

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

REPORT ON AUDIT OF FINANCIAL STATEMENTS
December 31, 2018

BERGER, GHERSI & LADUKE PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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BERGER, GHERSI & LADUKE PLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of

Jewish Hospice & Chaplaincy Network
(a Michigan non-profit corporation)

which comprise the Statement of Financial Position as of December 31, 2018, and the related Statement of Activities, Schedule of Functional Expenses and Statement of Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

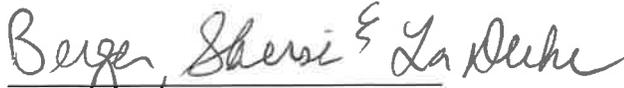
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of **Jewish Hospice & Chaplaincy Network** as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



BERGER, GHERSI & LADUKE PLC
Certified Public Accountants

July 9, 2019

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

STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 666,341
Pledge receivable	<u>75,000</u>
Total current assets	\$ 741,341
Property and equipment:	
Computer equipment	19,095
Vehicles	<u>58,270</u>
	77,365
Less: Accumulated depreciation	<u>(49,769)</u>
Net property and equipment	27,596
Other Assets:	
Loans receivable	121,250
Pledge Receivable - Long Term	357,010
Investment in ICG Finance Fund, LP	87,907
Donor imposed restrictions:	
Endowments	\$ 6,061,647
Funds subject to time restrictions	<u>75,000</u>
	6,136,647
Investments without donor restrictions	3,186,950
Cash value of life insurance	652,473
Library	<u>6,075</u>
Total other assets	<u>10,548,312</u>
Total assets	<u>\$ 11,317,249</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$ 25,535
Accrued payroll	41,371
Grant reimbursement payable	<u>96,790</u>
Total current liabilities	<u>163,696</u>
Net assets:	
Without donor restrictions	
Undesignated	5,016,906
With donor restrictions	
Perpetual	6,061,647
Time restriction	<u>75,000</u>
Total net assets	<u>11,153,553</u>
Total liabilities and net assets	<u>\$ 11,317,249</u>

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

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

STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Community foundation grants-general	\$ 324,260	\$ 75,000	\$ 399,260
Memorial gifts	104,624		104,624
Major gifts	2,874,060		2,874,060
General donations	94,570		94,570
Direct mail campaign	196,998		196,998
Caring coalition	115,099		115,099
Net investment return	(71,874)	(614,286)	(686,160)
Donations in kind	36,000		36,000
Net assets released from restrictions	13,405	(13,405)	
	3,687,142	(552,691)	3,134,451
 Functional expenses:			
Program services	1,321,458		1,321,458
Supporting services:			
Management and general	247,449		247,449
Fundraising	405,620		405,620
	1,974,527		1,974,527
 Change in net assets	1,712,615	(552,691)	1,159,924
 Net assets, beginning of year	3,304,291	6,689,338	9,993,629
 Net assets, end of year	\$ 5,016,906	\$ 6,136,647	\$ 11,153,553

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

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

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	<u>Program</u>	<u>Mangement and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary, benefits, and taxes:				
Salary - officer	\$ 37,528	\$ 37,528	\$ 300,226	\$ 375,282
Salary - administration and support staff		89,357		89,357
Salary - development staff	11,231			11,231
Salary - medical director	104,615	13,076	13,077	130,768
Pension expense	21,691	4,654	8,640	34,985
Health insurance	2,746	1,248	998	4,992
Life and disability insurance	14,379	6,536	5,229	26,144
Payroll taxes	27,729	12,604	10,083	50,416
	<u>219,919</u>	<u>165,003</u>	<u>338,253</u>	<u>723,175</u>
Total salary, benefits and taxes				
Patient care:				
Pastoral care	503,248			503,248
Social work	39,209			39,209
Books and religious articles	4,885			4,885
Patient care/emergency intervention	65,307			65,307
Care coordination	59,115			59,115
	<u>671,764</u>			<u>671,764</u>
Total patient care - non salary				
Education and training:				
Caring coalition	132,253			132,253
Events, meetings & seminars	52,241			52,241
Community education/volunteer training	66,313			66,313
	<u>250,807</u>			<u>250,807</u>
Total education and training				
Other expenses:				
Accounting service		22,200		22,200
Bank charges		13,022		13,022
Computer expenses	8,413	3,824	3,059	15,296
Depreciation	1,703	223	11,655	13,581
Dues and subscriptions		3,628		3,628
Insurance auto	810	810	6,480	8,100
Insurance general	2,537	1,153	923	4,613
Insurance workers compensation	3,286	1,494	1,195	5,975
Legal fees		6,004		6,004
Marketing, promotional and fundraising materials	7,130		3,056	10,186
Outside services	27,650		11,850	39,500
Office supplies and printing	29,565	7,449	5,959	42,973
Payroll service	3,457	1,571	1,257	6,285
Postage	7,299	3,318	2,654	13,271
Rent	19,800	9,000	7,200	36,000
Secretarial	17,960	8,161	6,529	32,650
Telephone	10,005	589	1,177	11,771
Vehicle expense	39,353		4,373	43,726
	<u>178,968</u>	<u>82,446</u>	<u>67,367</u>	<u>328,781</u>
Total other expense				
Total functional expense	<u>\$ 1,321,458</u>	<u>\$ 247,449</u>	<u>\$ 405,620</u>	<u>\$ 1,974,527</u>

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

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

STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ 1,159,924
Adjustments to reconcile net assets to cash flows from operating activities:	
Loss on sale of investments	334,193
Depreciation	13,581
Decrease in pledge receivable	613,788
Increase in cash surrender value of life insurance	(50,404)
Increase in accounts payable	8,376
Increase in grant reimbursement payable	96,790
Decrease in accrued payroll	(4,183)
Decrease in accrued taxes	(185)
	<hr/>
Net cash flows provided by operating activities	2,171,880
Cash flows from investing activities:	
Net investment losses from restricted investments	614,268
Release of restricted investments	13,405
Partnership investment loss.	11,418
Purchase of investments	(1,698,553)
Proceeds from bond redemption	25,000
Proceeds from sale of investments	914,643
Collections on loan receivable	2,750
Advances on loan receivable	(3,500)
	<hr/>
Net cash flows used by investing activities	(120,569)
Cash flows from financing activities:	
Contributions to unrestricted investments	(2,176,545)
	<hr/>
Net decrease in cash and cash equivalents	(125,234)
Cash and cash equivalents, beginning of year	<hr/> 791,575
Cash and cash equivalents, end of year	<hr/> <hr/> \$ 666,341
Supplemental disclosures:	
Taxes paid	<hr/> <hr/> \$ -

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

JEWISH HOSPICE & CHAPLAINCY NETWORK
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE A - Nature of Activities and Significant Accounting Policies

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

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

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

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

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

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and equipment - Capital additions to property and equipment exceeding \$1,000 are recorded at cost if purchased or, if donated, at fair market value at the date of the gift. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, generally three to ten years. Total depreciation expense for the year ended December 31, 2018 was \$13,581.

Income taxes - JHCN is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. JHCN is subject to federal income tax on its unrelated business taxable income. There was no tax expense for the year ended December 31, 2018.

Contribution receivable - Unconditional promises to give are recognized as revenues or gains in the period in which the promise is made, and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no endowment receivables as of December 31, 2018.

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

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

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

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

Donated/free use of facilities - JHCN rents office space from Jewish Family Service (JFS), located at 6555 West Maple Road, West Bloomfield, Michigan. In exchange for JFS being able to promote to their clients that they can offer hospice services and pastoral care on a collaborative basis, JFS provides rent, phones, and phone lines to JHCN at no additional cost. The estimated fair market value of the donated facility is \$3,000 per month.

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

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

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

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

NOTE B - Net Assets with Donor Restrictions

The net assets with donor restrictions consist of endowment fund investments to be held indefinitely. There was no endowment increase in 2018.

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

J & E Bielfield Hospice
Michael L. Stacey Centennial Fund

JHCN records earnings as increases in net assets with donor restrictions and distributions to JHCN as decreases the net assets with donor restrictions. In 2018, distributions were from J & E Bielfield Hospice in the amount of \$13,405 and reclassified to net assets without donor restrictions.

JEWISH HOSPICE & CHAPLAINCY NETWORK
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE C - Promise to Give

Unconditional promise to give consist of the following:

Unrestricted promise	\$ 475,000
Less: unamortized discount	<u>(42,990)</u>
Net unconditional promise to give	<u>\$ 432,010</u>
Amounts due in:	
Less than one year	\$ 75,000
One to four years	<u>400,000</u>
Total	<u>\$ 475,000</u>

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 2.4%, when the donor makes an unconditional promise to give to the Organization.

NOTE D - Net Investment Return

Net investment return for the year ended December 31, 2018:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 73,037	\$ 111,483	\$ 184,520
Net realized and unrealized loss	(118,642)	(695,609)	(814,251)
Less investment management and custodial fees	(14,851)	(30,160)	(45,011)
Loss from partnership interest	<u>(11,418)</u>	<u> </u>	<u>(11,418)</u>
Net investment return	<u>\$ (71,874)</u>	<u>\$ (614,286)</u>	<u>\$ (686,160)</u>

NOTE E - Fair Value Measurements

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

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

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

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

JEWISH HOSPICE & CHAPLAINCY NETWORK
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE E - Fair Value Measurements (continued)

The fair value measurements and levels within the fair value hierarchy of those measurements are for the assets reported at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient to estimate fair values as of December 31, 2018:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Measured at NAV Per Share
Without restrictions			
Marketable securities (available for sale)	<u>\$ 3,186,950</u>	<u>\$ 3,186,950</u>	<u>\$ -</u>
With restrictions:			
Marketable securities (available for sale)	\$ 4,924,420	\$ 4,924,420	\$ -
Balanced pool investment funds	<u>1,137,227</u>	<u>-</u>	<u>1,137,221</u>
Total restricted	<u>\$ 6,061,647</u>	<u>\$ 4,924,420</u>	<u>\$ 1,137,221</u>

NOTE F - Endowment

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

Interpretation of Relevant Law

The Board of Directors of JHCN has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JHCN classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the UMIFA. In accordance with UMIFA, JHCN considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

JEWISH HOSPICE & CHAPLAINCY NETWORK
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE F - Endowment (continued)

Endowment Net Asset Composition

Changes in endowment net assets composition for the year ended December 31, 2018 are as follows:

Beginning - January 1, 2018	\$ 6,689,320
Earnings	316,807
Net unrealized loss on securities	(931,075)
Net assets released from restrictions	<u>(13,405)</u>
Ending - December 31, 2018	<u>\$ 6,061,647</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor or UMIFA requires JHCN to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy

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

JEWISH HOSPICE & CHAPLAINCY NETWORK
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE G - Concentration of Credit Risk

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

NOTE H - Date of Management's Review

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

NOTE I - Retirement Plan

JHCN has a 401(k) profit sharing plan that covers all eligible employees. JHCN matches employee contributions to a maximum of 4% of employee compensation. Total contributions amounted to \$34,985 for the year ended December 31, 2018. JHCN has funded or accrued all calculated contributions as of the Statement of Financial Position date.

NOTE J - Liquidity and Availability

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

Cash and cash equivalents	\$ 666,341
Investments without donor restriction	3,186,950
Promises to give	75,000
Distributions from beneficial interests in assets held by Jewish Federation	<u>13,405</u>
	<u>\$ 3,941,696</u>

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

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

NOTE K - Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.