

**Jewish Historical Society
of Michigan
and Supporting Organization**

**Audited Consolidated
Financial Statements**

Year Ended December 31, 2020



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Jewish Historical Society of Michigan

We have audited the accompanying consolidated financial statements of Jewish Historical Society of Michigan (a nonprofit organization) and JHS of Michigan Heritage Foundation (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jewish Historical Society of Michigan and JHS of Michigan Heritage Foundation as of December 31, 2020 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.

Waxenberg Wayntraub, PLLC

Southfield, MI
September 1, 2021

Jewish Historical Society of Michigan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	84,091
Employee retention credit receivable		8,629
Restricted investments		40,000
Unconditional promises to give		
Restricted to Writers Fund		5,000
Total current assets		<u>137,720</u>

OTHER ASSETS

Long-term unconditional promises to give		
Restricted to Writers Fund		4,709
Endowment		1,467,950
Total other assets		<u>1,472,659</u>
Total assets	\$	<u><u>1,610,379</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	8,716
Accrued payroll		2,844
Prepaid dues		20,607
Loan payable		25,000
Total current liabilities		<u>57,167</u>

NET ASSETS

Without donor restrictions		
Undesignated		35,553
Designated by the Board for endowment		1,467,950
With donor restrictions		
Purpose restrictions		49,709
		<u>1,553,212</u>
Total liabilities and net assets	\$	<u><u>1,610,379</u></u>

Jewish Historical Society of Michigan

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 40,775	\$ 196	\$ 40,971
Government grants	107,329	-	\$ 107,329
Program revenue	21,495	-	21,495
Membership dues	20,937	-	20,937
Net investment return	105,120	-	105,120
Total revenue, support, and gains	295,656	196	295,852
EXPENSES			
Program services	151,791	-	151,791
Supporting services			
Management and general	83,857	-	83,857
Fundraising and development	23,925	-	23,925
Total functional expenses	259,573	-	259,573
CHANGE IN NET ASSETS	36,083	196	36,279
NET ASSETS - BEGINNING	1,467,420	49,513	1,516,933
NET ASSETS - ENDING	<u>\$ 1,503,503</u>	<u>\$ 49,709</u>	<u>\$ 1,553,212</u>

Jewish Historical Society of Michigan

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fund-Raising	Total
Compensation and related expenses				
Salary - director	\$ 26,654	\$ 30,462	\$ 19,039	\$ 76,154
Salary - admin	7,753	23,260	-	31,013
Salary - programming	35,012	-	-	35,012
Taxes - payroll	6,663	3,332	1,111	11,105
Contracted services	16,225	-	-	16,225
Total compensation and related expenses	92,307	57,053	20,149	169,509
Program Expenses				
Journal	28,815	-	-	28,815
Other programs	7,723	-	-	7,723
Total Program Expenses	36,538	-	-	36,538
Other Expenses				
Accounting	-	3,350	-	3,350
Advertising	150	-	-	150
Bank and credit card fees	-	2,756	-	2,756
Computer and internet expense	4,526	1,293	647	6,465
Insurance	-	11,889	-	11,889
Office supplies	2,831	1,415	472	4,718
Payroll service fee	-	2,105	-	2,105
Postage	2,316	926	1,390	4,632
Rent	5,923	1,269	1,269	8,462
Website	7,200	1,800	-	9,000
Total other expenses	22,946	26,804	3,777	53,527
Total functional expenses	\$ 151,791	\$ 83,857	\$ 23,925	\$ 259,573

See Notes to Consolidated Financial Statements

Jewish Historical Society of Michigan

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 36,279
Adjustments to reconcile change in net assets to net cash cash provided by operating activities:	
Net realized and unrealized losses on investments	(105,120)
Changes in operating assets and liabilities:	
Promises to give	4,804
ERC receivable	(8,629)
Accounts payable and accrued payroll	706
Prepaid dues	14,899
Loan payable	<u>25,000</u>
Net cash used in operating activities	(32,061)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of restricted investments	(5,000)
Distributions from investments	<u>89,172</u>
Net cash provided by investing activities	<u>84,172</u>

INCREASE IN CASH AND CASH EQUIVALENTS 52,111

BEGINNING CASH AND CASH EQUIVALENTS 31,980

ENDING CASH AND CASH EQUIVALENTS \$ 84,091

Jewish Historical Society of Michigan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Jewish Historical Society of Michigan (JHSM) was founded in 1959 to preserve and commemorate Michigan Jewish history for future generations. Jewish Historical Society of Michigan is the only volunteer organization dedicated exclusively to this purpose, and JHSM has amassed a storehouse of information about the events, traditions and lives of Jewish people throughout the state. Major sources of revenue include grants, individual contributions, membership dues and program service fees.

JHS of Michigan Heritage Foundation (the "Foundation") is a Type I supporting organization of JHSM under the provisions of Internal Revenue Code section 509(a)(3). JHSM's Board of Directors exercise significant control over this organization through the appointment of board members.

The accompanying financial statements of JHSM have been prepared on a consolidated basis to include its supporting organization (the "Foundation") because JHSM has both control and an economic interest in the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation. References to the "Organization" refer to the consolidated group.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period in which the promise is made, and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Organization uses the allowance method to determine uncollectible pledges receivable. Based on prior years' experience and management's analysis of specific promises made, there is no estimated uncollectible amount as of December 31, 2020.

Revenue Recognition

Revenue is recognized when earned. Income from membership dues is deferred and recognized over the periods to which the dues relate. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Jewish Historical Society of Michigan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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 restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor imposed 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 imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity date of three months or less. Cash and cash equivalents held with investment advisors are included in investments.

The Organization maintains cash in demand deposit accounts with federally insured banks. The Federal Insurance Corporation insures deposits up to \$250,000. At December 31, 2020 the Company did not have funds in excess of FDIC insured limits.

The Organization manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date the Organization has not experienced losses in any of these accounts.

Jewish Historical Society of Michigan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

Jewish Historical Society of Michigan and JHS of Michigan Heritage Foundation are not-for-profit organizations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), and have determined not to be private foundations under Sections 509(a)(1) and (3), respectively. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose.

The Organization analyzes its income tax filing positions to identify potential uncertain tax positions, and concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements. The Organization treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its management and general expenses.

Investments

The Organization has two funds invested in money markets and securities accounts. Funds totaling \$1,019,861 at December 31, 2020 are invested with Vanguard. Funds totaling \$488,089 at December 31, 2020 are invested in a pooled investment fund through the United Jewish Foundation of Metro Detroit ("UJF"). The Organization retains the right to withdraw all or part of the funds upon written notice to UJF. Investments are recorded at cost, or if donated, at fair value on the date of donation. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual accounts based on the relationship of the fair value of the interest of each fund to the total fair value of the pooled investment accounts. Pooled investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to the investor's ownership percentage. Investment income or loss and unrealized gains and losses are included in the consolidated statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation of property and equipment are provided over the estimated useful lives of the respective assets using the straight line method. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Purchased equipment is recorded at cost.

Jewish Historical Society of Michigan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Materials and Services

Contributions of donated non-cash assets are recorded at their fair values in the period received.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. No significant contributions of such goods or services were received during the year ended December 31, 2020. In addition, a substantial number of volunteers donate their time to the Organization's program services and fundraising campaigns during the year, however these donated services are not reflected in the financial statements because they do not meet the criteria for recognition as contributed services.

Risks and Uncertainties

Laws and regulations concerning government programs, including the Employee Retention Credit established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

The Organization holds various investments, which are exposed to various risks, such as interest rate, market, and credit. Given the level of risk associated with certain investments and the level of uncertainty related to the changes in the value of investments, it is at least reasonably possible that changes in values in the near term could materially affect investment balances and the amounts reported in the statement of financial position and the statement of activities.

The COVID-19 outbreak in the United States has caused disruption through mandatory closings across a range of industries. The extent of the impact of COVID-19 on the Temple's financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on members, employees, and vendors, all of which are uncertain and cannot be predicted. Therefore, the related financial impact cannot be reasonably estimated at this time.

Jewish Historical Society of Michigan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as personnel costs, office expenses, and website expense, which are allocated on the basis of estimates of time and effort. Dollar amounts are allocated according to percentages, causing rounding differences that result in some columns not mathematically adding down or across. The differences do not exceed more than \$1.

NOTE B – LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments.

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

Cash and cash equivalents	\$ 84,091
Endowment spending-rate distributions and appropriations	<u>73,000</u>
Total	\$ <u>157,091</u>

The endowment fund consists of a quasi-endowment fund. As described in Note G, the quasi-endowment has a spending rate of 5%.

As part of the liquidity management plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Organization does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Jewish Historical Society of Michigan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE C – LEASING ARRANGEMENTS

The Organization leased office space in the Jewish Community Center located in West Bloomfield through May 2020, when all in person operations were suspended, and the office transitioned to remote work. Rent expense for the year ended December 31, 2020 was \$8,462

NOTE D – PROMISES TO GIVE

Unconditional promises to give at December 31, 2020 are as follows:

Within one year	\$	5,000
In one to five years		5,000
Less discount to net present value		<u>(291)</u>
Net promises to give	\$	<u>9,709</u>

Promises to give appear as follows in the statement of financial position:

Current	\$	5,000
Long term		<u>4,709</u>
Total	\$	<u>9,709</u>

Long-term pledges receivable are recognized at fair value using present value techniques.

NOTE E – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 30, 2021, the date which the consolidated financial statements were available to be issued.

NOTE F – FAIR VALUE MEASUREMENTS

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

Jewish Historical Society of Michigan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

- Level 1 Quoted market prices in active markets for identical assets or liabilities
- Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data
- Level 3 Unobservable inputs that are not corroborated by market data

The Organization holds as investment various securities that are publicly traded. Fair values are based on quoted prices and are classified as Level 1. The Organization holds no investments that would be classified as Level 2 or Level 3.

The carrying amounts of cash and cash equivalents, receivables, accounts payable, and accrued expenses approximate fair value due to their short term nature. The carrying amount of promises to give due in more than one year is based on the discounted net present value of the expected future cash receipts, and approximates fair value.

The Organization uses net asset value (NAV) per share, or its equivalent, as a practical expedient to estimate the fair values of certain investments which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

The following table presents assets measured at fair value on a recurring basis, except those measured by using NAV per share as a practical expedient as identified in the following, at December 31, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Valued at NAV</u>
UJF Pooled Funds	\$ 488,089	\$ 297,734	\$ 190,355
Other Investments	<u>1,019,861</u>	<u>1,019,861</u>	<u>-</u>
Total	<u>\$ 1,507,950</u>	<u>\$ 1,317,595</u>	<u>\$ 190,355</u>

Jewish Historical Society of Michigan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE G – ENDOWMENT

As of December 31, 2020, the Board of Directors had designated \$1,467,950 of net assets without donor restrictions as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The Organization has a spending policy of appropriating for distribution each year 5% of its board-designated endowment fund's 3 year rolling average of assets. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Organization expects the current investment policy to allow its general endowment fund to grow at an average of 5% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified mix, which includes equity and debt securities, in the UJF balanced pool fund and with Vanguard. It is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return which will exceed the 5% distribution annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment net assets as of December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,467,950	\$ -	\$ 1,467,950
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
	\$ <u>1,467,950</u>	\$ <u>-</u>	\$ <u>1,467,950</u>
Endowment net assets, beginning of year	\$ 1,452,002	\$ -	\$ 1,452,002
Investment return, net	105,120	-	105,120
Contributions	-	-	-
Appropriations of endowment assets pursuant to spending-rate policy	<u>(89,172)</u>	<u>-</u>	<u>(89,172)</u>
Endowment net assets, end of year	\$ <u>1,467,950</u>	\$ <u>-</u>	\$ <u>1,467,950</u>

Jewish Historical Society of Michigan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE H – PPP LOAN

Due to the economic uncertainties brought on by the COVID-19 pandemic, on May 12, 2020, the Organization received an unsecured loan of \$28,700 through the SBA in connection with the Payroll Protection Program of the Coronavirus Aid, Relief, and Economic Security Act of 2020. The loan bears interest at 1% per annum and matures on May 12, 2022. Loan repayments of interest and principal are scheduled to commence in September 2021. However, to the extent the loan proceeds are primarily used to fund payroll and related costs, and to a lesser extent, utility and rent costs, during the 24 weeks subsequent to receipt of the loan proceeds, the loan balance and any accrued interest will be forgiven and recognized as income. The proceeds were funded without the intent of exchanging goods or services of commensurate value, and are being recognized as a conditional contribution in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. This standard indicates conditions of the contribution should be substantially met before the receipt of the assets is recognized as a contribution. The Organization interprets the conditions as being met over time as the qualifying expenses were incurred, and has therefore recognized the contribution in the current fiscal year.

NOTE I – NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2020:

Subject to expenditure for specific purpose:

Writers Fund	\$ 49,709
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Net assets without donor restrictions:

Quasi-endowment	\$ 1,467,950
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Undesignated	<u>35,553</u>
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Total net assets	\$ <u><u>1,553,212</u></u>
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