KADIMA AND AFFILIATE

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019
(with comparative totals for the year ended September 30, 2018)

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kadima and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kadima (a nonprofit organization) and Affiliate, which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 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 Kadima and Affiliate as of September 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note15 to the consolidated financial statements, Kadima and Affiliate adopted ASU No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Prior Year Consolidated Financial Statements

The consolidated financial statements of Kadima and Affiliate as of September 30, 2018, were audited by other auditors whose report dated February 7, 2019, expressed an unmodified opinion on those statements.

Maner Costerisan PC

March 12, 2020

KADIMA AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 44,667	$ 17,169
Accounts receivable, net of allowance for doubtful accounts of $0 and $18,527 in 2019 and 2018	374,032	255,330
Promises to give	20,000	21,000
Prepaid expenses	36,982	76,728
TOTAL CURRENT ASSETS	475,681	370,227
LONG-TERM ASSETS		
Land, buildings and equipment, less accumulated depreciation	3,906,059	4,135,035
Deposits and escrows	24,572	23,277
Promises to give	-	40,000
Investments	3,445,278	3,256,140
Beneficial interest in assets held by others	95,107	97,165
TOTAL LONG-TERM ASSETS	7,471,016	7,551,617
TOTAL ASSETS	$ 7,946,697	$ 7,921,844
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 60,930	$ 95,033
Accrued expenses	73,474	83,426
Security deposits	31,930	51,712
TOTAL CURRENT LIABILITIES	166,334	230,171
LONG-TERM DEBT	80,000	80,000
TOTAL LIABILITIES	246,334	310,171
NET ASSETS		
Without donor restrictions	4,182,313	5,060,419
With donor restrictions	3,518,050	2,551,254
TOTAL NET ASSETS	7,700,363	7,611,673
TOTAL LIABILITIES AND NET ASSETS	$ 7,946,697	$ 7,921,844

See notes to consolidated financial statements.

KADIMA AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019
(with comparative totals for the year ended September 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Program fees	$ 1,733,579	$ -	$ 1,733,579	$ 1,729,057
Contractual income	1,550,201	-	1,550,201	1,711,876
Grants	328,759	-	328,759	510,691
Contributions	568,777	1,033,731	1,602,508	389,487
Fundraising and special events	357,915	-	357,915	374,765
Community foundation distributions	65,225	-	65,225	65,095
Investment return, net	18,550	108,489	127,039	184,400
Other revenue	121,482	-	121,482	34,250
Assets released from restrictions	175,424	(175,424)	-	-
TOTAL REVENUE AND SUPPORT	4,919,912	966,796	5,886,708	4,999,621
EXPENSES				
Program services	4,388,573	-	4,388,573	3,962,339
Management and general	1,084,373	-	1,084,373	897,667
Fundraising	325,072	-	325,072	330,508
TOTAL EXPENSES	5,798,018	-	5,798,018	5,190,514
CHANGE IN NET ASSETS	(878,106)	966,796	88,690	(190,893)
NET ASSETS, beginning of year (restated)	5,060,419	2,551,254	7,611,673	7,802,566
NET ASSETS, end of year	$ 4,182,313	$ 3,518,050	$ 7,700,363	$ 7,611,673

See notes to consolidated financial statements.

KADIMA AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019
(with comparative totals for the year ended September 30, 2018)

	2019				2018
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	$ 2,853,075	$ 265,402	$ 199,052	$ 3,317,529	$ 3,137,187
Payroll taxes	142,653	91,877	7,254	241,784	231,380
Employee benefits	164,742	106,104	8,377	279,223	249,883
Occupancy	373,015	65,826	-	438,841	322,962
Repairs and maintenance	168,237	98,806	-	267,043	234,896
Contractual	35,514	40,047	-	75,561	15,111
Vehicle and travel	166,578	1,683	-	168,261	87,424
Telephone	15,323	1,348	168	16,839	74,765
Activities, food and supplies	238,152	5,880	49,983	294,015	275,482
Office expense	16,958	50,197	678	67,833	17,785
Professional fees	5,819	110,555	-	116,374	60,789
Postage	165	7,485	576	8,226	7,227
Advertising	11,936	45,909	33,973	91,818	60,027
Bad debt	-	-	-	-	4,412
Insurance	74,727	74,726	-	149,453	141,624
Other expense	383	15,304	22,574	38,261	20,201
Depreciation	109,111	53,741	-	162,852	207,467
Loss on disposal of assets	-	15,364	-	15,364	-
IT expense	12,185	34,119	2,437	48,741	41,892
Total expenses	$ 4,388,573	$ 1,084,373	$ 325,072	$ 5,798,018	$ 5,190,514

See notes to consolidated financial statements.

KADIMA AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019

	2019	2018
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Change in net assets	$ 88,690	$ (190,893)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	162,852	207,467
Unrealized (gain) loss on investments	(33,746)	28,359
Loss (gain) on disposal of assets	15,364	-
Bad debt expense	-	15,000
Changes in assets and liabilities:		
Accounts receivable	(118,702)	13,907
Promises to give	41,000	(1,000)
Prepaid expenses	39,746	(32,369)
Deposits and escrows	(1,295)	(1,295)
Change in beneficial interest in assets held by others	2,058	-
Accounts payable	(34,103)	(29,500)
Accrued expenses	(9,952)	20,994
Security deposits	(19,782)	(924)
Deferred revenue	-	(40,439)
Total adjustments	43,440	180,200
Net cash provided (used) by operating activities	132,130	(10,693)
Cash flows from investing activities		
Purchase of property and equipment	(64,354)	(128,515)
Proceeds from sale of property and equipment	115,114	-
Purchase of investments	(1,750,471)	(215,996)
Sale of investments	1,595,079	360,000
Net cash provided (used) by investing activities	(104,632)	15,489
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,498	4,796
CASH AND CASH EQUIVALENTS, beginning of year	17,169	12,373
CASH AND CASH EQUIVALENTS, end of year	$ 44,667	$ 17,169

See notes to consolidated financial statements.

KADIMA AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF THE ORGANIZATION

Kadima is a non-profit, non-sectarian voluntary mental health agency which provides comprehensive residential, therapeutic and social services to all people with mental health needs as they move forward in their lives.

Kadima Nonprofit Housing Corporation is a non-profit corporation organized exclusively to assist qualifying individuals with affordable housing facilities.

The different programs offered by the Organization 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.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the financial statements of Kadima: Association for Jewish Residential Care, Inc. d/b/a Kadima and Kadima Nonprofit Housing Corporation, known collectively as "Kadima" or the "Organization". All significant inter-organization transactions and balances have been eliminated.

Basis of Accounting - The consolidated financial statements of the Organization are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

Cash and Cash Equivalents - Cash and cash equivalents consist of checking accounts, money market funds and petty cash. The Organization considers all highly liquid instruments with an initial maturity of three months or less to be cash equivalents.

Investments - Investments are stated at fair value. Net investment return or loss is included in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Accounts Receivable - Accounts receivable is reported at the amount management expects to collect on balances outstanding at year-end. Management provides for probably uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (continued)

Promises to Give - Unconditional promises to give are recorded at net realizable value when the promise is made and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. The Organization considers all promises to give at September 30, 2019 and 2018 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Land, buildings and Equipment - Land, buildings and equipment is stated at cost, or in the case of a gift, at market value at the date of the gift. The Organization capitalizes all purchases in excess of $2,000 and a useful life in excess of one year. Depreciation is computed over the estimated useful life of the assets on the straight-line method. Maintenance and repairs are charged to expense as incurred.

The Organization reviews long-lived 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.

Deposits and Escrows - 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. The amount is held in escrow and used for repairs and maintenance projects for the property. Total cash held in escrow for the years ended September 30, 2019 and 2018, consists of $24,572 and $23,277, respectively.

Revenue Recognition - Revenue is recognized when earned. Program fees, contractual income and grant revenue received in advance are deferred to the period the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend have been substantially met.

Contributions - The Organization reports gifts of cash and other assets as restricted support 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 purpose restrictions is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as released from restrictions. Donated materials are reflected as contributions and expensed in the accompanying statements at their estimated value at the date of receipt. 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.

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (continued)

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

Credit Risk - The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, investments, accounts receivable and promises to give. The Organization's cash is deposited with various financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk. Accounts receivable are spread over many individuals. Credit risk associated with promises to give is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by the Organization. Although fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Estimates - The process of preparing consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements and the allocation of functional expenses. Accordingly, upon settlement, actual results may differ from estimated amounts.

Functional Allocation of Expenses - The costs of providing program and other activities has been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Organization. Allocated expenses primarily consist of salaries and related, occupancy, professional fees, insurance and depreciation. Accordingly, certain costs have been allocated among programs and supporting services based on actual basis, where available, or based on management's estimated use of resources. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Subsequent Events - The Organization evaluates events and transactions that occur after year-end for potential recognition or disclosure in the consolidated financial statements. These subsequent events have been considered through March 12, 2020, which is the date the consolidated financial statements were available to be issued.

Advertising - Advertising costs are expensed as incurred.

Reclassification - Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

NOTE 3 - TAX STATUS

The Organization is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except for tax on "unrelated business income," as defined. No provision for income taxes is required.

In preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain positions. Federal, state and local tax returns generally remain open for examination by the various taxing authorities for a period of 3 to 4 years.

NOTE 4 - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position, comprise the following at September 30:

	2019	2018
Financial assets at year-end		
Cash and cash equivalents	$ 44,667	$ 17,169
Accounts receivable, net	374,032	255,330
Promises to give	20,000	61,000
Investments	3,445,278	3,256,140
Beneficial interest in assets held by others	95,107	97,165
Total financial assets	3,979,084	3,686,804
Less net assets with donor restrictions	(3,518,050)	(2,551,254)
Financial assets available to meet cash needs for general expenditures within one year	$ 461,034	$ 1,135,550

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures.

NOTE 5 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides 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 described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019 and 2018.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Beneficial interest in assets held by others: The value of the investments held by the Community Foundation of Southeast Michigan (CFSM) and the United Jewish Foundation of Detroit (UJFD) are held under an arrangement as a depository for gifts, conveyances, and other transfers intended to assist the Organization in achieving its goals and purposes. The beneficial interests held by CFSM and UJFD was determined by the allocable share in the market value of the underlying investments made by CFSM and UJFD as reported by a third-party investment manager. The beneficial interest in assets held by others is considered a Level 2 investment under current fair value measurement standards.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a market value summary of the Organization's investments carried at fair value at September 30:

	2019	2018
Level 1		
Mutual funds		
Equity funds	$ 1,620,374	$ 1,685,077
Fixed income funds	1,806,898	1,551,285
Total assets at fair value	3,427,272	3,236,362
Cash and money market funds (recorded at cost)	18,006	19,778
Total investments	$ 3,445,278	$ 3,256,140
Level 2		
Beneficial interest in assets held by others	$ 95,107	$ 97,165

NOTE 6 - BENEFICIAL INTEREST IN ASSETS 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 September 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, 2019 and 2018, was $25,866 and $26,246 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 $1,518,464 and $1,508,351 as of September 30, 2019 and 2018, 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 with an original principal amount of $50,000. Investment return is transferred to temporarily restricted funds. The value of this fund as of September 30, 2019 and 2018, was $69,241 and $70,919 respectively.

NOTE 7 - PROMISES TO GIVE

Unconditional promises to give that are expected to be collected subsequent to September 30 are as follows:

	2019	2018
Promises to give before unamortized discount	$ 20,000	$ 61,000
Amounts due in		
Less than one year	$ 20,000	$ 21,000
One to two years	-	40,000
Total promises to give	$ 20,000	$ 61,000

NOTE 8 - LAND, BUILDINGS AND EQUIPMENT

Major classes of land, buildings and equipment at September 30 consist of the following:

	Life (in Years)	2019	2018
Land		$ 413,441	$ 432,111
Building and improvements	10 - 40	5,634,581	5,763,253
Vehicles	5	38,250	234,458
Office equipment	5 - 10	226,126	226,126
Software	3 - 5	28,110	28,110
		6,340,508	6,684,058
Less accumulated depreciation		2,434,449	2,549,023
Land, buildings and equipment - net		$ 3,906,059	$ 4,135,035

NOTE 9 - LONG-TERM DEBT

Long-term debt at September 30 consists of the following obligations:

	2019	2018
Michigan State Housing Development Authority (MSHDA) note payable forgiven at 1/120th beginning May 2025 subject to usage restrictions. Secured by a condominium unit. In-kind interest to reflect forgiveness by MSHDA is recognized at a rate of 8%.	$ 40,000	$ 40,000
Michigan State Housing Development Authority (MSHDA) note payable forgiven at 1/120th beginning May 2026 subject to usage restrictions. Secured by a condominium unit. In-kind interest to reflect forgiveness by MSHDA is recognized at a rate of 8%.	40,000	40,000
	80,000	80,000
Long-term debt due in one year	-	-
Long-term debt	$ 80,000	$ 80,000

Total maturities of long-term debt are as follows:

Year ending June 30,	
2020 through 2024	$ -
Thereafter	80,000
Total	$ 80,000

NOTE 10 - RETIREMENT PLANS

The Organization maintains a simplified employee pension for the benefit of all employees. Contributions to the plan were $31,366 and $34,975 for the years ended September 30, 2019 and 2018, respectively.

NOTE 11 - TAX DEFERRED GROUP ANNUITY PLAN

The Organization 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. The Organization does not match the employee contributions to the plan, nor does the Organization incur any expense related to the administration of the plan.

NOTE 12 - LEASES

The Organization leases various vehicles. Each of the leases is for three years. Future minimum lease payments required under such leases are as follows:

Year Ending September 30,	
2020	$ 114,535
2021	102,047
2022	33,773
	$ 250,355

NOTE 13 - ENDOWMENT FUNDS

The Organization's endowment includes donor-restricted funds based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) as permitting the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At September 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a time restriction in perpetuity) (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor stipulated purpose within the standard of prudence prescribed by UPMIFA.

NOTE 13 - ENDOWMENT FUNDS (continued)

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 various funds.
2. The purposes of the donor-restricted endowment funds.
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.

Return Objective and Risk Parameters

The Organization 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 Directors, 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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

The Organization 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.

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies for the years ended September 30, 2019 and 2018, respectively.

NOTE 13 - ENDOWMENT FUNDS (continued)

Endowment net asset composition by type of fund as of September 30, 2019 and 2018:

	With Donor Restrictions								
	Accumulated Investment Gains				Original Gifts in Perpetuity by Donor				
	Held by Kadima	Held by Cohn-Hochman	Held by CFSEM	Total	Held by Kadima	Held by Cohn-Hochman	Held by CFSEM	Total	Total
Endowment net assets at October 1, 2017	$ 1,493,452	$ 21,722	$ 376	$ 1,515,550	$ 1,076,744	$ 50,000	$ 25,000	$ 1,151,744	$ 2,667,294
Contributions	-	-	-	-	-	-	-	-	-
Investment return, net	73,686	1,803	870	76,359	-	-	-	-	76,359
Appropriation of endowment assets pursuant to spending-rate policy	(250,793)	(2,606)	-	(253,399)	-	-	-	-	(253,399)
Endowment net assets at September 30, 2018	1,316,345	20,919	1,246	1,338,510	1,076,744	50,000	25,000	1,151,744	2,490,254
Contributions	1,033,731	-	-	1,033,731	-	-	-	-	1,033,731
Investment return, net	105,118	2,640	731	108,489	-	-	-	-	108,489
Appropriation of endowment assets pursuant to spending-rate policy	(128,995)	(4,318)	(1,111)	(134,424)	-	-	-	-	(134,424)
Endowment net assets at September 30, 2019	$ 2,326,199	$ 19,241	$ 866	$ 2,346,306	$ 1,076,744	$ 50,000	$ 25,000	$ 1,151,744	$ 3,498,050

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30:

	2018	Inflows	Outflows	2019
Subject to the passage of time				
Promises to give	$ 61,000	$ -	$ (41,000)	$ 20,000
Endowment funds				
Accumulated investment gains subject to appropriation and expenditure when a specified event occurs				
Restricted by donors for home and outreach programs				
Endowment funds held by Kadima	1,316,345	1,138,849	(128,995)	2,326,199
Beneficial interest in assets held by others				
Cohn-Hochman Endowment Fund	20,919	2,640	(4,318)	19,241
Community Foundation of Southeast Michigan	1,246	731	(1,111)	866
	1,338,510	1,142,220	(134,424)	2,346,306
Original gifts in perpetuity subject to spending policy and appropriations				
Restricted by donors for home and outreach programs				
Endowment funds held by Kadima	1,076,744	-	-	1,076,744
Beneficial interest in assets held by others				
Cohn-Hochman Endowment Fund	50,000	-	-	50,000
Community Foundation of Southeast Michigan	25,000	-	-	25,000
	1,151,744	-	-	1,151,744
Total endowments	2,490,254	1,142,220	(134,424)	3,498,050
Total net assets with donor restrictions	$ 2,551,254	$ 1,142,220	$ (175,424)	$ 3,518,050

NOTE 15 - NEW ACCOUNTING STANDARDS

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the consolidated statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit consolidated financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the consolidated statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Organization adopted ASU No. 2016-14 for the year ending September 30, 2019.

The September 30, 2018 comparative information has been reclassified to conform to the current year presentation. Upon adoption of ASU No. 2016-14, net assets without donor restrictions increased by $1,209,018 and net assets with donor restrictions decreased by $1,209,018 as of October 1, 2017. Under the guidance of ASU No. 2016-14, gifts of long-lived assets and cash restricted for the acquisition of long-lived assets are to be recognized as revenue when the assets are placed in service. The following reflects the change in net assets due to the adoption of ASU No. 2016-14 as of October 1, 2017.

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets at October 1, 2017 (as previously reported)	$ 3,851,254	$ 3,951,312	$ 7,802,566
Reclassifications	1,209,018	(1,209,018)	-
Net assets at October 1, 2017 (as restated)	$ 5,060,272	$ 2,742,294	$ 7,802,566