,146	\$ -	\$ 978,302	\$ 12,024,448

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020			
	Quoted Prices in			Balance at June 30, 2020
	Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	
Mutual funds:				
Domestic equity	\$ 3,658,856	\$ -	\$ -	\$ 3,658,856
International equity	1,684,672	-	-	1,684,672
Bonds	1,171,523	-	-	1,171,523
Other	400,197	-	-	400,197
Commodities	50,678	-	-	50,678
Total mutual funds	6,965,926	-	-	6,965,926
Money market funds	622,680	-	-	622,680
Exchange-traded funds:				
Global ex-U.S. real estate index fund	154,024	-	-	154,024
Real estate index fund	156,275	-	-	156,275
Total exchange-traded funds	310,299	-	-	310,299
Beneficial interests in assets held by foundations	-	-	842,885	842,885
Total assets	\$ 7,898,905	\$ -	\$ 842,885	\$ 8,741,790

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 5 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Beginning balance	\$ 842,885	\$ 863,924
Reinvested investment income	177,933	19,969
Distributions	<u>(42,516)</u>	<u>(41,008)</u>
Ending balance	<u>\$ 978,302</u>	<u>\$ 842,885</u>

Note 6 - Beneficial Interests in Assets held by Foundations

JFS entered into endowment fund agreements with two foundations to establish permanent endowment funds (the "Funds"). The assets of the Funds are owned by JFS; however, the Funds are held and invested by the foundations for the benefit of JFS. Distributions from the Funds are available to JFS for mental health and safety net services. During each of the years ended June 30, 2021 and 2020, JFS received distributions of approximately \$43,000 and \$41,000, respectively, from the Funds.

The beneficial interests have been recorded as net assets with perpetual restrictions in the accompanying consolidated statement of financial position and are based on the fair value of the underlying assets in the Funds, which is \$978,302 and \$842,885 at June 30, 2021 and 2020, respectively. On an annual basis, JFS evaluates its beneficial interest in the Funds and records any increases or decreases in the value as gains or losses in net assets with donor restrictions.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2021	2020
Land	\$ 540,000	\$ 624,000
Buildings	1,590,456	2,713,343
Machinery and equipment	260,909	230,220
Office equipment	-	141,295
Transportation equipment	387,036	369,903
Furniture and fixtures	216,150	245,831
Computer equipment and software	355,792	428,368
Leasehold improvements	<u>1,603,117</u>	<u>2,319,578</u>
Total cost	4,953,460	7,072,538
Accumulated depreciation	<u>2,546,889</u>	<u>4,076,028</u>
Net property and equipment	<u>\$ 2,406,571</u>	<u>\$ 2,996,510</u>

Depreciation and amortization expense for property and equipment totaled \$321,550 and \$367,597 for the years ended June 30, 2021 and 2020, respectively.

Note 8 - Line of Credit

JFS has a \$500,000 line of credit agreement with a bank, which accrues interest at the bank's prime rate (3.25 percent for both years June 30, 2021 and 2020) and expires in December 2022. The line of credit is unsecured and subject to certain operating and financial covenants. There were no amounts outstanding on the line of credit as of June 30, 2021 and 2020.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 9 - Paycheck Protection Program Loan

During the year ended June 30, 2020, JFS received a Paycheck Protection Program (PPP) loan in the amount of \$1,609,800. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and staffing level and salary maintenance requirements are met. Prior to June 30, 2021, JFS applied for and received notification of forgiveness of the loan from the SBA. Loan forgiveness in the amount of \$1,609,800 has been recorded in other revenue on the consolidated statement of activities and changes in net assets.

Note 10 - Net Assets

Net assets without donor restrictions consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Board-designated net assets:		
Operating and general reserves	\$ 1,449,168	\$ 824,690
Plant and equipment	4,354,909	3,995,055
Specific programs	1,210,644	654,832
Campaign and other	1,279,905	613,719
	<u>8,294,626</u>	<u>6,088,296</u>
Total board-designated net assets	<u>\$ 8,294,626</u>	<u>\$ 6,088,296</u>

The board-designated net assets are overseen by the board of trustees and can be changed to respond to the changing needs of JFS.

Net assets with donor restrictions as of June 30 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Program-specific activities	\$ 1,345,336	\$ 1,204,050
Contributions receivable - Time and purpose restricted	454,803	994,887
Program-specific activities to be spent in specific years	915,844	1,067,556
Endowment:		
Accumulated earnings	1,020,324	46,628
Amounts to be held in perpetuity	4,311,825	4,056,581
	<u>5,332,149</u>	<u>4,103,209</u>
Total endowment	<u>5,332,149</u>	<u>4,103,209</u>
Total	<u>\$ 8,048,132</u>	<u>\$ 7,369,702</u>

Note 11 - Donor-restricted and Board-designated Endowments

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

JFS is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of JFS has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, JFS considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. JFS has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, JFS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of JFS and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of JFS
- The investment policies of JFS

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021
	With Donor Restrictions
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 4,311,825
Accumulated investment gains	1,020,324
Total	\$ 5,332,149

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021 <hr/> With Donor Restrictions <hr/>
Endowment net assets - Beginning of year	\$ 4,103,209
Investment return - Investment income	1,131,268
Contributions	250,000
Appropriation of endowment assets for expenditure	<u>(152,328)</u>
Endowment net assets - End of year	<u>\$ 5,332,149</u>
	Endowment Net Asset Composition by Type of Fund as of June 30, 2020 <hr/> With Donor Restrictions <hr/>
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 4,056,581
Accumulated investment gains	<u>46,628</u>
Total	<u>\$ 4,103,209</u>
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020 <hr/> With Donor Restrictions <hr/>
Endowment net assets - Beginning of year	\$ 4,302,658
Investment return	89,638
Contributions	750
Appropriation of endowment assets for expenditure	<u>(289,837)</u>
Endowment net assets - End of year	<u>\$ 4,103,209</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires JFS to retain as a fund of perpetual duration. In accordance with accounting guidance, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of trustees. As of June 30, 2021 and 2020, the corpus of the underwater funds was \$23,671 and \$1,608,965, respectively, with market values of \$17,157 and \$1,519,045, respectively, resulting in deficiencies of \$6,514 and \$89,920, respectively.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

Return Objectives and Risk Parameters

JFS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that JFS must hold in perpetuity or for a donor-specified period. The endowment assets are invested in a manner that is intended to produce results of a blended portfolio while assuming a moderate level of investment risk. JFS' primary objective is to realize a return of the Consumer Price Index (CPI) plus 5 percent per year to cover annual spending needs, while leaving some excess return to cover expenses and account for inflation. Its secondary return objective is to outperform, on a net basis, a market-weighted benchmark that reflects the target asset allocation of the portfolio. JFS strives to achieve its return objectives with the minimal total portfolio risk necessary. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, JFS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). JFS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

JFS may distribute annually a percentage of each endowment fund's average fair market value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. The appropriate spending percentage is determined on a year-to-year basis by the budget and finance committee after consideration of the UPMIFA factors listed above. It is expected, except in unusual circumstances, that the spending percentage will not exceed 5 percent.

A spending percentage that exceeds 5 percent requires approval by the board. Should the value of an endowment fund decline below the corpus balance in any given year because of adverse market conditions, the budget and finance committee may continue to approve distributions from the endowment fund to support the endowment fund's designated purposes, keeping in mind the donor's intent that the corpus of the endowment fund shall be preserved in perpetuity. In the case of endowment funds that have been in existence for fewer than 12 quarters, the quarters during which the endowment has been in existence will be used as the basis for calculating the average fair market value of the fund.

It is possible, particularly in the case of new endowment funds, for the annual return on the endowment fund to be less than the spending appropriation for the short-term.

Note 12 - Employee Benefit Plans

Employee Retirement Plan

JFS sponsors a 401(k) plan in which all eligible employees may participate. JFS may make discretionary matching and profit-sharing contributions to the Plan. JFS made a matching contribution equal to 50 percent of the first 4 percent of each eligible participant's contribution in 2021 and 2020. Contributions to the plan totaled \$172,794 and \$179,334 for the years ended June 30, 2021 and 2020, respectively.

Health Savings Account

JFS provides a Health Savings Account (HSA) that allows participants to contribute a portion of their salary on a nontaxable basis to be used for reimbursement of eligible expenses. JFS contributes \$39 per month to the HSA for each full-time employee enrolled in the HSA plan (prorated for part-time employees). JFS contributed \$23,417 and \$28,817 to the HSA for the years ended June 30, 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 12 - Employee Benefit Plans (Continued)

Assets Held Under Deferred Compensation Plan

JFS has deferred compensation agreements with key former employees under Sections 457(b) and 457(f) of the Internal Revenue Code. JFS has designated certain investments as held to fund its obligation under the agreements. JFS made no contributions to the deferred compensation plan during the years ended June 30, 2021 and 2020. At June 30, 2021 and 2020, the deferred compensation liability is included in accounts payable and accrued expenses and equals the fair value of the investments held.

Note 13 - Commitments

JFS is obligated under operating leases for certain equipment and facility space, expiring at various dates through 2026. The terms of the lease agreements require monthly lease payments, and JFS is obligated for common area maintenance expenses under the facility leases. Total rent expense under these leases was approximately \$65,000 and \$59,000 for the years ended June 30, 2021 and 2020, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending June 30	Amount
2022	\$ 20,451
2023	20,105
2024	19,580
2025	13,992
2026	11,976
Total	<u>\$ 86,104</u>