

**KADIMA: JEWISH SUPPORT SERVICES FOR  
ADULTS WITH MENTAL ILLNESS**

FINANCIAL REPORT

SEPTEMBER 30, 2018 AND 2017

**KADIMA: JEWISH SUPPORT SERVICES FOR  
ADULTS WITH MENTAL ILLNESS**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Kadima: Jewish Support Services for Adults With Mental Illness  
Southfield, Michigan

We have audited the accompanying financial statements of Kadima: Jewish Support Services for Adults with Mental Illness (Kadima), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report  
(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kadima: Jewish Support Services for Adults With Mental Illness as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Kadima's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Alan C. Young, Assoc.*

Detroit, Michigan  
February 7, 2019

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

## Statements of Financial Position September 30, 2018 and 2017

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| <b>Current Assets</b>                            |                     |                     |
| Cash & Cash Equivalents (Note 4)                 | \$ 17,169           | \$ 12,373           |
| Accounts Receivable, Net (Note 5)                | 255,330             | 269,237             |
| Pledges Receivable, Current Portion              | 21,000              | 20,000              |
| Prepaid Expenses                                 | 76,728              | 44,359              |
| <b>Total Current Assets</b>                      | <u>370,227</u>      | <u>345,969</u>      |
| <b>Fixed Assets</b>                              |                     |                     |
| Land   | 432,111             | 432,111             |
| Building and Improvements                        | 5,763,253           | 5,634,738           |
| Vehicles   | 234,458             | 234,458             |
| Office Equipment                                 | 226,126             | 226,126             |
| Software   | 28,110              | 28,110              |
|  | <u>6,684,058</u>    | <u>6,555,543</u>    |
| Accumulated Depreciation                         | <u>(2,549,023)</u>  | <u>(2,341,556)</u>  |
| <b>Total Fixed Assets</b>                        | <u>4,135,035</u>    | <u>4,213,987</u>    |
| <b>Other Assets</b>                              |                     |                     |
| Deposits and Escrow (Note 3)                     | 23,277              | 21,982              |
| Long Term Investments (Note 6)                   | 3,256,140           | 3,428,570           |
| Investment Held by Community Foundation (Note 7) | 26,246              | 25,376              |
| Investment Held in Trust (Note 7)                | 70,919              | 71,722              |
| Pledges Receivable, Non-current                  | 40,000              | 55,000              |
| <b>Total Other Assets</b>                        | <u>3,416,582</u>    | <u>3,602,650</u>    |
| <b>Total Assets</b>                              | <u>\$ 7,921,844</u> | <u>\$ 8,162,606</u> |

*The accompanying notes are an integral part of these financial statements.*

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

Statements of Financial Position (Continued)  
September 30, 2018 and 2017

|   | <u>2018</u>         | <u>2017</u>         |
|---|---------------------|---------------------|
| <b>Current Liabilities</b>                |                     |                     |
| Accounts Payable                          | \$ 95,033           | \$ 124,533          |
| Accrued Expenses & Other Liabilities      | 83,426              | 62,432              |
| Security Deposits Payable                 | 51,712              | 52,636              |
| Deferred Revenue                          | -                   | 40,439              |
| <b>Total Current Liabilities</b>          | <u>230,171</u>      | <u>280,040</u>      |
| Notes Payable- MSHDA (Note 12)            | 80,000              | 80,000              |
| <b>Total Long-Term Liabilities</b>        | <u>80,000</u>       | <u>80,000</u>       |
| <b>Total Liabilities</b>                  | <u>310,171</u>      | <u>360,040</u>      |
| <b>Net Assets</b>                         |                     |                     |
| Unrestricted                              | 3,993,698           | 3,851,254           |
| Temporarily Restricted (Note 11)          | 2,466,231           | 2,799,568           |
| Permanently Restricted (Notes 6 and 8)    | 1,151,744           | 1,151,744           |
| <b>Total Net Assets</b>                   | <u>7,611,673</u>    | <u>7,802,566</u>    |
| <b>Total Liabilities &amp; Net Assets</b> | <u>\$ 7,921,844</u> | <u>\$ 8,162,606</u> |

*The accompanying notes are an integral part of these financial statements.*

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

## Statement of Activities Year Ended September 30, 2018 Combined Comparative Totals for the Year Ended September 30, 2017

| Revenue   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | 2018<br>Total       | 2017<br>Total       |
|---|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| Grants  | \$ 510,691          | \$ -                      | \$ -                      | \$ 510,691          | \$ 345,439          |
| Program Fees, Net of Discount                   | 1,729,057           | -                         | -                         | 1,729,057           | 1,426,061           |
| Contractual Income                              | 1,711,876           | -                         | -                         | 1,711,876           | 1,522,489           |
| Contributions                                   | 383,487             | 6,000                     | -                         | 389,487             | 522,863             |
| Community Foundation Distributions              | 65,028              | 67                        | -                         | 65,095              | 69,696              |
| Fundraising and Special Events Sales            | 374,765             | -                         | -                         | 374,765             | 167,094             |
| Other Revenue                                   | 34,250              | -                         | -                         | 34,250              | 10,964              |
| Investment Income                               |                     |                           |                           |                     |                     |
| Dividends & Interest                            | 44,619              | 29,697                    | -                         | 74,316              | 69,038              |
| Realized Gain (Loss) on Securities              | 94,567              | 62,939                    | -                         | 157,506             | (10,480)            |
| Unrealized Gain (Loss) on Securities            | (17,027)            | (11,332)                  | -                         | (28,359)            | 247,841             |
| Less Investment Fees                            | (11,445)            | (7,618)                   | -                         | (19,063)            | (34,358)            |
| Net Investment Income                           | 110,714             | 73,686                    | -                         | 184,400             | 272,041             |
| Released from Time Restrictions                 | 87,903              | (87,903)                  | -                         | -                   | -                   |
| Released for Purpose Restrictions               | 325,187             | (325,187)                 | -                         | -                   | -                   |
| <b>Total Revenue</b>                            | <b>5,332,958</b>    | <b>(333,337)</b>          | <b>-</b>                  | <b>4,999,621</b>    | <b>4,336,647</b>    |
| <b>Operating Expense</b>                        |                     |                           |                           |                     |                     |
| Program Services                                | 3,962,339           | -                         | -                         | 3,962,339           | 3,813,520           |
| Management & General                            | 897,667             | -                         | -                         | 897,667             | 1,063,965           |
| Fundraising                                     | 330,508             | -                         | -                         | 330,508             | 270,527             |
| <b>Total Operating Expenses</b>                 | <b>5,190,514</b>    | <b>-</b>                  | <b>-</b>                  | <b>5,190,514</b>    | <b>5,148,012</b>    |
| <b>Change in Net Assets</b>                     | <b>142,444</b>      | <b>(333,337)</b>          | <b>-</b>                  | <b>(190,893)</b>    | <b>(811,365)</b>    |
| <b>Net Assets- Beginning of Year, (Note 16)</b> | <b>3,851,254</b>    | <b>2,799,568</b>          | <b>1,151,744</b>          | <b>7,802,566</b>    | <b>8,613,931</b>    |
| <b>Net Assets- End of Year</b>                  | <b>\$ 3,993,698</b> | <b>\$ 2,466,231</b>       | <b>\$ 1,151,744</b>       | <b>\$ 7,611,673</b> | <b>\$ 7,802,566</b> |

The accompanying notes are an integral part of these financial statements.

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

## Statements of Cash Flows Years Ended September 30, 2018 and 2017

| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   | <b>2018</b>             | <b>2017</b>             |
|---|-------------------------|-------------------------|
| Change in Net Assets  | \$ (190,893)            | \$ (811,365)            |
| Adjustments to Reconcile Change in Net Assets to<br>Cash Used in Operating Activities |                         |                         |
| Depreciation  | 207,467                 | 219,599                 |
| Bad Debt Expense  | 15,000                  | -                       |
| Unrealized (Gain) Loss on Securities  | 28,359                  | (247,841)               |
| Non-Cash Interest & Dividends   | (74,316)                | (69,038)                |
| Non-Cash Investment Fees  | 19,063                  | 34,358                  |
| (Increase) / Decrease in Assets   |                         |                         |
| Accounts Receivable   | 13,907                  | 53,175                  |
| Pledges Receivable  | (1,000)                 | (75,000)                |
| Deposits  | (1,295)                 | (5,314)                 |
| Prepaid Expenses  | (32,369)                | (32,349)                |
| Accounts Payable  | (29,500)                | 29,809                  |
| Accrued Payroll & Related Taxes   | 20,994                  | 22,870                  |
| Deferred Revenue  | (40,439)                | 39,975                  |
| Security Deposit Payable  | (924)                   | 12,696                  |
| Total Adjustments   | <u>124,947</u>          | <u>(17,060)</u>         |
| <b>Net Cash Used in Operating Activities</b>  | <u>(65,946)</u>         | <u>(828,425)</u>        |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                         |                         |
| Purchase of Fixed Assets  | (128,515)               | (10,443)                |
| Withdrawal/Sale of Investments  | 360,000                 | 845,380                 |
| Purchase of Investments   | (160,743)               | -                       |
| <b>Net Cash Provided by Investing Activities</b>                                      | <u>70,742</u>           | <u>834,937</u>          |
| <br>Net Increase in Cash  | 4,796                   | 6,512                   |
| <br>Cash and Cash Equivalents - Beginning of Year                                     | <u>12,373</u>           | <u>5,861</u>            |
| <br><b>Cash and Cash Equivalents - End of Year</b>                                    | <u><u>\$ 17,169</u></u> | <u><u>\$ 12,373</u></u> |

*The accompanying notes are an integral part of these financial statements.*



# **KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS**

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**Notes to Financial Statements  
September 30, 2018 and 2017**

## **1) ORGANIZATION**

Kadima: Jewish Support Services for Adults With Mental Illness (Kadima) is a non-profit, non-sectarian voluntary mental health agency which offers innovative programs for adults and children with psychiatric disabilities. The different programs offered by Kadima are described below:

Staffed Homes – Kadima operates fifteen staffed homes promoting the relearning of daily living skills such as cooking, cleaning, budgeting, working and socializing. Funds to support staffed group homes are received primarily from Easter Seals and Community Network Services.

Supported Independent Program – Kadima operates eleven homes supporting independent living where individuals are given the opportunity to live independently, with daily supervision. These individuals are responsible for maintaining their apartments in addition to volunteering or working within the community.

Outreach Program – This program provides support services including one-on-one case management, focus work to assist with daily living skills, and family support groups facilitated by social workers. In addition, the outreach program allows individuals to participate in activity groups enjoying sporting events, concerts, holiday parties, etc. Seniors are provided in-home services which enable them to continue to live independently, thereby preventing institutionalization.

## **2) SIGNIFICANT ACCOUNTING POLICIES**

### Principles of Consolidation

The consolidated financial statements include the accounts of Kadima: Jewish Support Services for Adults with Mental Illness and its wholly-owned subsidiary, Kadima Non-Profit Housing Corporation, known collectively as Kadima. All significant inter-organization transactions and balances have been eliminated.

### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Kadima considers all highly liquid instruments with an initial maturity of three months or less to be cash equivalents.

### Promises to Give

Unconditional promises to give made to Kadima are recorded in the year the pledge is made. An allowance for uncollectible promises to give is determined based on experience.

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## 2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Accounts Receivable

Receivables from outside funding sources and from client accounts are reflected in the financial statements. Management records an allowance for doubtful accounts based on historical experience and managements evaluation. A reserve of \$18,527 and \$32,025 was recorded at September 30, 2018 and 2017, respectively.

### Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Kadima records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the consolidated statements of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law.

### Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are briefly described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. At September 30, 2018 and 2017, all investments held by Kadima were classified as Level 1 within the fair value hierarchy, as they are openly sold on markets and values are published daily. See note 6 for Equity and Fixed Income totals.

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

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Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## 2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property and Equipment

Kadima capitalizes all expenditures for property and equipment in excess of \$2,000 with a useful life in excess of one year. Purchased property and equipment are carried at cost. Depreciation is provided using primarily the straight-line method over the estimated useful lives of the related assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

### Impairment of Long-lived Assets

Kadima reviews long-lived assets, including property and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

### Security Deposits

Security deposits are amounts collected on various leased properties. The amounts are expected to be returned upon the expiration of the lease.

### Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, Kadima's net assets are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Kadima pursuant to those stipulations.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by Kadima.

### Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocations are management's estimates.

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

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Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## 2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Use of Estimates

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

### Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in restricted net assets. If the restriction expires in the reporting period in which the support is recognized, it is Kadima's policy to report the support as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

### Income Taxes

Kadima is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code.

### Taxes

Kadima is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, Kadima is also exempt from State sales and real property taxes.

*Accounting for Uncertainty in Income Taxes*, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Kadima may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim period. Kadima's federal tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

### Grant Revenue

Kadima receives grants from funding agencies. Most grants are reimbursable grants and revenue is recoded as the expenses are incurred.

### Deferred Income

Income received in advance from clients or tenants is recognized as deferred income in the period of receipt.

### Classification

Certain 2017 amounts have been reclassified to conform with the 2018 presentation.

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## 3) CASH HELD IN ESCROW

Cash held in escrow represents the balance of required monthly deposits. The Michigan State Housing Development Authority (“MSHDA”) requires these deposits with respect to the MSHDA property. This amount is held in escrow and used for repairs and maintenance projects for the property. Total cash held in escrow for the property for the year ended September 2018 was \$23,277 and \$21,982 as of September 30, 2017.

## 4) CONCENTRATION OF RISK

Kadima maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. As of September 30, 2018, and 2017, Kadima had no deposits in excess of FDIC insured limits.

Kadima maintains cash and cash equivalents in brokerage accounts which, at times, may exceed insured limits. The cash in the broker accounts are guaranteed by the Security Investor Protection Corporation (“SIPC”) up to \$100,000 (up to \$500,000 for the brokerage account in total). As of September 30, 2018, and 2017, Kadima had \$2,756,140 and \$2,931,807, respectively of deposits in excess of SIPC insured limits.

## 5) ACCOUNTS RECEIVABLE

Accounts Receivable consists of service contracts, grants, and fees earned in the ordinary course of business but not yet received. Accounts receivable also includes promises to give. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value, discounted at 4%, if expected to be collected in more than one year. Kadima had a gross account receivable of \$273,857 and \$301,262 at September 30, 2018 and 2017, respectively. An allowance for doubtful accounts of \$18,527 and \$32,025 was recorded as of September 30, 2018 and 2017, respectively.

## 6) INVESTMENTS AND ENDOWMENT

An investment pool held by Kadima includes both endowed (permanently restricted) and non-endowed funds. Return is prorated between the two funds based on year-end ending balances. Investments are in CDs, cash equivalents, or publicly traded securities and are carried at fair market value. Investments as of September 30, 2018 with comparative totals for 2017, consist of the following:

|                  | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total 2018          | Total 2017          |
|------------------|---------------------|------------------------|------------------------|---------------------|---------------------|
| Cash Equivalents | \$ 11,010           | \$ 2,227               | \$ 6,541               | \$ 19,778           | \$ 19,382           |
| Equities         | 938,082             | 189,740                | 557,255                | 1,685,077           | 1,668,778           |
| Fixed Income     | 863,464             | 174,873                | 512,948                | 1,551,285           | 1,740,410           |
| Total            | <u>\$ 1,812,556</u> | <u>\$ 366,840</u>      | <u>\$ 1,076,744</u>    | <u>\$ 3,256,140</u> | <u>\$ 3,428,570</u> |

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## 6) INVESTMENTS AND ENDOWMENT (Continued)

|                           | 2018  |   |   |                     |
|---------------------------|---|---|---|---------------------|
|                           | Fair Value Measurements   |   |   |                     |
|                           | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Other<br>Unobservable<br>Inputs<br>(Level 3) | Total               |
|                           |   |   |   |                     |
| Cash and Cash Equivalents | \$ 19,778   | \$ -  | \$ -  | \$ 19,778           |
| Equities                  | 1,685,077   | -   | -   | 1,685,077           |
| Fixed Income              | 1,551,285   | -   | -   | 1,551,285           |
| <b>TOTAL</b>              | <b>\$ 3,256,140</b>   | <b>\$ -</b>   | <b>\$ -</b>   | <b>\$ 3,256,140</b> |

  

|                           | 2017  |   |   |                     |
|---------------------------|---|---|---|---------------------|
|                           | Fair Value Measurements   |   |   |                     |
|                           | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Other<br>Unobservable<br>Inputs<br>(Level 3) | Total               |
|                           |   |   |   |                     |
| Cash and Cash Equivalents | \$ 19,382   | \$ -  | \$ -  | \$ 19,382           |
| Equities                  | 1,668,778   | -   | -   | 1,668,778           |
| Fixed Income              | 1,740,410   | -   | -   | 1,740,410           |
| <b>TOTAL</b>              | <b>\$ 3,428,570</b>   | <b>\$ -</b>   | <b>\$ -</b>   | <b>\$ 3,428,570</b> |

Investment activity for the year ended September 30, 2018, with comparative totals for 2017 consists of the following:

|                             | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total 2018          | Total 2017          |
|-----------------------------|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| Interest and Dividends      | \$ 44,619           | \$ 29,697                 | \$ -                      | \$ 74,316           | \$ 69,038           |
| Net Realized Gain (Loss)    | 94,567              | 62,939                    | -                         | 157,506             | (10,480)            |
| Net Unrealized Gain (Loss)  | (17,027)            | (11,332)                  | -                         | (28,359)            | 247,841             |
| Fees                        | (11,445)            | (7,618)                   | -                         | (19,063)            | (39,467)            |
| Deposits                    | 3,170               | -                         | -                         | 3,170               | -                   |
| Withdrawals                 | (360,000)           | -                         | -                         | (360,000)           | (834,000)           |
| Net Change                  | (246,116)           | 73,686                    | -                         | (172,430)           | (567,068)           |
| Balance - Beginning of Year | 2,058,672           | 293,154                   | 1,076,744                 | 3,428,570           | 3,995,638           |
| Balance - End of Year       | <b>\$ 1,812,556</b> | <b>\$ 366,840</b>         | <b>\$ 1,076,744</b>       | <b>\$ 3,256,140</b> | <b>\$ 3,428,570</b> |

Investment policies are the same for endowment funds and non-endowment funds. See note 8 regarding investment and spending policies.

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## 7) OTHER ENDOWMENTS AND RESTRICTIONS

In addition to invested endowment and other investments (Note 6), Kadima's endowment consists of two other fund groups: 1) funds in trusts held by other; 2) donated group homes and other home and service funds. All the endowment principal is restricted, as per the instructions of the donors. The Kadima held portion of the endowment is invested in the organization's pool of investments (Note 6). Funds are held and invested by the Cohn-Hochman Endowment Fund and the Community Foundation of Southeast Michigan. These two fund groups are summarized as follows as of September 30, 2018 with comparative totals for 2017:

|  | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total 2018</u> | <u>Total 2017</u> |
|--|-----------------------------------|-----------------------------------|-------------------|-------------------|
| Beginning Cohn-Hochman Endowment Fund  | \$ 21,722                         | \$ 50,000                         | \$ 71,722         | \$ 68,425         |
| Beginning CFSEM                        | 376                               | 25,000                            | 25,376            | 24,465            |
| Total Beginning Balance                | <u>22,098</u>                     | <u>75,000</u>                     | <u>97,098</u>     | <u>92,890</u>     |
| Distribution/Grant                     | (2,606)                           | -                                 | (2,606)           | (4,112)           |
| Unrealized Gain/(Loss),<br>Net of Fees | <u>2,673</u>                      | <u>-</u>                          | <u>2,673</u>      | <u>8,320</u>      |
| Ending Cohn-Hochman Endowment Fund     | 20,919                            | 50,000                            | 70,919            | 71,722            |
| Ending CFSEM                           | <u>1,246</u>                      | <u>25,000</u>                     | <u>26,246</u>     | <u>25,376</u>     |
| Total Ending Balance                   | <u>\$ 22,165</u>                  | <u>\$ 75,000</u>                  | <u>\$ 97,165</u>  | <u>\$ 97,098</u>  |

**Donated Group Homes and other Funds, by net asset type.** Restrictions on group homes are satisfied based upon the useful life of the structure (as reflected by depreciation expense) and expenses incurred to maintain and improve the properties and to provide ancillary services.

|   | <u>2018</u>         | <u>2017</u>         |
|---|---------------------|---------------------|
| Beginning Balance                       | \$ 2,409,316        | \$ 2,536,503        |
| Less: Spending on<br>Homes and Programs | (325,187)           | (45,748)            |
| Less: Depreciation on<br>Donated Homes  | <u>(82,903)</u>     | <u>(81,439)</u>     |
| Ending Balance                          | <u>\$ 2,001,226</u> | <u>\$ 2,409,316</u> |

# **KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS**

Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## **8) ENDOWMENT AND INVESTMENT POLICIES**

### **Interpretation of Relevant Law**

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

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. Deficiencies may result from unfavorable market fluctuations that occur from time to time. There were no such deficiencies at September 30, 2018 and 2017.

### **Return Objectives and Risk Parameters**

Kadima 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 the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to yield an absolute 4-5% annually, while assuming a low level of investment risk.



# **KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS**

Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## **8) ENDOWMENT AND INVESTMENT POLICIES (Continued)**

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, Kadima 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). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

Kadima has a policy of appropriating for distribution each year the earnings, gains, and losses of the funds. Such appropriations are transferred to temporarily restricted funds until spent.

## **9) BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS**

Kadima endowment funds include two investments held by others:

**Community Foundation of Southeast Michigan** – During 2006, Kadima transferred \$25,000 to establish the Kadima Operation Endowment Fund, a component fund of the Community Foundation of Southeast Michigan (“CFSEM”). Under the terms of the agreement, in June and December of each year, Kadima is entitled to receive a distribution equal to 5% of the total average quarterly market value on the invested assets in the prior year. Kadima cannot withdraw any portion of the original amount transferred or any appreciation of those transferred assets. The value of this fund as of September 30, 2018 and 2017, was \$26,246 and \$25,376 respectively.

Additionally, third parties have donated to the CFSEM with Kadima as a named beneficiary. Kadima may also receive 5% of the average quarterly market value each year. Those funds were valued at \$1,508,351 and \$1,464,345 as of September 30, 2018 and 2017, respectively. However, these funds do not qualify under generally accepted accounting standards as Kadima assets. Kadima has granted variance power to CFSEM. That power gives CFSEM the right to distribute the investment income to another not-for-profit organization of its choice if Kadima ceases to exist or if the governing board of CFSEM votes that support of Kadima is no longer necessary or is inconsistent with the needs of the community.

**Cohn-Hochman Endowment Fund** – The Cohn Federated Endowment funds are held in perpetuity at United Jewish Foundation of Detroit for the benefit of Kadima. The original principal is \$50,000, which is maintained as permanently restricted. Investment return is transferred to temporarily restricted funds. The market value of the fund was \$70,919 as of September 30, 2018, and \$71,722 as of September 30, 2017.

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## 10) DONATED HOME SUPPORT

Funds have been donated for the purchase and upkeep of homes to be occupied by individuals. The organization may receive contributions of long-lived assets or of cash and other assets restricted to the purchase of long-lived assets, such as homes. These are contributions for which the donors have not expressly stipulated how or how long the long-lived asset must be used by the organization or how to use any proceeds resulting from the asset's disposal. The organization has adopted an accounting policy of implying time restrictions on the use of such contributed assets that expire over the assets expected useful lives. Depreciation is recorded over the assets useful life. Net assets are reclassified annually from temporarily restricted to unrestricted as depreciation is recognized. Total depreciation expense for the homes was \$82,903 and \$81,439 for the years ended September 30, 2018 and 2017.

## 11) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2018 and 2017:

|                             | <u>2018</u>         | <u>2017</u>         |
|-----------------------------|---------------------|---------------------|
| Donated Homes               | \$ 2,001,226        | \$ 2,084,129        |
| Home Repair/Maintenance     | -                   | 325,187             |
| CFSEM                       | 1,246               | 376                 |
| Cohn-Hochman Endowment Fund | 20,919              | 21,722              |
| Pledges Receivable          | 76,000              | 75,000              |
| Endowment Investments       | <u>366,840</u>      | <u>293,154</u>      |
|                             | <u>\$ 2,466,231</u> | <u>\$ 2,799,568</u> |

## 12) LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2018 and 2017:

|  | <u>2018</u>      | <u>2017</u>      |
|--|------------------|------------------|
| Forgivable mortgage note payable due to Michigan State Housing Development Authority (MSHDA), forgiven at 1/120th beginning May 2025, subject to usage restrictions and secured by a condominium unit. Interest expense at the rate of 8% and a corresponding in-kind contribution has been recorded to reflect the value of the interest forgiven by MSHDA. | \$ 40,000        | \$ 40,000        |
| Forgivable mortgage note payable due to Michigan State Housing Development Authority (MSHDA), forgiven at 1/120th beginning May 2026, subject to usage restrictions and secured by a condominium unit. Interest expense at the rate of 8% and a corresponding in-kind contribution has been recorded to reflect the value of the interest forgiven by MSHDA. | <u>40,000</u>    | <u>40,000</u>    |
| Total  | <u>\$ 80,000</u> | <u>\$ 80,000</u> |

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## 12) LONG-TERM DEBT (Continued)

Principal maturities on long-term debt are as follows as of September 30, 2018:

|            |                  |
|------------|------------------|
| 2019       | \$ -             |
| Thereafter | <u>80,000</u>    |
| Total      | <u>\$ 80,000</u> |

## 13) TAX DEFERRED GROUP ANNUITY PLAN

Kadima maintains a tax deferred group annuity plan. Under the plan, employees may elect to reduce their salary and have the salary reduction applied toward the purchase of a fully vested annual benefit. The plan covers all full and part-time employees of the organization. Kadima does not match the employee contributions to the plan, nor does Kadima incur any expense related to the administration of the plan.

## 14) SIMPLIFIED EMPLOYEE PENSION

Kadima maintains a Simplified Employee Pension for the benefit of all employees. Contributions to the plan were \$34,975 and \$93,505 for the year ended September 30, 2018 and 2017 respectively. All amounts due are current.

## 15) OPERATING LEASES

On July 6, 2018 Kadima entered into eight operating lease agreements with Capture Automotive. Each of these leases is for three years and runs through 2021. Future minimum payments under the leases are as follows:

| Year  | Year Ending<br>September 30, 2018 |
|-------|-----------------------------------|
| 2019  | \$ 47,958                         |
| 2020  | 47,958                            |
| 2021  | <u>43,433</u>                     |
| Total | <u>\$ 139,349</u>                 |

## 16) NET ASSETS

Beginning net assets at October 1, 2016 were restated to reflect a reclassification of \$95,000 from unrestricted net assets to temporarily restricted net assets to reflect the time restriction related to Kadima's pledges receivable.

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

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Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## 17) SUBSEQUENT EVENTS

Management has evaluated all subsequent events through February 7, 2019, the date the financial statements were available to be issued. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

## 18) UPCOMING ACCOUNTING PRONOUNCEMENT

The FASB issued ASU 2016-14, *Presentation of Financial Statements of Not for-Profit Entities*, in August 2016. ASU 2016-14 modifies the requirements related to financial statement presentation for non-profit organizations. The major provisions of ASU 2016-14 are as follows:

- Information about net assets and changes in net assets will be reported for two classes of net assets: *net assets with donor restrictions* and *net assets without donor restrictions*.
- Reporting of expenses by both function and nature in one location will be required for all non-profit organizations.
- Either the direct method or the indirect method for presenting operating cash flows may continue to be used, but the requirement for those entities using the direct method to prepare a reconciliation with the indirect method will be eliminated.
- Quantitative information that communicates the availability of the organization's financial assets as of the statement of financial position date to meet cash needs for general expenditures within one year will be required to be presented on the face of the financial statements or in the notes to the financial statements.
- Qualitative information on how the organization manages its liquid available resources and liquidity risks will be required to be disclosed in the notes to the financial statements.
- Reporting of the "underwater" amounts of donor-restricted endowment funds in net assets with donor restrictions and enhanced disclosures about "underwater" endowments will be required.
- Other enhanced disclosures regarding board designations and appropriations, the nature of net assets with donor restrictions, and functional expense allocation methods will also be required.

ASU 2016-14 is effective for Kadima's year ended September 30, 2019.

Kadima's management has not determined the impact on Kadima's financial statements because of implementing ASU 2016-14.

# **KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS**

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Notes to Financial Statements (Continued)  
September 30, 2018 and 2017

## **18) UPCOMING ACCOUNTING PRONOUNCEMENT (Continued)**

The FASB issued ASU 2016-02, *Leases (Topic 842)*, in February 2016. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases: finance leases, which are to be accounted for in substantially the same manner as the existing accounting for capital leases, and operating leases, which are to be accounted for (both in the statements of activities and the statements of cash flows) in a manner consistent with existing accounting for operating leases. ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for Kadima's year ending September 30, 2021.

## **STATEMENT OF FUNCTIONAL EXPENSES**

# KADIMA: JEWISH SUPPORT SERVICES FOR ADULTS WITH MENTAL ILLNESS

## Statement of Functional Expenses Year Ended September 30, 2018 With Combined Comparative Totals for 2017

|                              | <u>Program<br/>Services</u> | <u>Management<br/>&amp; General</u> | <u>Fundraising</u> | <u>Total</u>        | <u>Total 2017</u>   |
|------------------------------|-----------------------------|-------------------------------------|--------------------|---------------------|---------------------|
| Salaries                     | \$ 2,697,981                | \$ 250,975                          | \$ 188,231         | \$ 3,137,187        | \$ 3,106,076        |
| Payroll Taxes & Benefits     | 283,945                     | 182,880                             | 14,438             | 481,263             | 499,520             |
| Occupancy Expense            | 208,076                     | 36,719                              | -                  | 244,795             | 200,466             |
| Repairs & Maintenance        | 176,844                     | 103,861                             | -                  | 280,705             | 129,661             |
| Contractual                  | 7,102                       | 8,009                               | -                  | 15,111              | 37,155              |
| Vehicle & Travel             | 86,550                      | 874                                 | -                  | 87,424              | 88,872              |
| Telephone                    | 51,522                      | 4,530                               | 566                | 56,618              | 53,539              |
| Activities, Food, & Supplies | 223,140                     | 5,510                               | 46,832             | 275,482             | 284,276             |
| Office Expense               | 4,446                       | 13,161                              | 178                | 17,785              | 48,448              |
| Professional Fees            | 3,238                       | 61,525                              | -                  | 64,763              | 133,316             |
| Postage                      | 145                         | 6,577                               | 505                | 7,227               | 4,784               |
| Printing & Publication       | -                           | -                                   | -                  | -                   | 3,720               |
| Advertising                  | 7,804                       | 30,014                              | 22,209             | 60,027              | 44,699              |
| Bad Debt Expense             | -                           | 15,000                              | -                  | 15,000              | -                   |
| Insurance                    | 70,812                      | 70,812                              | -                  | 141,624             | 64,813              |
| Other Expense                | 1,216                       | 39,271                              | 57,549             | 98,036              | 229,068             |
| Depreciation                 | 139,518                     | 67,949                              | -                  | 207,467             | 219,599             |
| <b>Total Expenses</b>        | <b>\$ 3,962,339</b>         | <b>\$ 897,667</b>                   | <b>\$ 330,508</b>  | <b>\$ 5,190,514</b> | <b>\$ 5,148,012</b> |