JEWISH FAMILY AND CHILDREN'S SERVICE OF MINNEAPOLIS

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Jewish Family and Children's Service of Minneapolis
Minnetonka, Minnesota

We have audited the accompanying consolidated financial statements of Jewish Family and Children's Service of Minneapolis, which comprise the consolidated statement of financial position as of December 31, 2016, 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 Family and Children's Service of Minneapolis

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family and Children's Service of Minneapolis as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 4, 2017

JEWISH FAMILY AND CHILDREN'S SERVICE OF MINNEAPOLIS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents	$	409,623
Accounts Receivable, Net		187,672
Grants Receivable		411,016
Program Loans Receivable, Net		75,510
Contributions Receivable, Net		1,290,263
Other Receivables		13,643
Donated Space		344,344
Inventory		32,088
Prepaid Expenses and Other Assets		83,842
Total Current Assets		2,848,001
LONG-TERM ASSETS		
Investments		331,076
Beneficial Interest in the Net Assets of the Minneapolis Jewish Federation		10,207,367
Contributions Receivable, Net of Current Portion		522,286
Beneficial Interest in Charitable Remainder Trust		118,192
Donated Space, Net of Current Portion		573,881
Lease Advance Deposit		275,000
Property and Equipment, Net of Accumulated Depreciation		110,823
Total Long-Term Assets		12,138,625
Total Assets	$	14,986,626

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	$	142,516
Accrued Liabilities		285,286
Total Current Liabilities		427,802
LONG-TERM LIABILITIES		
Lease Commitments Due to the Jewish Community Building Corporation		35,764
Deferred Compensation		131,076
Funds Held for Others		150,000
Total Long-Term Liabilities		316,840
Total Liabilities		744,642
NET ASSETS		
Unrestricted:		
Operations		327,848
Endowment Funds		2,050,675
Temporarily Restricted:		
Restricted For Operations		3,478,510
Endowment Funds		3,759,229
Permanently Restricted		4,625,722
Total Net Assets		14,241,984
Total Liabilities and Net Assets	$	14,986,626

See accompanying Notes to Consolidated Financial Statements.

JEWISH FAMILY AND CHILDREN'S SERVICE OF MINNEAPOLIS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Support:				
Direct Contributions	$ 502,932	$ 395,685	$ 106,155	$ 1,004,772
Indirect Contributions	69,331	1,187,678	-	1,257,009
Donated Goods and Services	1,245	-	-	1,245
Nongovernment Grants	525,547	741,502	-	1,267,049
Special Events, Net	268,842	137,951	-	406,793
Total Support	1,367,897	2,462,816	106,155	3,936,868
Revenues:				
Government Grants	1,827,681	-	-	1,827,681
Government Agencies	725,058	-	-	725,058
Program Related Sales and Fees	1,180,496	-	-	1,180,496
Change in Value of Beneficial Interest in the Net Assets of the Minneapolis Jewish Federation	100,795	401,983	-	502,778
Investment Income	6,378	1	-	6,379
Other	44,488	-	-	44,488
Total Revenues	3,884,896	401,984	-	4,286,880
Net Assets Released from Restriction	3,519,670	(3,519,670)	-	-
Total Support and Revenues	8,772,463	(654,870)	106,155	8,223,748
EXPENSES				
Program Services:				
Clinical and Case Management Services	1,464,761	-	-	1,464,761
Aging and Disability Services	921,378	-	-	921,378
Community Services	1,190,952	-	-	1,190,952
Children's Services	675,905	-	-	675,905
Career Services	2,270,598	-	-	2,270,598
Total Program Services	6,523,594	-	-	6,523,594
Supporting Services:				
Management and General	1,262,679	-	-	1,262,679
Development and Fundraising	732,918	-	-	732,918
Total Support Services	1,995,597	-	-	1,995,597
Total Expenses	8,519,191	-	-	8,519,191
CHANGE IN NET ASSETS	253,272	(654,870)	106,155	(295,443)
Net Assets - Beginning of Year	2,125,251	7,892,609	4,519,567	14,537,427
NET ASSETS - END OF YEAR	$ 2,378,523	$ 7,237,739	$ 4,625,722	$ 14,241,984

See accompanying Notes to Consolidated Financial Statements.

JEWISH FAMILY AND CHILDREN'S SERVICE OF MINNEAPOLIS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services						Supporting Services		
	Clinical and Case Management Services	Aging and Disability Services	Community Services	Children's Services	Career Services	Total	Management and General	Development and Fundraising	Total Expenses
Grants, Contracts, and Direct Assistance	$ 317,134	$ 54,453	$ 139,081	$ 154,265	$ 555,560	$ 1,220,493	$ 500	$ -	$ 1,220,993
Salary and Wages	770,691	550,609	740,318	338,593	1,188,634	3,588,845	779,594	444,582	4,813,021
Employee Benefits	81,637	58,652	78,365	36,154	127,781	382,589	92,202	47,224	522,015
Payroll Taxes and Unemployment	61,433	55,963	61,996	28,640	108,234	316,266	66,370	41,824	424,460
Professional Fees	15,725	1,087	1,541	15,136	12,176	45,665	107,948	43,551	197,164
Supplies	8,406	62,240	1,117	10,560	6,055	88,378	17,992	2,271	108,641
Telephone and Telecommunications	12,375	18,177	7,762	2,697	12,965	53,976	2,340	1,484	57,800
Postage and Shipping	2,047	777	979	4,300	1,374	9,477	5,346	11,466	26,289
Printing and Copying	13,114	6,665	7,752	10,007	14,423	51,961	22,609	17,517	92,087
Rent, Parking, and Other Occupancy	42,996	20,534	29,238	13,753	81,892	188,413	29,686	15,877	233,976
Donated Facilities	55,137	39,392	52,964	24,224	85,038	256,755	55,773	31,806	344,334
Equipment/Software Licensing and Support	230	-	-	1,101	31,707	33,038	32,405	37,344	102,787
Travel/Mileage	45,861	23,977	11,675	3,025	12,575	97,113	363	1,603	99,079
Conferences, Conventions, and Meetings	897	11,863	527	23,482	2,916	39,685	15,637	6,018	61,340
Membership Dues	11,851	-	4,351	2,644	812	19,658	5,668	-	25,326
Staff Development	2,269	4,824	1,090	140	3,934	12,257	3,956	1,129	17,342
Advertising	2,625	-	-	559	1,083	4,267	1,895	897	7,059
Other Expense	6,919	2,986	41,687	1,766	6,312	59,670	11,094	21,942	92,706
Total Expenses Before Depreciation	1,451,347	912,199	1,180,443	671,046	2,253,471	6,468,506	1,251,378	726,535	8,446,419
Depreciation and Amortization	13,414	9,179	10,509	4,859	17,127	55,088	11,301	6,383	72,772
Total Expenses	$ 1,464,761	$ 921,378	$ 1,190,952	$ 675,905	$ 2,270,598	$ 6,523,594	$ 1,262,679	$ 732,918	$ 8,519,191

See accompanying Notes to Consolidated Financial Statements.

JEWISH FAMILY AND CHILDREN'S SERVICE OF MINNEAPOLIS
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ (295,443)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and Amortization	72,772
Amortization of Donated Space	344,334
Change in Value of Beneficial Interest in the Net Assets of the Minneapolis Jewish Federation	(502,778)
Unrealized Gain on Investments	(4,607)
Permanently Restricted Contributions, Net of Releases	(106,155)
(Increase) Decrease in Assets:	
Accounts Receivable	88,636
Grants Receivable	(169,473)
Program Loans Receivable	18,739
Contributions Receivable	(48,421)
Other Receivables	4,564
Inventory	(12,017)
Prepaid Expenses and Other Assets	23,378
Increase (Decrease) in Liabilities:	
Accounts Payable	(59,837)
Accrued Liabilities	20,605
Deferred Revenue	(23,000)
Deferred Compensation	21,166
Net Cash Used by Operating Activities	(627,537)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(16,559)
Cash Transferred to Minneapolis Jewish Federation	(232,326)
Distributions from Minneapolis Jewish Federation	405,577
Purchase of Property and Equipment	(22,806)
Net Cash Provided by Investing Activities	133,886
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Notes Payable	(4,274)
Payments on Lease Commitments Due to the Jewish Community Building Corporation	(21,459)
Permanently Restricted Contributions, Net of Releases	106,155
Net Cash Provided by Financing Activities	80,422
NET DECREASE IN CASH AND CASH EQUIVALENTS	(413,229)
Cash and Cash Equivalents - Beginning of Year	822,852
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 409,623

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Jewish Family and Children's Service of Minneapolis is guided by its mission to provide essential services to people of all ages and backgrounds to sustain healthy relationships, ease suffering and offer support in times of need. Jewish Family and Children's Service of Minneapolis is proud to say it has been “family” to tens of thousands of people in the Jewish and general communities for more than a century. Jewish Family and Children's Service of Minneapolis provides a full spectrum of programs and services for adults, children, families, the frail elderly, refugees and immigrants, and people who struggle with poverty, emotional problems, and mental and physical disabilities.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts and activities of Jewish Family and Children’s Service of Minneapolis and a supporting foundation that was incorporated in November 2012 (collectively, the Organization). All significant intercompany balances and transactions have been eliminated.

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to donor imposed restrictions that they be maintained permanently by the Organization to use all or part of the income earned, including capital appreciation, of related investments for unrestricted or temporarily restricted purposes.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased and maturing in three months or less to be cash equivalents.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Program service revenue is recorded in the period the services are delivered. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts and historical average percentage write-offs by category of receivables. Accounts receivable for counseling services are also reduced for anticipated contract adjustments. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. An allowance of $7,887 was recorded at December 31, 2016.

Grant Revenue and Receivables

Cost reimbursement grants and government grants are recorded in the accounting period in which the related expenditures are incurred. Grants receivable are stated at net realizable value. Balances are individually analyzed for collectibility. The Organization records an allowance for doubtful accounts under the reserve method. Write-off of receivables against the related allowance occurs when all collection efforts have been exhausted or certain conditions have been reached. At December 31, 2016, no allowance for uncollectible accounts has been considered necessary.

Program Loans Receivable

Program loans receivable relate to various loan programs which are used to serve individuals needing emergency assistance, refugees in need of help, and individuals seeking vocational training. Outstanding loan balances are reviewed individually for timing of payments received as well as future collectibility. As needed, alternative payment plans are arranged. The Organization records an allowance for doubtful accounts under the reserve method. Write-off of loans receivable against the related allowance occurs when all collection efforts have been exhausted. An allowance of $522 was recorded at December 31, 2016.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts based on historical average percentage write-offs and its assessment of the current status of individual account balances. If management's collection attempts are unsuccessful, contributions receivable balances are written off through a charge to the allowance for doubtful accounts. An allowance of $6,910 was recorded at December 31, 2016.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Space

The Organization signed a 10-year lease with the Jewish Community Building Corporation starting September 1, 2009. Under the lease, the Organization is required to pay only common area maintenance costs. The difference in the fair value of the leased space and the common area costs is considered a contribution. The fair value of the contribution was recognized as a temporarily restricted contribution at September 1, 2009 and the related net asset is scheduled to be released as rent expense over the life of the agreement on a straight-line basis.

Investments

Investments consist primarily of money market and mutual funds and Israel Bonds. Money market funds are recorded at deposit value, and mutual funds are recorded at fair value. Israel Bonds are recorded at deposit value, which approximates fair value.

Beneficial Interest in the Net Assets of the Minneapolis Jewish Federation

The Minneapolis Jewish Federation (the Federation) receives contributions and invests these funds for particular purposes on the Organization's behalf. The contributions are put into funds based on the donor's stipulations. The Federation does not have variance power on these funds, therefore requiring the activity to be recorded by the Organization. The balances are at fair value.

Due to the unitized structure of the investments at the Federation, the Organization is allocated an equitable portion of sales and purchases of investments executed at the Foundation. The details of the sales and purchases of investments are maintained by the Foundation. For financial statement purposes, the Organization has elected to disclose only the net change in the value of its interest in the net assets of the Foundation in the consolidated financial statements.

Additional funds are held by the Federation in donor advised funds from which the Organization may receive additional contributions, however, variance powers to redirect these funds are present and the funds do not meet the reporting requirements under current guidance.

Beneficial Interest in Charitable Remainder Trust

The beneficial interest in charitable remainder trust is carried at the present value of expected proceeds from a trust. The lead beneficiaries of the trust are entitled to distributions from the trust over their lifetime with the Organization receiving the balance of the trust assets after their deaths. The present value was calculated using a 5% discount rate over the life expectancy of the lead beneficiaries.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment that has a useful life greater than one year and a cost greater than $1,000 are stated at cost and depreciated using a straight-line method. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets, which range from 2 to 10 years. Leasehold improvements are depreciated over the estimated useful life of the improvement or the length of the lease, whichever is shorter.

Fair Value Measurements

The Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of activities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access. This includes stocks and mutual funds.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include interests in the net assets of the Federation and assets held in a trust where the Organization is not the trustee).

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support, Contributed Services, and Deferred Revenue

Contributions and foundation grants (nongovernment grants) are recorded as revenues in the period promised, unless the grant is a cost reimbursement grant (see below).

Contributions received with no donor restrictions are recorded as unrestricted support. Contributions are recorded as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific purpose or a future time period. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as Net Assets Released from Restriction.

Contributions are recorded as permanently restricted assets if they are received with donor stipulations that restrict the donation to investment in perpetuity. Income on those assets is expended according to donor stipulations, if any.

Donated services are recognized to the extent that they create or enhance nonfinancial assets or require specialized skills. Donated goods and services required by grant awards are recorded in the consolidated statement of activities at fair value and recognized as Revenue and Expense in the period they are received.

A number of volunteers have made contributions of their time to develop and enhance the Organization's programs. The value of this contributed volunteer time does not meet the recognition requirements for contributed services and, as such, is not reflected in these statements.

Deferred revenue consists primarily of advance payments received from donors and sponsors for the Organization's annual benefit, which occurs in December of each year.

Cost Allocation

Shared costs are allocated to benefiting programs using various allocation methods, depending on the type of shared cost being allocated. Shared costs are those costs incurred for the common benefit of all agency programs which cannot be readily identified with a final cost objective.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost Allocation (Continued)

Cost allocation methods are as follows:

- When employee time can be directly identified with a project or activity, salaries and wages are charged to that project or activity (direct charges). In the case of support employees whose work is not identifiable to a specific project, salaries and wages are allocated pro rata based on the direct time charged to these projects. Taxes and benefits costs are allocated pro rata based on salaries and wages.
- Occupancy expenses are allocated based on usage by program. The total occupancy cost of each facility is allocated pro rata by the number of offices or cubicles used by each program.
- Costs for equipment, such as printing and mailing equipment, are allocated pro rata based on usage of the equipment by program.
- Expenses other than those listed above, which are not directly identifiable by program or supporting services, are allocated based on the percentage of direct salaries.

Functional Expenses

The expenses of the Organization have been presented by function. When expenses are classified on a functional basis, each significant program and supporting service is reported separately in the consolidated statement of activities.

Use of Estimates

The preparation of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Jewish Family and Children's Service of Minneapolis qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and the comparable section of the Minnesota Income Tax Statutes. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and contributions by donors are tax deductible. The supporting foundation is a supporting organization under 509(a)(3) of the Internal Revenue Code.

The Organization follows the income tax standard for recognition of uncertain tax positions. Management has determined that the Organization has no uncertain tax positions.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 4, 2017, the date the consolidated financial statements were available to be issued.

NOTE 2 CONCENTRATIONS OF CREDIT RISK

The Organization maintains accounts with two financial institutions in Minnesota. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. Balances in excess of $250,000 are not insured.

The Organization receives significant contributions from the Minneapolis Jewish Federation and the Twin Cities Greater United Way annually. Total contributions from these sources were approximately 15% of total revenues for the year ended December 31, 2016. Revenue from government grants and contracts was approximately 31% of total revenues for the year ended December 31, 2016.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2016:

Accounts Receivable	$	195,559
Less: Allowance for Doubtful Accounts		(7,887)
Accounts Receivable, Net	$	187,672

NOTE 4 GRANTS RECEIVABLE

Grants receivable consist of the following at December 31, 2016:

Government	$	381,595
Other		29,421
Total Grants Receivable	$	411,016

NOTE 5 JEWISH FAMILY LOAN PROGRAM

The Organization issues uncollateralized loans to members of the Jewish community based on financial need under their Jewish Family Loan Program (JFLP). The loans are issued from a minimum of $1,000 to a maximum of $7,500 and bear no interest, and are typically repayable from 24 to 36 months. One or two co-signers are currently required who are subject to a credit check and must meet minimum credit score credit criteria. Loans are funded from restricted contributions made by numerous donors.

Because of the strict criteria with regard to co-signers, write-offs are rare for this program. As with other loans and nonpledge receivables, allowances for doubtful accounts are determined based on an evaluation of the current status of any past due accounts and the average write-offs by category for prior years. An allowance for doubtful accounts of $-0- was recorded for the year ended December 31, 2016.

NOTE 5 JEWISH FAMILY LOAN PROGRAM (CONTINUED)

While write-offs are infrequent, loan repayment terms are at times renegotiated and terms extended. As a result, the Organization has elected to discount the loans at a rate of 5% to reflect the timing of repayments. The amount of the discount at December 31, 2016 was $3,224.

JFLP loan activity consisted of the following for the year ended December 31, 2016:

Jewish Free Loan Program	$	78,318
Less: Present Value Discount (5%)		(3,224)
Jewish Free Loans, Net	$	75,094

At December 31, 2016, there were no past due amounts under the JFLP.

Receivables recorded for the JFLP were included in the Program Loans Receivable balance on the consolidated statement of financial position at December 31, 2016.

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2016 are expected to be collected as follows:

Contributions Expected to be Collected in:		
Less than One Year	$	1,290,263
More than One Year		584,669
Total Contributions Receivable		1,874,932
Less: Present Value Discount (5.0%)		(55,473)
Less: Allowance for Uncollectible Contributions		(6,910)
Less: Current Portion		(1,290,263)
Noncurrent Contributions Receivable, Net	$	522,286

NOTE 7 INVESTMENTS

Investments are summarized as follows at December 31, 2016:

Money Market Fund	$	2,516
Equities		114,931
Israel Bonds		200,000
Balanced Mutual Funds		13,629
Total Investments	$	331,076

NOTE 8 FAIR VALUE MEASUREMENTS

Financial assets that are carried at estimated fair value are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2016:

	Level 1	Level 2	Level 3	Total
Investments:				
Equities	$ 114,931	$ -	$ -	$ 114,931
Balanced Mutual Funds	13,629	-	-	13,629
Interest in Charitable Remainder Trust	-	-	118,192	118,192
Beneficial Interest in the Net Assets of the Minneapolis Jewish Federation	-	-	10,207,367	10,207,367
Total	$ 128,560	$ -	$ 10,325,559	$ 10,454,119

The basis for determining Level 2 and Level 3 assets is as follows:

- Beneficial Interest in Charitable Remainder Trust is based on the fair value of expected future income streams of the underlying Trust assets reported by the trustee using an estimated discount rate of 5%.
- Beneficial Interest in the Net Assets of the Minneapolis Jewish Federation is based on the unadjusted fair value of the underlying assets reported by the Minneapolis Jewish Federation.

The following is a reconciliation of the changes in Level 3 assets for the year ended December 31, 2016:

	Beneficial Interest Charitable Remainder Trust	Beneficial Interest in the Net Assets of the Minneapolis Jewish Federation
Balance at August 31, 2015	$ 118,192	$ 9,877,840
Net Change in Value of Trust and Interest in Net Assets of the Minneapolis Jewish Federation	-	502,778
Contributions	-	232,326
Distributions	-	(405,577)
Balance at December 31, 2015	$ 118,192	$ 10,207,367

NOTE 9 PROPERTY AND EQUIPMENT, NET

Major classes of property and equipment at December 31, 2016 are summarized as follows:

Furniture and Equipment	$	645,688
Leasehold Improvements		767,924
Less: Accumulated Depreciation		(1,302,789)
Total Property and Equipment, Net	$	110,823

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 are available for the following purposes or period:

Time Restricted	$	996,810
Temporarily Restricted Endowment		
Assets Held by the Federation		3,759,229
Donated Space		918,225
Beneficial Interest in Charitable Remainder Trust		118,192
Clinical and Case Management Services		310,443
Aging and Disability Services		519,891
Community Services		108,853
Children's Services		378,981
Career Services		54,358
Other Restrictions		72,757
Total	$	7,237,739

NOTE 11 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the year ended December 31, 2016 by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

Released from Temporarily Restricted to Unrestricted:		
Program Restrictions Accomplished	$	2,362,950
Time Restrictions Expired		1,156,720
Total	$	3,519,670

NOTE 12 ENDOWMENTS

The Organization maintained 281 endowment funds in the Jewish Family and Children's Service (JFCS) endowment fund as of December 31, 2016. In addition, the supporting foundation separately maintains one endowment fund. In the consolidated financial statements, the JFCS endowment fund and the portion of the supporting organization endowment fund which benefits the Organization are collectively referred to as the Endowments.

JFCS Endowment Fund

The 281 funds that comprise the JFCS endowment fund were established for a variety of purposes. The Organization established a fund at the Federation to manage these funds.

The endowment includes donor-restricted and board designated funds. As required, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on existence or absence of donor-imposed restrictions.

The board of directors of the Organization has interpreted the Minnesota 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 permanently restricted endowment funds. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanently restricted endowment funds, and (b) the original value of subsequent gifts to the permanently restricted endowment funds. If the permanently restricted endowment assets earn investment returns beyond the amount necessary to maintain their original value, that excess is available for appropriation and, therefore, classified as temporarily restricted net assets until appropriated by the board for expenditure.

In accordance with the UPMIFA, the Organization 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 the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

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 gifts, due to unfavorable market fluctuations. There were no deficiencies of this nature as of December 31, 2016.

NOTE 12 ENDOWMENTS (CONTINUED)

JFCS Endowment Fund (Continued)

Return Objectives and Risk Parameters – The Organization views itself as a moderate risk taker and has adopted policies with the primary investment objective of preservation of capital, on an inflation-adjusted basis, and secondarily, to achieve long-term capital appreciation.

Strategies Employed for Achieving Objectives – The Organization has adopted investment and spending policies 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. Under this policy, as approved by the board of directors, the endowment assets are transferred to Federation, who in turn invests in a manner intended to exceed appropriate benchmarks over a full market cycle.

Spending Policy – The Organization appropriates 4% of the average balance of the endowment's fair market value as of December 31 of each of the three years prior to the start of the fiscal year. In establishing these policies, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, 4% was determined to be the maximum sustainable spending rate that would allow the endowment to grow in excess of the rate of inflation.

Investment fees paid to the Federation were $99,344 for the year ended December 31, 2016.

Supporting Foundation Endowment Fund

The supporting foundation endowment fund was established to benefit the operations of JFCS and, in the future, other organizations as well. Per donor stipulations, contributions to the fund are permanently restricted, and contributions are to be invested in Israel Bonds. The portions of cash contributions and pledges that will benefit the Organization are recorded as contributions in the consolidated financial statements at the present value of the future benefit.

Endowment net assets for the JFCS and supporting foundation endowment funds for the year ended December 31, 2016 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted:				
Endowment Funds	$ -	$ 3,759,229	$ 4,625,722	$ 8,384,951
Board Designated:				
Endowment Funds	2,050,675	-	-	2,050,675
Total Endowment Funds	$ 2,050,675	$ 3,759,229	$ 4,625,722	$ 10,435,626

NOTE 12 ENDOWMENTS (CONTINUED)

Change in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, December 31, 2015	$ 1,759,458	$ 3,820,533	$ 4,519,567	$ 10,099,558
Change in Value of Beneficial Interest in the Net Assets of the Minneapolis Jewish Federation	100,795	401,983	-	502,778
Contributions Received	73,963	55,778	106,155	235,896
Reclassifications	116,459	(116,459)	-	-
Appropriation of Endowment Assets for Expenditure	-	(402,606)	-	(402,606)
Endowment Net Assets, December 31, 2016	$ 2,050,675	$ 3,759,229	$ 4,625,722	$ 10,435,626

NOTE 13 COMMITMENTS

Lease Commitments

The Organization leases its main office space from the Jewish Community Building Corporation (JCBC), a subsidiary of the Minneapolis Jewish Federation through August 2019, pursuant to a lease that requires the Organization to pay only for common area maintenance costs. The difference in the common area costs and the fair value of the leased space is considered a contribution to the Organization. The fair value of the contribution for the 10-year lease was $3,443,344 at the inception of the lease, and is considered a temporarily restricted promise to give to the Organization. Pursuant to an agreement with the JCBC, the Organization has, as of December 31, 2016, advanced a total of $275,000 to the JCBC. The advances will be paid back over no more than six years upon nonrenewal of the lease. If the JCBC sells the building during the lease period, the Organization is entitled to a pro rata portion, as agreed upon, of the net proceeds, if any, of the sale. The lease also deferred prior year common area maintenance costs with amounts due to the JCBC of $35,764 at December 31, 2016, included in the statement of financial position which are payable in equal installments of $1,788 per month through August 31, 2019.

The Organization also rents space in other locations through October 2017 and rents office equipment under various leases expiring through January 2019.

In addition, the Organization is responsible for real estate taxes and certain maintenance costs in excess of the base amounts included in the terms of the lease. Rent expense for the above leases was approximately $282,000 in 2016.

NOTE 13 COMMITMENTS (CONTINUED)

Lease Commitments (Continued)

Future minimum lease commitments for operating leases are as follows:

Year Ending December 31,	Amount
2017	$ 264,127
2018	175,526
2019	114,707
Total	$ 554,360

Deferred Compensation

The Organization has a deferred compensation plan effective September 1, 1993, for certain key individuals. The plan requires the Organization to accrue a percentage of the individuals' compensation to be paid after retirement. Expenses under the plan were $9,464 for the year ended December 31, 2016. In addition, certain individuals may elect to defer a portion of their salaries, subject to IRS limits, to the deferred compensation plan. Accrued amounts of $131,076 are included in long-term liabilities as of December 31, 2016.

Line of Credit

The Organization has a line of credit agreement with a bank enabling it to borrow up to $650,000. Interest is payable monthly, at a variable rate of 1.0% above prime. Borrowings under the agreement are secured by certain unrestricted endowment funds. The Organization renewed its line of credit agreement through January 31, 2019 at a variable rate of 1.0% above prime with no minimum rate.

At December 31, 2016, $-0- was outstanding on the line of credit.

NOTE 14 RETIREMENT PLAN

The Organization has a defined contribution retirement plan. All employees who work a minimum of 975 hours per year and have worked for the Organization for one year are eligible to receive contributions from the Organization, and all employees may contribute their own funds to the plan, subject to IRS limitations. The plan includes a feature where staff are required to "opt-out" of the plan rather than opting-in, which has increased participation rates.

Effective October 1, 2015, the board approved the adoption of a new plan. Under this new plan, an employer match is not available to employees and, therefore, the Organization had no accrual for contributions to the plan as of December 31, 2016. Retirement expense under this retirement plan was approximately $104,000 for the year ended December 31, 2016.