
Jewish Family Service of Colorado, Inc.

Consolidated Financial Report
June 30, 2020

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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, 2020 and 2019 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, 2020 and 2019 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.

Emphasis of Matter

As discussed in Note 2, JFS has been impacted by the ongoing worldwide COVID-19 pandemic. Our opinion is not modified with respect to this matter.

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 29, 2020 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 29, 2020

Jewish Family Service of Colorado, Inc.

Consolidated Statement of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,840,467	\$ 631,254
Investments	7,898,905	7,740,552
Receivables - Net of allowances:		
Accounts receivable	627,889	1,072,615
Contributions receivable	1,084,487	1,561,362
Assets held under deferred compensation plan	236,587	280,457
Beneficial interests in assets held by foundations	842,885	863,924
Prepaid expenses and other current assets	334,598	191,365
	<u>13,865,818</u>	<u>12,341,529</u>
Total current assets		
Property and Equipment - Net	<u>2,996,510</u>	<u>3,209,688</u>
Total assets	<u>\$ 16,862,328</u>	<u>\$ 15,551,217</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 264,119	\$ 195,082
Accrued liabilities	1,530,411	1,062,824
Current portion of Paycheck Protection Program loan	574,930	-
	<u>2,369,460</u>	<u>1,257,906</u>
Total current liabilities		
Paycheck Protection Program Loan - Net of current portion	<u>1,034,870</u>	<u>-</u>
Total liabilities	3,404,330	1,257,906
Net Assets		
Without donor restrictions - Board designated	6,088,296	6,153,697
With donor restrictions	7,369,702	8,139,614
	<u>13,457,998</u>	<u>14,293,311</u>
Total net assets		
Total liabilities and net assets	<u>\$ 16,862,328</u>	<u>\$ 15,551,217</u>

Jewish Family Service of Colorado, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	\$ 4,046,106	\$ 853,519	\$ 4,899,625	\$ 2,939,424	\$ 822,137	\$ 3,761,561
Foundations and grants	1,714,180	1,860,356	3,574,536	938,843	1,794,618	2,733,461
Federal grants and contracts	2,908,662	-	2,908,662	2,662,458	-	2,662,458
Program service fees - Net	1,805,932	-	1,805,932	2,075,034	-	2,075,034
Contract sales	283,987	-	283,987	345,220	-	345,220
Interest income	68,832	183,653	252,485	162,742	139,093	301,835
Net realized and unrealized (losses) gains on investments	(28,739)	(56,552)	(85,291)	94,591	99,783	194,374
Other revenue	49,083	(21,039)	28,044	57,535	(9,678)	47,857
Net assets released from restrictions	3,589,849	(3,589,849)	-	4,033,034	(4,033,034)	-
Total revenue, gains, and other support	14,437,892	(769,912)	13,667,980	13,308,881	(1,187,081)	12,121,800
Expenses						
Program services:						
Mental Health Services	2,467,134	-	2,467,134	2,770,669	-	2,770,669
Aging Care & Connections	2,434,748	-	2,434,748	2,244,987	-	2,244,987
Volunteer Services	135,647	-	135,647	147,948	-	147,948
Family Safety Net Services	2,560,104	-	2,560,104	1,986,546	-	1,986,546
JFS Boulder	259,402	-	259,402	203,197	-	203,197
Chaplaincy Services	67,049	-	67,049	55,749	-	55,749
Disability and Employment Services	2,303,203	-	2,303,203	2,327,344	-	2,327,344
Temporary Assistance for Needy Families	489,179	-	489,179	473,738	-	473,738
Total program services	10,716,466	-	10,716,466	10,210,178	-	10,210,178
Support services:						
General and administrative	2,204,871	-	2,204,871	1,746,465	-	1,746,465
Fundraising	1,581,956	-	1,581,956	1,499,201	-	1,499,201
Total support services	3,786,827	-	3,786,827	3,245,666	-	3,245,666
Total expenses	14,503,293	-	14,503,293	13,455,844	-	13,455,844
Decrease in Net Assets	(65,401)	(769,912)	(835,313)	(146,963)	(1,187,081)	(1,334,044)
Net Assets - Beginning of year	6,153,697	8,139,614	14,293,311	6,300,660	9,326,695	15,627,355
Net Assets - End of year	\$ 6,088,296	\$ 7,369,702	\$ 13,457,998	\$ 6,153,697	\$ 8,139,614	\$ 14,293,311

See notes to consolidated financial statements.

Jewish Family Service of Colorado, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services								Support Services				2020
	Mental Health Services	Aging Care & Connections	Volunteer Services	Family Safety Net Services	JFS Boulder	Chaplaincy Services	Disability and Employment Services	Temporary Assistance for Needy Families	Total	General and Administrative	Fundraising	Total	
Salaries	\$ 1,641,676	\$ 927,001	\$ 99,038	\$ 468,029	\$ 144,990	\$ 49,899	\$ 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	15,789	77,494	20,560	9,660	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	114,827	545,523	165,550	59,559	1,579,471	425,008	5,977,395	1,669,078	892,092	2,561,170	8,538,565
Occupancy	92,974	43,992	9,253	59,520	15,034	2,437	123,931	16,209	363,350	235,696	60,988	296,684	660,034
Professional	285,174	88,115	5,747	48,404	14,592	1,564	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	35	323	150	-	4,969	1	7,593	1,855	30,699	32,554	40,147
Supplies	9,432	7,786	128	22,107	432	115	27,819	3,228	71,047	23,148	3,200	26,348	97,395
Business meetings	2,206	437	61	1,192	50	-	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	74	2,496	2,178	761	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	5,487	38,914	505	1,931	134,372	16,246	313,232	32,637	21,728	54,365	367,597
Subtotal	485,800	1,328,625	20,820	2,014,581	93,852	7,490	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	\$ 135,647	\$ 2,560,104	\$ 259,402	\$ 67,049	\$ 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 Functional Expenses

Year Ended June 30, 2019

	Program Services								Support Services				
	Mental Health Services	Aging Care & Connections	Volunteer Services	Family Safety Net Services	JFS Boulder	Chaplaincy Services	Disability and Employment Services	Temporary Assistance for Needy Families	Total	General and Administrative	Fundraising	Total	2019
Salaries	\$ 1,801,663	\$ 1,013,928	\$ 100,479	\$ 462,407	\$ 140,411	\$ 37,612	\$ 1,276,334	\$ 340,509	\$ 5,173,343	\$ 1,140,349	\$ 623,962	\$ 1,764,311	\$ 6,937,654
Benefits and payroll taxes	392,681	221,829	19,016	90,237	26,750	7,995	330,690	81,052	1,170,250	212,133	108,738	320,871	1,491,121
Total salaries and related expenses	2,194,344	1,235,757	119,495	552,644	167,161	45,607	1,607,024	421,561	6,343,593	1,352,482	732,700	2,085,182	8,428,775
Occupancy	108,901	53,466	13,192	62,273	15,393	2,639	171,051	585	427,500	34,013	74,248	108,261	535,761
Professional	381,866	114,058	9,554	45,336	11,081	3,698	134,965	28,784	729,342	244,619	259,537	504,156	1,233,498
Printing and publicity	2,541	3,240	372	1,500	458	-	9,187	-	17,298	1,071	76,400	77,471	94,769
Postage	570	1,955	316	371	227	5	1,322	662	5,428	1,873	14,685	16,558	21,986
Supplies	8,375	2,453	202	9,242	2,447	369	22,674	4,406	50,168	28,580	5,445	34,025	84,193
Business meetings	875	1,003	-	779	641	-	2,614	41	5,953	8,615	7,091	15,706	21,659
Special events	161	1,685	-	-	382	-	2,053	-	4,281	32	274,174	274,206	278,487
Travel	4,696	28,312	388	3,976	2,352	1,285	12,427	901	54,337	17,711	3,637	21,348	75,685
Dues and subscriptions	1,701	2,203	-	2,614	100	581	8,805	82	16,086	13,764	1,847	15,611	31,697
Direct assistance	1,676	723,581	-	1,276,504	2,510	-	35,092	-	2,039,363	-	-	-	2,039,363
Business services	-	-	-	-	-	-	181,661	-	181,661	-	-	-	181,661
Grants	-	3,473	-	-	-	-	-	-	3,473	-	-	-	3,473
Other	-	44,700	-	-	-	-	215	-	44,915	17,147	31,916	49,063	93,978
Depreciation and amortization	64,963	29,101	4,429	31,307	445	1,565	138,254	16,716	286,780	26,558	17,521	44,079	330,859
Subtotal	576,325	1,009,230	28,453	1,433,902	36,036	10,142	720,320	52,177	3,866,585	393,983	766,501	1,160,484	5,027,069
Total functional expenses	\$ 2,770,669	\$ 2,244,987	\$ 147,948	\$ 1,986,546	\$ 203,197	\$ 55,749	\$ 2,327,344	\$ 473,738	\$10,210,178	\$ 1,746,465	\$ 1,499,201	\$ 3,245,666	\$13,455,844

Jewish Family Service of Colorado, Inc.

Consolidated Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Decrease in net assets	\$ (835,313)	\$ (1,334,044)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	367,597	330,859
Investment return	(167,194)	(499,209)
Change in beneficial interests in assets held by foundations	21,039	9,678
Donation of investments	(206,361)	(422,446)
Loss on sale of property and equipment	58,594	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	444,726	(84,819)
Contributions receivable	476,875	1,091,992
Prepaid expenses and other assets	(143,233)	(18,365)
Accounts payable and accrued expenses	580,494	32,921
Net cash and cash equivalents provided by (used in) operating activities	597,224	(893,433)
Cash Flows from Investing Activities		
Purchases of investments	(566,506)	(1,225,434)
Proceeds from sales and maturities of investments	781,708	2,564,166
Purchase of property and equipment	(224,013)	(294,308)
Proceeds from sale of property and equipment	11,000	-
Net cash and cash equivalents provided by investing activities	2,189	1,044,424
Cash Flows from Financing Activities		
Proceeds from PPP loan	1,609,800	-
Payments on line of credit	-	(500,000)
Net cash and cash equivalents provided by (used in) financing activities	1,609,800	(500,000)
Net Increase (Decrease) in Cash and Cash Equivalents	2,209,213	(349,009)
Cash and Cash Equivalents - Beginning of year	631,254	980,263
Cash and Cash Equivalents - End of year	\$ 2,840,467	\$ 631,254
Supplemental Cash Flow Information - Cash paid for interest	\$ -	\$ 3,575

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1 - Nature of Business

Founded in 1872, Jewish Family Service of Colorado, Inc. (JFS) is a nonsectarian, nonprofit human services agency serving metro Denver and Boulder. 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, the agency serves thousands of individuals and impacts more than 15,000 people of all faiths, races, 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.

When the pandemic struck in March 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.

Highlights of our COVID-19 Response

The Harry and Jeanette Weinberg Food Pantry began providing pickup of prepacked boxes of food to anyone experiencing food insecurity with no documentation or sign-up needed. We are serving more than 400 percent more individuals and families in our COVID-19 response.

JFS is receiving an unprecedented and increasing number of requests for financial assistance due to COVID-19. Through its Emergency Assistance Program, JFS provides flexible financial assistance protecting families facing immediate eviction, ensuring their ability to pay their bills and increasing their long-term financial stability.

We launched our Emergency Lunchbox Express program for youths (18 and under) on April 13 to respond to the large number of youths who could not access existing school-based lunch sites. We delivered meals to seven locations that include large housing projects throughout metro Denver in food deserts. JFS was able to feed more food-insecure youth than ever before. Last summer, we distributed 24,000 meals over 12 weeks, but this summer, we distributed 119,950 total meals over 18 weeks.

Instead of face-to-face mental health counseling services, we are using HIPAA-approved technology for mental health clients, including school-based youths we normally serve through our KidSuccess program and adults, refugees, and immigrants who come to our Denver location. Our telehealth counseling services are also open and available to any individuals and families throughout Colorado that may be impacted by the stress of COVID-19 and in need of mental health support.

The pandemic greatly impacted the Aging Care & Connections program and the older adults it services. ACC has transitioned its counseling services for older adults to 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. On June 8, we restarted our homemaker service because the health and safety of our older adult clients were deteriorating.

JFS Boulder continues to process emergency assistance claims for individuals and families whose income(s) have been directly impacted by COVID-19. Since March, JFS Boulder has distributed \$98,810 in housing and utility assistance to 54 individuals and families living in the Boulder area.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1 - Nature of Business (Continued)

Throughout the fiscal year, JFS provided the following program services with some modification or increased demand:

Mental Health Counseling and Services

JFS provides quality trauma-informed therapy for more than 518 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 198 refugees from 10 different countries. KidSuccess and International KidSuccess provide free school-based mental health services to students at 12 public schools and 1 private school in Denver.

Aging Care & Connections

The Jay and Rose Phillips Aging Care & Connections department helps more than 1,200 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 65 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 and Employment Services

JFS supports 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. At our SHALOM Denver site, our Disability and Employment program builds the workforce of the Denver metro 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 that serving 54 individuals with intellectual and developmental disabilities. In addition, JFS coordinates the Jewish Disability Advocates (JDA) program for 63 participants 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.

Family Safety Net Services

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 more than 125 households a week. In fiscal year 2020, the Lunchbox Express program provided 119,950 free healthy lunches and breakfasts to children living in neighborhoods with high rates of poverty to combat childhood hunger.

Note 1 - Nature of Business (Continued)

Volunteers

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 2020, 1350 volunteers supported JFS programs and services.

JFS Boulder

JFS Boulder helps 131 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. A group of 48 Boulder older adults participate in Circle Talk, a program designed to increase opportunities for social interactions and decrease feelings of social isolation. JFS Boulder serves people of all faiths, races, ages, incomes, and abilities.

Chaplaincy 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.

Note 2 - Significant Accounting Policies

Adoption of New Accounting Pronouncement

As of July 1, 2019, JFS adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. JFS elected to apply the new revenue recognition guidance using the modified prospective approach. Government grants now meet the criteria of a nonreciprocal (contribution) transaction, typically with conditions to be met before revenue is recognized. The adoption did not have a material impact on the financial statements, and JFS' revenue recognition practices were substantially unchanged as a result of applying ASU No. 2018-08.

Classification of Net Assets

Net assets of the 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, whereby 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.

Reclassification

Certain 2019 amounts have been reclassified to conform to the 2020 presentation.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Cash Equivalents

JFS considers all highly liquid investments purchased 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 \$14,297 and \$46,864 as of June 30, 2020 and 2019, 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, 2020 and 2019, JFS recorded donated investments valued at approximately \$206,000 and \$422,000, respectively.

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.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

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, 2020 and 2019.

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, 2020, conditional grant contributions outstanding totaled \$1,391,831, which is composed of \$828,965 from foundations and \$562,866 from government agencies.

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, 2020 and 2019, JFS recorded donated services valued at approximately \$90,000 and \$113,000, 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, 2020 and 2019, JFS recorded donated food and donated household items valued at approximately \$754,000 and \$749,000, respectively.

Revenue

Net program fees consist of fees charged to clients, third-party payers, and others for services rendered. 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.

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.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

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 required 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.

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 2020 or 2019.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. 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 costs incurred to obtain or fulfill a contract. The new guidance will be effective for JFS' year ending June 30, 2021. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. JFS plans to apply the standard using the modified retrospective method.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

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.

Impact of COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that impacted global business operations. JFS was deemed an essential business by the State of Colorado and continued operations. As a result of the pandemic, JFS has transitioned many of its employees to a remote working environment. JFS has had to adapt service delivery to virtual platforms and social distancing; however, it was able to continue most client programs. JFS has not experienced significant decreases in grant funding or other revenue and has experienced increases in the demand for its services. JFS has postponed certain fundraising events to fiscal year 2021. In April 2020, JFS obtained a Paycheck Protection Program loan under the CARES Act (see Note 9). JFS has also experienced various fluctuations in its investment portfolio due to ongoing market volatility. Due to the uncertainty surrounding the situation, any impact of COVID-19 on JFS' future revenue, expenses, cash flows, and financial condition cannot be reasonably estimated at this time.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 29, 2020, which is the date the financial statements were available to be issued.

Subsequent to June 30, 2020, JFS sold certain property and equipment for approximately \$460,000, less selling costs.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,840,467	\$ 631,254
Accounts receivable	627,889	1,072,615
Contributions receivable	1,084,487	1,561,362
Investments	7,898,905	7,740,552
Beneficial interests in assets held by foundations	<u>842,885</u>	<u>863,924</u>
Financial assets - At year end	13,294,633	11,869,707
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	458,000	776,822
Subject to appropriation and satisfaction of donor restrictions	4,103,209	4,302,658
Board designations - Assets not available for general use	<u>5,659,644</u>	<u>5,614,008</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,073,780</u>	<u>\$ 1,176,219</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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Gross promises to give before unamortized discount	\$ 1,092,684	\$ 1,574,015
Less net present value discount	<u>(8,197)</u>	<u>(12,653)</u>
Net contributions receivable	<u>\$ 1,084,487</u>	<u>\$ 1,561,362</u>
Amounts due in:		
Less than one year	\$ 634,684	\$ 862,015
One to five years	458,000	612,000
More than five years	<u>-</u>	<u>100,000</u>
Total	<u>\$ 1,092,684</u>	<u>\$ 1,574,015</u>

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019 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, 2020 and 2019

Note 5 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
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
Total mutual funds	6,915,248	-	-	6,915,248
Cash held in money markets	622,680	-	-	622,680
Exchange-traded funds:				
International stock index fund	154,024	-	-	154,024
Real estate index fund	156,275	-	-	156,275
Total exchange-traded funds	310,299	-	-	310,299
Commodities	50,678	-	-	50,678
Beneficial interests in assets held by foundation	-	-	842,885	842,885
Total assets	\$ 7,898,905	\$ -	\$ 842,885	\$ 8,741,790

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Mutual funds:				
Domestic equity	\$ 3,081,683	\$ -	\$ -	\$ 3,081,683
International equity	1,680,383	-	-	1,680,383
Bonds	988,672	-	-	988,672
Other	1,026,970	-	-	1,026,970
Total mutual funds	6,777,708	-	-	6,777,708
Cash held in money markets	553,492	-	-	553,492
Exchange-traded funds:				
Global ex-U.S. real estate index fund	169,979	-	-	169,979
Real estate index fund	173,926	-	-	173,926
Total exchange-traded funds	343,905	-	-	343,905
Commodities	65,447	-	-	65,447
Beneficial interests in assets held by foundations	-	-	863,924	863,924
Total assets	\$ 7,740,552	\$ -	\$ 863,924	\$ 8,604,476

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019 are as follows:

	2020	2019
Beginning balance	\$ 863,924	\$ 873,602
Reinvested investment income	19,969	31,163
Distributions	<u>(41,008)</u>	<u>(40,841)</u>
Ending balance	<u>\$ 842,885</u>	<u>\$ 863,924</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, 2020 and 2019, JFS received distributions of approximately \$41,000 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 \$842,885 and \$863,924 at June 30, 2020 and 2019, 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:

	2020	2019
Land	\$ 624,000	\$ 624,000
Buildings	2,713,343	2,713,343
Machinery and equipment	230,220	144,248
Office equipment	141,295	141,295
Transportation equipment	369,903	402,551
Furniture and fixtures	245,831	245,831
Computer equipment and software	428,368	541,050
Leasehold improvements	<u>2,319,578</u>	<u>2,201,574</u>
Total cost	7,072,538	7,013,892
Accumulated depreciation	<u>4,076,028</u>	<u>3,804,204</u>
Net property and equipment	<u>\$ 2,996,510</u>	<u>\$ 3,209,688</u>

Depreciation and amortization expense for property and equipment totaled \$367,597 and \$330,859 for the years ended June 30, 2020 and 2019, 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 and 5.5 percent at June 30, 2020 and 2019, respectively) and expires in June 2021. 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, 2020 and 2019.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 9 - Paycheck Protection Program Loan

During the year ended June 30, 2020, JFS received \$1,609,800 through the Paycheck Protection Program under the CARES Act, which will be forgiven if certain conditions are met. Under ASC 470, JFS has elected to account for these funds as a loan payable until they are repaid or legal notice of forgiveness is received. The loan is due in monthly payments of principal of approximately \$115,000 plus interest beginning in February 2021. The loan accrues interest at 1.00 percent and matures in April 2022.

The loan matures as follows:

Years Ending	Amount
2021	\$ 574,930
2022	1,034,870
Total	<u>\$ 1,609,800</u>

Note 10 - Net Assets

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

	2020	2019
Board-designated net assets:		
Operating reserve	\$ 428,652	\$ 539,689
Plant and equipment	3,995,055	4,151,622
Specific programs	640,420	671,081
Campaign and other	1,024,169	791,305
Total board-designated net assets	<u>\$ 6,088,296</u>	<u>\$ 6,153,697</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:

	2020	2019
Program-specific activities	\$ 1,204,050	\$ 808,031
Contributions receivable - Time and purpose restricted	994,887	1,500,058
Program-specific activities to be spent in specific years	1,067,556	1,528,867
Endowment:		
Accumulated earnings	25,967	157,652
Amounts to be held in perpetuity	4,077,242	4,145,006
Total endowment	<u>4,103,209</u>	<u>4,302,658</u>
Total	<u>\$ 7,369,702</u>	<u>\$ 8,139,614</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, 2020 and 2019

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, 2020 <u>With Donor Restrictions</u>
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 4,077,242
Accumulated investment gains	25,967
Total	<u>\$ 4,103,209</u>
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020
	<u>With Donor Restrictions</u>
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>

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019 <u>With Donor Restrictions</u>
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 4,145,006
Accumulated investment gains	157,652
	<u>\$ 4,302,658</u>
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019 <u>With Donor Restrictions</u>
Endowment net assets - Beginning of year	\$ 4,277,545
Investment return	229,198
Contributions	310
Appropriation of endowment assets for expenditure	(204,395)
	<u>\$ 4,302,658</u>
Endowment net assets - End of year	

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, 2020 and 2019, the corpus of the underwater funds was \$1,608,965 and \$1,611,481, respectively, with market values of \$1,519,045 and \$1,540,741, respectively, resulting in deficiencies of \$89,920 and \$70,740, respectively.

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.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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

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 2020 and 2019. Contributions to the plan totaled \$179,334 and \$169,400 for the years ended June 30, 2020 and 2019, 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 \$28,817 and \$69,100 to the HSA for the years ended June 30, 2020 and 2019, respectively.

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, 2020 and 2019. At June 30, 2020 and 2019, 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 2025. 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 \$59,000 and \$66,000 for the years ended June 30, 2020 and 2019, respectively.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 13 - Commitments (Continued)

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

<u>Years Ending June 30</u>	<u>Amount</u>
2021	\$ 46,511
2022	18,992
2023	18,798
2024	18,273
2025	<u>7,706</u>
Total	<u>\$ 110,280</u>

JFS has elected the reimbursement method with respect to Colorado unemployment insurance (UI) taxes. Accordingly, JFS does not pay UI tax, but it is required to reimburse the State of Colorado for any unemployment benefits paid on its behalf. The required bond has been provided in the amount of approximately \$146,100 for the period through February 28, 2021.