



**Financial Statements  
and  
Independent Auditors' Report  
June 30, 2018**

**JEWISHcolorado**

**Table of Contents**

|                                    | <u>Page</u> |
|------------------------------------|-------------|
| Independent Auditors' Report.....  | 1           |
| Financial Statements               |             |
| Balance Sheet.....                 | 3           |
| Statement of Activities.....       | 4           |
| Statement of Cash Flows.....       | 5           |
| Notes to Financial Statements..... | 6           |

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
JEWISHcolorado  
Glendale, Colorado

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of JEWISHcolorado, which are comprised of the balance sheet as of June 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.

### AUDITORS' 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 auditors' 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 auditors consider 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.

**OPINION**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JEWISHcolorado as of June 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**

The financial statements of JEWISHcolorado as of June 30, 2017, were audited by EKS&H LLLP, whose report dated February 26, 2018, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Plante & Moran, PLLC*

Plante & Moran, PLLC

Denver, Colorado  
March 6, 2019

# JEWISHcolorado

## Balance Sheet June 30, 2018

(With Summarized Comparative Information as of June 30, 2017)

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| <b>Assets</b>                            |                      |                      |
| Assets                                   |                      |                      |
| Cash and cash equivalents                | \$ 466,699           | \$ 308,597           |
| Cash restricted for capital expenditure  | 2,479,443            | -                    |
| Pledges receivable, net                  | 3,586,067            | 3,584,422            |
| Capital campaign receivable, net         | 2,828,573            | -                    |
| Investments                              | 75,399,006           | 57,083,697           |
| Other assets                             | 21,979               | 453,800              |
| Property and equipment, net              | 1,194,020            | 438,743              |
| Split-interest gifts                     | <u>1,440,280</u>     | <u>1,448,701</u>     |
| Total assets                             | <u>\$ 87,416,067</u> | <u>\$ 63,317,960</u> |
| <b>Liabilities and Net Assets</b>        |                      |                      |
| Liabilities                              |                      |                      |
| Line-of-credit                           | \$ 1,800,000         | \$ 1,700,000         |
| Accounts payable and accrued liabilities | 604,814              | 602,689              |
| Funds held on behalf of others           | 16,522,791           | 15,855,949           |
| Due to other agencies                    | 3,215,055            | 4,070,061            |
| Obligations on split-interest gifts      | <u>1,103,260</u>     | <u>1,195,334</u>     |
| Total liabilities                        | <u>23,245,920</u>    | <u>23,424,033</u>    |
| Net assets                               |                      |                      |
| Unrestricted                             | 46,277,791           | 27,818,750           |
| Temporarily restricted                   | 8,367,507            | 3,085,784            |
| Permanently restricted                   | <u>9,524,849</u>     | <u>8,989,393</u>     |
| Total net assets                         | <u>64,170,147</u>    | <u>39,893,927</u>    |
| Total liabilities and net assets         | <u>\$ 87,416,067</u> | <u>\$ 63,317,960</u> |

See notes to financial statements.

## JEWISHcolorado

### Statement of Activities For the Year Ended June 30, 2018 (With Summarized Comparative Information for the Year Ended June 30, 2017)

|  | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | 2018<br>Total        | 2017<br>Total        |
|--|----------------------|---------------------------|---------------------------|----------------------|----------------------|
| Revenues, gains, and other support       |                      |                           |                           |                      |                      |
| Contributions                            | \$ 9,306,810         | \$ 6,801,341              | \$ -                      | \$ 16,108,151        | \$ 9,170,006         |
| Philanthropic fund contributions         | 24,500,283           | -                         | -                         | 24,500,283           | 4,074,829            |
| Less donor-designated contributions      | <u>(4,523,435)</u>   | <u>-</u>                  | <u>-</u>                  | <u>(4,523,435)</u>   | <u>(3,071,691)</u>   |
| Contributions, net                       | 29,283,658           | 6,801,341                 | -                         | 36,084,999           | 10,173,144           |
| Income for JEWISHcolorado programs       | 949,152              | 480,214                   | -                         | 1,429,366            | 2,056,248            |
| Fees                                     | 334,451              | -                         | -                         | 334,451              | 274,303              |
| Investment income                        | 1,240,338            | 411,854                   | 341,697                   | 1,993,889            | 3,311,508            |
| Other income                             | 520,581              | -                         | -                         | 520,581              | 153,727              |
| Loss on impairment of investment         | -                    | -                         | -                         | -                    | (452,500)            |
| Change in value of split-interest gifts  | <u>-</u>             | <u>23,771</u>             | <u>-</u>                  | <u>23,771</u>        | <u>(762)</u>         |
| Net assets released from restrictions    | 32,328,180           | 7,717,180                 | 341,697                   | 40,387,057           | 15,515,668           |
| Total revenues, gains, and other support | <u>2,360,963</u>     | <u>(1,951,261)</u>        | <u>(409,702)</u>          | <u>-</u>             | <u>-</u>             |
|  | <u>34,689,143</u>    | <u>5,765,919</u>          | <u>(68,005)</u>           | <u>40,387,057</u>    | <u>15,515,668</u>    |
| Expenses                                 |                      |                           |                           |                      |                      |
| Program services                         |                      |                           |                           |                      |                      |
| Grants                                   | 1,448,513            | -                         | -                         | 1,448,513            | 1,914,593            |
| Distributions                            | 11,715,973           | -                         | -                         | 11,715,973           | 6,321,128            |
| JEWISHcolorado programs and services     | 4,319,059            | -                         | -                         | 4,319,059            | 4,274,547            |
| Less donor-designated contributions      | <u>(4,523,435)</u>   | <u>-</u>                  | <u>-</u>                  | <u>(4,523,435)</u>   | <u>(3,071,691)</u>   |
| Total program services                   | <u>12,960,110</u>    | <u>-</u>                  | <u>-</u>                  | <u>12,960,110</u>    | <u>9,438,577</u>     |
| Supporting services                      |                      |                           |                           |                      |                      |
| Management and general                   | 1,047,455            | -                         | -                         | 1,047,455            | 1,022,555            |
| Fundraising                              | <u>1,756,491</u>     | <u>-</u>                  | <u>-</u>                  | <u>1,756,491</u>     | <u>1,381,202</u>     |
| Total supporting services                | <u>2,803,946</u>     | <u>-</u>                  | <u>-</u>                  | <u>2,803,946</u>     | <u>2,403,757</u>     |
| Total expenses                           | <u>15,764,056</u>    | <u>-</u>                  | <u>-</u>                  | <u>15,764,056</u>    | <u>11,842,334</u>    |
| Change in net assets from operations     | 18,925,087           | 5,765,919                 | (68,005)                  | 24,623,001           | 3,673,334            |
| Donor reclassifications                  | (119,265)            | (484,196)                 | 603,461                   | -                    | -                    |
| Bad debt (expense) recovery              | <u>(346,781)</u>     | <u>-</u>                  | <u>-</u>                  | <u>(346,781)</u>     | <u>93,708</u>        |
| Change in net assets                     | 18,459,041           | 5,281,723                 | 535,456                   | 24,276,220           | 3,767,042            |
| Net assets - beginning of year           | <u>27,818,750</u>    | <u>3,085,784</u>          | <u>8,989,393</u>          | <u>39,893,927</u>    | <u>36,126,885</u>    |
| Net assets - end of year                 | <u>\$ 46,277,791</u> | <u>\$ 8,367,507</u>       | <u>\$ 9,524,849</u>       | <u>\$ 64,170,147</u> | <u>\$ 39,893,927</u> |

See notes to financial statements.

# JEWISHcolorado

## Statement of Cash Flows For the Year Ended June 30, 2018 (With Summarized Comparative Information for the Year Ended June 30, 2017)

|   | 2018          | 2017         |
|---|---------------|--------------|
| Cash flows from operating activities  |               |              |
| Change in net assets  | \$ 24,276,220 | \$ 3,767,042 |
| Adjustments to reconcile change in net assets to net cash, cash equivalents, and restricted cash provided by operating activities |               |              |
| Endowment contributions   | -             | (1,052,994)  |
| Capital campaign pledges receivable   | (2,828,573)   | -            |
| Depreciation  | 48,453        | 96,145       |
| Bad debt expense (recovery)   | 346,781       | (93,708)     |
| Loss on disposal of property and equipment  | 175,478       | -            |
| Net realized and unrealized gains from investments  | (950,244)     | (2,717,514)  |
| Impairment loss on real estate  | -             | 452,500      |
| Acquisition contribution  | -             | (603,898)    |
| Change in value of split-interest gifts   | (23,771)      | 7,331        |
| Changes in assets and liabilities   |               |              |
| Annual campaign pledges receivable  | (3,897,690)   | 1,259,770    |
| Other assets  | 431,821       | (303,776)    |
| Accounts payable and accrued liabilities  | 2,125         | (374,794)    |
| Due to other agencies   | (855,006)     | (330,705)    |
|   | (7,550,626)   | (3,661,643)  |
| Net cash, cash equivalents, and restricted cash provided by operating activities  | 16,725,594    | 105,399      |
| Cash flows from investing activities  |               |              |
| Net cash flows from purchases and sales of investments  | (17,549,927)  | (2,252,983)  |
| Property and equipment purchases  | (979,208)     | (179,280)    |
| Assets limited as to use by trustee under bond agreement  | -             | 6,660        |
| Funds held on behalf of others  | 666,842       | 862,546      |
| Cash acquired   | -             | 166,315      |
| Net cash, cash equivalents, and restricted cash used in investing activities  | (17,862,293)  | (1,396,742)  |
| Cash flows from financing activities  |               |              |
| Endowment contributions and receipts  | 184,862       | 1,052,994    |
| Proceeds from line-of-credit  | 100,000       | -            |
| Payments on line-of-credit  | -             | (100,000)    |
| Payments on bond payable  | -             | (100,000)    |
| Payments to beneficiaries under split-interest agreements   | (59,882)      | -            |
| Proceeds from capital campaign  | 3,549,264     | -            |
| Net cash, cash equivalents, and restricted cash provided by financing activities  | 3,774,244     | 852,994      |
| Net increase (decrease) in cash, cash equivalents, and restricted cash  | 2,637,545     | (438,349)    |
| Cash, cash equivalents, and restricted cash - beginning of year   | 308,597       | 746,946      |
| Cash, cash equivalents, and restricted cash - end of year   | \$ 2,946,142  | \$ 308,597   |
| Less cash and cash equivalents  | \$ 466,699    | \$ 308,597   |
| Restricted cash   | \$ 2,479,443  | \$ -         |

Supplemental disclosure of cash flow information:

Cash paid for interest was \$59,250 for the year ended June 30, 2018.

See notes to financial statements.

# JEWISHcolorado

## Notes to Financial Statements

### **Note 1 - Nature of the Organization and Summary of Significant Accounting Policies**

#### **Organization**

JEWISHcolorado ("Jco") is a not-for-profit corporation whose mission is to secure, steward, and share philanthropic and human resources in support of vibrant Jewish life in Colorado, Israel, and around the world. Jco will also mobilize the Jewish community in time of need. Jco is the result of an October 2013 merger between the Allied Jewish Federation of Colorado and the Jewish Community Foundation of Colorado.

Through a strategic grant-making process, awards are made to organizations and programs that fall within one of three focus areas:

- 1) Engaging the next generation in being Jewish.
- 2) Caring for the vulnerable.
- 3) Advocating for Israel and the Jewish world.

Jco is also the center of long-term philanthropy for the Jewish community in Colorado. It educates the community about the benefits of planned giving and long-term sustained philanthropy guided by Jewish values. The endowments of many Jewish organizations and other restricted funds are housed at Jco.

Flying J Ranch LLC was a single-member limited liability company of which Jco was the sole member through May 30, 2017. Flying J Ranch LLC's purpose was to own and maintain a ranch property leased to Ramah in the Rockies ("Ramah"), a Jewish summer adventure camp. On May 30, 2017, 100% of this ownership interest was assigned to Ramah in exchange for full repayment of the outstanding bonds payable for the property.

During the year ended June 30, 2015, Jco entered into a five-year memorandum of understanding ("MOU") with United Jewish Appeal, Aspen Valley ("Aspen"). Under this MOU, Jco operates Aspen's organization and campaign on behalf of its board. During the year ended June 30, 2018, Aspen raised approximately \$315,000. Of this amount, approximately \$123,000 was distributed to the Jewish Federations of North America for Israel and other overseas operations, and approximately another \$73,000 was used or distributed for Jewish events and organizations in the Roaring Fork Valley. The only amount included in Jco's financial statements is the approximately \$47,000 in fees Jco earned from managing the campaign, which is included in other income on the statement of activities.

Effective July 1, 2016, Jco acquired Colorado Agency for Jewish Education ("CAJE"), a beneficiary agency of Jco (Note 2).

#### **Basis of Presentation**

The financial statements of Jco include the financial information of Flying J Ranch LLC (through May 30, 2017) and CAJE and are presented as a single entity. Information regarding the financial position and activities is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.



# JEWISHcolorado

## Notes to Financial Statements

### Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued)

#### Basis of Presentation (continued)

The net assets are reported separately by class:

Unrestricted amounts are available at the discretion of the Board of Directors (the "Board") for use in Jco's operations and include resources invested in property and equipment. These amounts can also be used for building improvements and general reserves and for the support of any emergencies within the Jewish community.

Temporarily restricted amounts are contributions restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted amounts are monies that cannot be spent at the discretion of Jco but must be maintained permanently as required by the donors.

#### Prior Year Comparative Information

The financial statements include certain prior year summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Jco's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

#### Credit Risk

Financial instruments that potentially subject Jco to concentrations of credit risk consist primarily of cash and cash equivalents, investments, pledges receivable, and notes receivable. Jco limits its exposure to credit risk by placing its cash and cash equivalents and short-term investments in securities backed by the United States government and in instruments issued by quality financial institutions. Amounts are invested in several institutions to minimize risk. At various times throughout the year and at year end, Jco's balances exceeded the federally insured limits.

Jco reduces its credit risk related to notes receivable and investments through its involvement and limited oversight of the third-party investors and borrowers.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, Jco considers all cash and short-term instruments with a maturity of three months or less when purchased to be cash equivalents, with the exception of cash and cash equivalents included in the balance sheet as part of the investment portfolio.

#### Restricted Cash

Restricted cash consists of funds received as part of the capital campaign restricted for capital expenditures.

# JEWISHcolorado

## Notes to Financial Statements

### Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued)

#### Pledges Receivable

Pledges relating to the annual campaign are expected to be collected within 18 months, or at the completion of a campaign, and are recorded at their net realizable values. No discount has been recorded, as these amounts would have been insignificant. An allowance for uncollectible pledges has been established by Jco's management based on past collection experience and current economic conditions. Pledges relating to the capital campaign are expected to be collected over a five-year period. Accordingly, a discount has been recorded, as discussed in Note 3.

#### Property and Equipment

Depreciation of property and equipment is computed over the following estimated useful lives using the straight-line and accelerated methods:

|                           | <u>Estimated<br/>Useful Lives</u> |
|---------------------------|-----------------------------------|
| Building and improvements | 5-30 years                        |
| Furniture and equipment   | 7 years                           |

Property and equipment are capitalized at purchased cost or fair value at the date of donation. Jco follows the practice of capitalizing all expenditures and donations for buildings, improvements, furniture, and equipment over \$5,000 (\$1,000 prior to fiscal year 2018). Expenditures for lesser amounts are charged to operations.

#### Long-Lived Assets

Jco reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. Jco looks primarily to the undiscounted future cash flows in its assessment of whether long-lived assets have been impaired. For the year ended June 30, 2017, a real estate investment was impaired by \$452,500. No impairment was recorded during 2018.

#### Split-Interest Gifts

Certain donors have entered into trust or annuity arrangements whereby Jco receives benefits that are shared with other beneficiaries. There are interests in charitable remainder and lead trusts, a perpetual trust, and charitable gift annuities. Amortization of discounts and revaluations of expected future payments based on changes in life expectancy are recorded in the statement of activities as change in value of split-interest gifts.

#### Investments and Investment Valuation

Investments include a variety of assets that are intended to provide a return on investment to Jco, as well as support the Jewish community as a whole.

# JEWISHcolorado

## Notes to Financial Statements

### **Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued)**

#### Investments and Investment Valuation (continued)

Cash equivalents, equities, mutual funds, and exchange-traded funds ("ETFs") with readily determinable fair values are reported at their fair values based on current market quotations.

Bonds are reported at fair value based on purchases and sales of the bonds within a publicly observable marketplace.

Limited partnership investments held by Jco consist primarily of an interest in a private equity fund. The fair value of the fund is determined by the underlying assets of the fund.

Loan participation agreements are reported at the value of Jco's participation percentage in the original loan value. Interest is earned on the loan participation agreements in accordance with the third-party loan agreement. In general, the loan participation agreements are secured by a first deed of trust as part of the third-party loan agreement. Loan participation agreements are not measured at fair value on a recurring basis.

Notes receivable are recorded at amortized cost, net of any discounts or premiums, if applicable. Interest is earned on the notes receivable in accordance with the note agreements. An allowance for uncollectible notes receivable has been established by Jco's management based on past collection experience and current economic conditions. Notes receivable are not measured at fair value on a recurring basis.

Real estate is reported at the lower of fair value at the date of gift or current fair value based on appraisals. Real estate is not measured at fair value on a recurring basis.

Net realized and unrealized gains and losses on investments are included in change in net assets from operations in the accompanying statement of activities.

#### Fair Value Accounting

Jco follows an established framework for measuring the fair value of assets and liabilities. Fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value framework requires enhanced disclosures about fair value measurements for assets valued on a recurring basis. The enhanced disclosures require Jco to establish a hierarchy for assets and liabilities valued on a recurring basis, which is based on significant inputs.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of liquidity. See Note 7 for discussion of fair value measurements for assets valued on a recurring basis. Jco does not have any liabilities valued at fair value on a recurring basis.

# JEWISHcolorado

## Notes to Financial Statements

### **Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued)**

#### Contributions and Allocations

Jco conducts an annual fundraising campaign to raise support for grants to agencies in the subsequent year. Each year, based on the results of the campaign, the Board, on the recommendation of the Grants Committee, awards funds to organizations whose programs fit specific impact areas. Grants are recorded on an accrual basis when amounts are reasonably determinable.

Jco allows donors to designate their contributions to any Jewish organization with Section 501(c)(3) status as determined by the IRS. Jco receives resources in certain transactions in which it is acting as an intermediary for the resource providers.

Donor-designated pledges are recorded as liabilities rather than revenue for the organization receiving the pledges. Gross designations and distributions are presented in the statement of activities.

Jco recognizes cash donations as income when received. Grant revenue is earned as services are performed or specific grant criteria are met. Unconditional promises to give are recognized as income in the year the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

All support is considered available for unrestricted use unless specifically restricted by the donor. A donor restriction expires when a stipulated time restriction ends or a purpose restriction is accomplished. Temporarily restricted net assets are then reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Distributions are approved and made by Jco from its donor-advised funds based on the recommendations of donors.

#### Donor-Advised Funds

Jco offers donors the option of establishing a donor-advised fund as a vehicle to promote philanthropic giving. Donor-advised funds are recorded as unrestricted contributions and net assets due to Jco's retention of variance power over the assets contributed. Donors may make recommended distributions from the donor-advised funds in accordance with the donor-advised fund agreement. All distributions are approved by Jco. Payments to agencies made from donor-advised funds are recorded as distributions in the year paid.

During the year ended June 30, 2018, Jco received an extraordinary donor-advised fund gift of approximately \$20 million. It is anticipated that these funds will be distributed in accordance with the donor's instructions within three years.

# JEWISHcolorado

## Notes to Financial Statements

### **Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued)**

#### Income Taxes

Jco is a not-for-profit entity exempt from income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and as a public charity under IRC Section 509. Accordingly, no provision for income taxes is made in these financial statements. Income from activities not directly related to Jco's tax-exempt purpose is subject to taxation as unrelated business taxable income. There was no significant unrelated business taxable income for the year ended June 30, 2018.

#### Donated Services

Jco receives a significant amount of donated services from unpaid volunteers who assist in fundraising, program activities, and special events. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

#### Advertising

Advertising costs are expensed in the year incurred. The total advertising costs for Jco were \$44,000 for the year ended June 30, 2018.

#### Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management and general, and fundraising categories for services benefited.

#### Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications had no impact on ending net asset classifications or change in net assets by classification.

# JEWISHcolorado

## Notes to Financial Statements

### **Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued)**

#### Recent Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-18, *Statement of Cash Flows: Restricted Cash*. The update aims to reduce diversity in practice by clarifying that a statement of cash flows should explain the change during the period in the total of cash and amounts generally described as restricted cash; therefore, amounts generally described as restricted cash should be included with cash when reconciling the beginning-of-year and end-of-year total amounts on the statements of cash flows. The amendments in the update are effective for fiscal years commencing after December 15, 2018, with early adoption permitted. The amendments in the update are to be applied using a retrospective transition method to each period presented. As of the year ended June 30, 2018, Jco has early adopted this pronouncement, the impact of which was very minimal, which is now shown on the statement of cash flows.

In August 2016, the FASB issued ASU No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment applies to all not-for-profit entities. The amendment reduces the classes of net assets to *net assets with donor restrictions* and *net assets without donor restrictions*; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statements of activities, as a separate statement or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year end, discussion of liquidity of financial assets at year end, methodology used to allocate costs between program and support functions, and underwater endowment funds. Jco is required to adopt the new standard in the year ending June 30, 2019. Entities should apply the amendment in this update retrospectively to all periods presented. Management of Jco is evaluating the impact that this ASU will have on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes current revenue recognition requirements and industry-specific guidance. The codification was amended through additional ASUs and, as amended, requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. Jco is required to adopt the new standard in the year ending June 30, 2020 and may adopt either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption using one of two retrospective application methods. Jco is continuing to evaluate the provisions of this new guidance and has not determined the impact this standard may have on its financial condition, change in net assets, cash flows, and related disclosures or decided upon the method of adoption.

# JEWISHcolorado

## Notes to Financial Statements

### **Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued)**

#### **Recent Accounting Pronouncements (continued)**

In August 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarifies and improves current guidance to determine whether a transaction is a contribution or an exchange transaction, in order for an entity to identify which revenue recognition guidance is applicable. The standard also provides additional guidance to classify contributions as conditional or unconditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018.

### **Note 2 - Acquisition**

In 2017, Jco entered into an agreement effective July 1, 2016 whereby CAJE would be combined with Jco, with Jco being the surviving entity. The organizations had worked together as strategic partners for several years, and the acquisition was accomplished to create efficiencies for both organizations and the community. The amounts recognized as of the acquisition date are as follows:

|  |                   |
|--|-------------------|
| Assets acquired                          |                   |
| Cash and cash equivalents                | \$ 166,315        |
| Investments                              | 442,267           |
| Other assets                             | 14,872            |
| Property and equipment, net              | <u>23,295</u>     |
| Total assets acquired                    | <u>646,749</u>    |
| Liabilities assumed                      |                   |
| Accounts payable and accrued liabilities | <u>42,851</u>     |
| Total liabilities assumed                | <u>42,851</u>     |
| Contribution on acquisition              | <u>\$ 603,898</u> |

# JEWISHcolorado

## Notes to Financial Statements

### **Note 3 - Pledges Receivable**

Pledges receivable consist of the following at June 30, 2018:

|   |                     |
|---|---------------------|
| Annual campaign pledges receivable              |                     |
| Current year campaign                           | \$ 3,480,040        |
| Prior year campaign                             | 238,333             |
| Two years prior campaign                        | <u>265,178</u>      |
| Total annual campaign pledges receivable        | <u>3,983,551</u>    |
| Allowance for uncollectible pledges             |                     |
| Current year campaign                           | (99,033)            |
| Prior year campaign                             | (56,687)            |
| Two years prior campaign                        | <u>(206,677)</u>    |
| Total allowance for uncollectible pledges       | <u>(362,397)</u>    |
| Annual campaign pledges receivable, net         | 3,621,154           |
| Other pledges receivable and unapplied payments | <u>(35,087)</u>     |
| Total annual campaign pledges receivable        | <u>\$ 3,586,067</u> |
| Capital campaign pledges receivable             |                     |
| Amounts due in less than one year               | \$ 682,532          |
| Amounts due in one to five years                | 2,394,904           |
| Less allowance                                  | (24,273)            |
| Less 4% discount on pledges receivable          | <u>(224,590)</u>    |
| Total capital campaign pledges receivable       | <u>\$ 2,828,573</u> |

Pledges receivable on the accompanying balance sheet include approximately \$871,000 due from various members of the Board at June 30, 2018.

### **Note 4 - Property and Equipment**

Property and equipment consist of the following at June 30, 2018:

|                                  |                     |
|----------------------------------|---------------------|
| Land, building, and improvements | \$ 586,606          |
| Furniture and equipment          | 515,781             |
| Capital work in progress         | <u>978,297</u>      |
|                                  | 2,080,684           |
| Less accumulated depreciation    | <u>(886,664)</u>    |
|                                  | <u>\$ 1,194,020</u> |

Depreciation expense for the year ended June 30, 2018 was \$48,453.



# JEWISHcolorado

## Notes to Financial Statements

### Note 5 - Split-Interest Gifts

Jco holds split-interest gifts that comprise the following at June 30, 2018:

|   | <u>Fair Value</u>   | <u>Obligation</u>   |
|---|---------------------|---------------------|
| Remainder interests in two trusts with investments recorded at fair value. Jco is obligated to make various payments of trust assets annually to the beneficiaries either over their lifetimes or for a period of 20 years. The obligations have been discounted to present value using a discount rate of 9.0% and actuarial life expectancy tables. | \$ 1,308,437        | \$ 1,103,260        |
| Jco has an irrevocable 5.0% interest in a perpetual trust.  | <u>131,843</u>      | <u>-</u>            |
|   | <u>\$ 1,440,280</u> | <u>\$ 1,103,260</u> |

### Note 6 - Investments

Investments by type include the following at June 30, 2018:

|   |                      |
|---|----------------------|
| Mutual funds/ETFs                               | \$ 70,384,058        |
| Cash and money market fund                      | 415,470              |
| Notes receivable                                | 1,367,965            |
| Equities  | 1,064,735            |
| Limited partnerships                            | 235,502              |
| Real estate                                     | 312,500              |
| Bonds   | 485,500              |
| Loan participation agreements                   | 808,795              |
| Cash surrender value of life insurance policies | <u>324,481</u>       |
|   | <u>\$ 75,399,006</u> |

A note receivable with Denver Jewish Day School in Denver valued at approximately \$1,400,000 at June 30, 2018 is included in the notes receivable balance and is due under an extension in February 2019.

Investment returns consist of the following for the year ended June 30, 2018:

|  |                     |
|--|---------------------|
| Net unrealized loss on investments       | \$ (538,289)        |
| Net realized gain on sale of investments | 1,488,533           |
| Dividends and interest                   | <u>1,043,645</u>    |
|  | <u>\$ 1,993,889</u> |

# JEWISHcolorado

## Notes to Financial Statements

### Note 7 - Fair Value Accounting

Generally accepted accounting principles require disclosure about how fair value is determined and establish 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are 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 asset 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.

The following table sets forth by level, within the fair value hierarchy, Jco's assets measured at fair value on a recurring basis as of June 30, 2018:

| <u>Description</u>                              | <u>Level 1</u>       | <u>Level 2</u>    | <u>Level 3</u>    | <u>Total</u>         |
|---|----------------------|-------------------|-------------------|----------------------|
| Mutual funds/ETFs                               | \$ 69,950,374        | \$ -              | \$ -              | \$ 69,950,374        |
| Cash and money market fund                      | 415,470              | -                 | -                 | 415,470              |
| Equities  | 1,064,735            | -                 | -                 | 1,064,735            |
| Limited partnerships                            | -                    | -                 | 235,502           | 235,502              |
| Bonds   | -                    | 485,500           | -                 | 485,500              |
| Cash surrender value of life insurance policies | -                    | 324,481           | -                 | 324,481              |
| Total   | <u>\$ 71,430,579</u> | <u>\$ 809,981</u> | <u>\$ 235,502</u> | <u>\$ 72,476,062</u> |

Level 3 investments also include the following:

| <u>Description</u>                | <u>Level 3</u>      |
|-----------------------------------|---------------------|
| Remainder trust                   | \$ 1,308,437        |
| Perpetual trust                   | 131,843             |
| Pooled investments held by others | <u>433,684</u>      |
| Total                             | <u>\$ 1,873,964</u> |

# JEWISHcolorado

## Notes to Financial Statements

### Note 7 - Fair Value Accounting (continued)

In addition to the investments valued on a recurring basis, Jco held real estate, loan participation agreements and notes receivable valued on a non-recurring basis at a value of \$312,500, \$808,795 and \$1,367,965 as of June 30, 2018, respectively.

Level 1 assets in Jco are mutual funds/ETFs, the money market fund, and equities. Mutual funds/ETFs, the money market fund, and equities are valued based on quoted daily market values that are directly observable in the marketplace by market participants, and the fair value of the mutual funds/ETFs, the money market fund, and equities is equivalent to the market value at the close of business on the reporting date.

Level 2 assets in Jco are bonds and the cash surrender value of life insurance policies. The bonds can be valued based on trades of the bonds within a publicly observable marketplace. The bond market is based on negotiated contracts between a limited number of parties rather than high-volume exchange transactions. The determination of pricing for bonds can be determined through review of transactions involving the specified bond or a like-kind bond. The cash surrender value of life insurance policies is valued on the cash to be received on life insurance policies upon settlement of the policy due to death or maturity, net of any surrender fees and outstanding loans on the policy.

Level 3 assets in Jco include limited partnerships. The valuation technique used to value the limited partnerships is based on Jco's underlying investments determined by the investment advisor using the financial information applicable to the identified assets. Level 3 assets include remainder and perpetual trusts recorded at fair value based on the value of the underlying trust assets. Level 3 assets include pooled investments held by others and are valued based on information determined and reported by the investing organization. The fair value of investments held by this organization includes Levels 1, 2 and 3 classifications; however, the organization's pro rata share of the pooled investments is not quoted in active markets and is, therefore, classified under Level 3 in the fair value hierarchy.

There were no changes to the valuation techniques used during the period.

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2018:

|                                    | <u>Pooled<br/>Investments<br/>Held by Others</u> | <u>Limited<br/>Partnerships</u> | <u>Split-Interest<br/>Gifts</u> |
|------------------------------------|--|---------------------------------|---------------------------------|
| Balance at June 30, 2017           | \$ 445,804                                       | \$ 298,250                      | \$ 1,448,700                    |
| Net purchases, sales, and issuance | (22,588)   | -                               | -                               |
| Investment earnings (losses)       | 10,468   | (62,748)                        | 24,152                          |
| Distributions                      | -  | -                               | (32,572)                        |
| Balance at June 30, 2018           | <u>\$ 433,684</u>                                | <u>\$ 235,502</u>               | <u>\$ 1,440,280</u>             |

# JEWISHcolorado

## Notes to Financial Statements

### **Note 8 - Line-of-Credit**

Jco maintained a \$2,500,000 line-of-credit agreement with interest payable monthly at LIBOR plus 1.750% (3.844% at June 30, 2018), whereby the interest rate shall not be less than 3.464% per annum, and has a maturity date of July 2020. The line-of-credit is collateralized by the assets of Jco. As of June 30, 2018, the outstanding balance on the line-of-credit was \$1,800,000.

### **Note 9 - Net Assets**

Unrestricted net assets include the following at June 30, 2018:

|                       |                      |
|-----------------------|----------------------|
| Unrestricted funds    | \$ 4,106,493         |
| Donor-advised funds   | 42,135,920           |
| B'nai Tzedek funds    | 131,239              |
| Underwater endowments | <u>(95,861)</u>      |
|                       | <u>\$ 46,277,791</u> |

Temporarily restricted net assets include the following at June 30, 2018:

|   |                     |
|---|---------------------|
| Split-interest gifts                            | \$ 7,180            |
| Programs for Israel                             | 89,161              |
| Memorial funds                                  | 40                  |
| Capital projects                                | 5,532,752           |
| School and camp scholarship funds               | 113,883             |
| Investment income on endowments                 | 387,046             |
| Jco future operations                           | 800,242             |
| Future care of vulnerable populations in Denver | 807,110             |
| Other   | <u>630,093</u>      |
|   | <u>\$ 8,367,507</u> |

Permanently restricted net assets include investments in split-interest gifts, pooled investments held by others, Israel bonds, and marketable securities. The investments are to be held in perpetuity; however, the income is either unrestricted or temporarily restricted depending on the donor's gift instrument.

### **Note 10 - Investments in Endowments**

Jco's endowments consist of various individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# JEWISHcolorado

## Notes to Financial Statements

### Note 10 - Investments in Endowments (continued)

In 2006, the Uniform Law Commission approved the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), which governs the investment and management of donor-restricted endowment funds by not-for-profit organizations. In 2008, the state of Colorado enacted UPMIFA, and the FASB issued guidance that is now governed under Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities Section 205*, which provides guidance on the net asset classification of donor-restricted endowment funds that is subject to UPMIFA as well as additional disclosure requirements for both donor-restricted and Board-designated endowments.

Under ASC Topic 958-205, the portion of an endowment that is perpetual in nature shall be classified as permanently restricted net assets. The remaining portion of accumulations to donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as dictated by the donor or, in the absence of donor stipulation, as temporarily restricted net assets until those amounts are appropriated for expenditure by Jco in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Investment Committee and Jco's management are responsible for selecting and managing the asset mix for the endowments of Jco. The target asset allocation is determined on a fund-by-fund basis, depending on the investment objectives of each fund. Each fund has been assigned a model portfolio as the target asset allocation. The model portfolios include a conservative model, a moderate model, a moderate-without-alternative-investments model, and a growth model. Each model designates a target allocation to each of the following areas: (a) U.S. equities (12.5-25%), (b) international equities (12.5-25%), (c) hedged equities (5-15%), (d) alternative investments (0-20%), and (e) cash/fixed income (15-60%).

The spending policy is also determined on a fund-by-fund basis, depending on the spending objectives of each fund. This spending policy is either a percentage basis or flat distribution amount that will allow the endowment investments to grow in periods of strong growth while also allowing for distributions in years when investment values depreciate, which ultimately allows endowment investments to be maintained in perpetuity.

Invested endowment net assets have the following composition by type of fund as of June 30, 2018:

|                  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor-restricted | <u>\$ (95,861)</u>  | <u>\$ 387,046</u>                 | <u>\$ 8,651,387</u>               | <u>\$ 8,942,572</u> |

## JEWISHcolorado

### Notes to Financial Statements

#### **Note 10 - Investments in Endowments (continued)**

Changes in invested endowment net assets by type of fund for the fiscal year ended June 30, 2018 are as follows:

|  | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total        |
|--|--------------|---------------------------|---------------------------|--------------|
| Endowment net assets,<br>beginning of year           | \$ (45,600)  | \$ 212,486                | \$ 8,144,963              | \$ 8,311,849 |
| Donor reclassifications                              | -            | 293,881                   | 362,881                   | 656,762      |
| Additions  | -            | -                         | 184,862                   | 184,862      |
| Investment return                                    | 25,143       | (87,397)                  | 368,383                   | 306,129      |
| Appropriation of endowment<br>assets for expenditure | (75,404)     | (31,924)                  | (409,702)                 | (517,030)    |
| Endowment net assets,<br>end of year                 | \$ (95,861)  | \$ 387,046                | \$ 8,651,387              | \$ 8,942,572 |

Permanently restricted net assets also include \$439,778 of perpetual trusts and \$433,684 of pooled investments held by others.

#### **Note 11 - Due to Other Agencies**

Due to other agencies consists of the following at June 30, 2018:

|  |              |
|--|--------------|
| Grants to national and overseas organizations  | \$ 2,007,806 |
| Grants to strategic alliance partners, local agencies, and<br>overseas organizations | 620,000      |
| Donor designations to local and national agencies                                    | 587,249      |
|  | \$ 3,215,055 |

#### **Note 12 - Employee Benefit Plans**

Jco has a defined contribution plan (the "Plan") available to all full-time employees after three months of employment. Under the Plan, Jco will match 100% of participants' contributions up to a maximum of 4% of their annual compensation. Employer matching and employee contributions are 100% vested upon contribution. In addition, Jco can make a discretionary retirement contribution to eligible participants with approval from the Board. No discretionary contributions were made in 2018. Jco contributed approximately \$69,000 to the Plan during the year ended June 30, 2018.

# **JEWISHcolorado**

## **Notes to Financial Statements**

### **Note 13 - Subsequent Events**

Jco has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance.

In July 2018, Jco obtained a construction facility from a bank for the purpose of remodeling their existing building. The loan provides for up to \$6,000,000 in principal, with an initial interest rate of 3.33%, and is subject to certain financial covenants. The final maturity date is in 2048 and is secured by capital campaign pledged revenues and property, with interest-only payments during a 24-month draw down period, followed by monthly payments of interest and annual payments of principal beginning February 2, 2021.

### **Note 14 - Construction Commitment**

As of June 30, 2018, Jco had an uncompleted construction commitment of approximately \$7,200,000 related to the renovation of its building. The project is being financed through the combination of its construction facility and capital campaign contributions. The project is expected to be completed during the fiscal year ending June 30, 2019.