JEWISHcolorado

Independent Auditor's Report and Financial Statements

June 30, 2019

JEWISHcolorado
June 30, 2019

Contents

BKD
CPAs & Advisors

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Independent Auditor's Report

Board of Directors
JEWISHcolorado
Denver, Colorado

We have audited the accompanying financial statements of JEWISHcolorado, which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
JEWISHcolorado

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, 2019 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.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2019, JEWISHcolorado adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Denver, Colorado
January 23, 2020

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Statement of Financial Position

June 30, 2019

Assets

Cash and cash equivalents	$ 346,036
Certificates of deposit	10,017,540
Cash restricted for capital expenditure	191,816
Pledges receivable, net	3,168,486
Capital campaign receivable, net	2,311,348
Investments	55,589,079
Assets held under split-interest agreements	1,450,595
Loans and notes receivable, net of allowance; 2019 - $217,219, 2018 - $252,140	1,724,768
Property and equipment, net of accumulated depreciation	7,425,916
Other assets	94,144
Total assets	$ 82,319,728

Liabilities and Net Assets

Liabilities	
Line-of-credit (revolving) agreement	$ 900,000
Accounts payable, accrued liabilities and deferred revenue	688,621
Funds held on behalf of others	15,753,789
Obligations on split-interest agreements	1,192,421
Long-term debt, net	1,461,629
Due to other agencies	2,765,526
Total liabilities	22,761,986
Net Assets	
Without donor restrictions	45,991,383
With donor restrictions	13,566,359
Total net assets	59,557,742
Total liabilities and net assets	$ 82,319,728

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Statement of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Annual contributions (Flagship)	$ 4,378,059	$ -	$ 4,378,059
Capital campaign contributions	2,006,460	-	2,006,460
Program contributions	812,758	-	812,758
Donor-advised fund contributions, including donor pass-through contributions	5,985,862	-	5,985,862
Restricted contributions	-	37,312	37,312
Grants and sponsorships	1,091,255	-	1,091,255
Less donor-passthrough contributions	(3,127,921)	-	(3,127,921)
Contributions, net	11,146,473	37,312	11,183,785
Event and program income	604,891	-	604,891
Investment income, net	1,457,269	769,714	2,226,983
Investment and campaign management fees	359,046	-	359,046
Other income	15,093	-	15,093
Change in value of split-interest gift	-	(78,847)	(78,847)
Net assets released from restrictions	7,981,862	(7,981,862)	-
Total revenues, gains and other support	21,564,634	(7,253,683)	14,310,951
Expenses			
Grants	1,623,327	-	1,623,327
Distributions, from donor-advised funds including pass-through distributions	14,290,776	-	14,290,776
Israel Programs	1,213,218	-	1,213,218
Local Programs	1,714,160	-	1,714,160
Less donor-passthrough distributions	(3,127,921)	-	(3,127,921)
Total program services	15,713,560	-	15,713,560
Management and general	1,939,385	-	1,939,385
Fundraising	1,270,411	-	1,270,411
Total support services	3,209,796	-	3,209,796
Total expenses	18,923,356	-	18,923,356
Donor reclassifications	(3,023,547)	3,023,547	-
Change in Net Assets	(382,269)	(4,230,136)	(4,612,405)
Net Assets, Beginning of Year, as Previously Reported	46,277,791	17,892,356	64,170,147
Change in Accounting Principle - ASU 2016-14	95,861	(95,861)	-
Net Assets, Beginning of Year, as Adjusted	46,373,652	17,796,495	64,170,147
Net Assets, End of Year	$ 45,991,383	$ 13,566,359	$ 59,557,742

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Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services					Support Services			
	Grants	Donor-advised Distributions	Israel Programs	Local Programs	Total Services	Management and General	Fundraising	Total Support Services	Total
Grants and distributions	$ 1,543,397	$ 14,070,252	$ 49,600	$ 144,976	$ 15,808,225	$ -	$ -	$ -	$ 15,808,225
Personnel	46,239	-	63,770	825,706	935,715	1,689,708	540,071	2,229,779	3,165,494
Event expenses	-	-	72,705	390,279	462,984	19,381	283,178	302,559	765,543
Program travel expenses	-	-	630,820	-	630,820	-	-	-	630,820
Independent contractors	-	-	220,589	77,961	298,550	214,015	24,702	238,717	537,267
Outside services	754	-	16,255	39,639	56,648	143,811	19,940	163,751	220,399
Office expenses	175	-	12,341	62,528	75,044	103,966	28,642	132,608	207,652
Facilities expenses	45	-	33,827	4,269	38,141	121,533	2,120	123,653	161,794
Bad debt expense and adjustment to fair value of long-term pledges	-	-	-	-	-	-	28,077	28,077	28,077
Travel and meetings	648	-	25,842	42,482	68,972	20,208	16,659	36,867	105,839
Insurance expense	-	-	31,474	-	31,474	49,738	-	49,738	81,212
Dues and subscriptions	-	-	-	68,664	68,664	5,846	500	6,346	75,010
Other expense	-	-	-	5,403	5,403	65,397	-	65,397	70,800
Equipment expense	-	-	10,329	-	10,329	56,019	-	56,019	66,348
Advertising and promotion	-	-	12,201	18,090	30,291	11,712	3,557	15,269	45,560
Financial expenses	-	-	-	300	300	43,587	60	43,647	43,947
Depreciation	-	-	9,498	-	9,498	27,792	-	27,792	37,290
Allocated overhead									
Executive personnel	14,375	98,849	10,743	15,179	139,146	(347,866)	208,720	(139,146)	-
Facilities costs	8,282	56,953	6,190	8,745	80,170	(133,617)	53,447	(80,170)	-
Information technology	9,412	64,722	7,034	9,939	91,107	(151,845)	60,738	(91,107)	-
Expenses included in the statement of activities	$ 1,623,327	$ 14,290,776	$ 1,213,218	$ 1,714,160	$ 18,841,481	$ 1,939,385	$ 1,270,411	$ 3,209,796	22,051,277
Less: donor pass through distributions									(3,127,921)
									$ 18,923,356

See Notes to Financial Statements

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Statement of Cash Flows

Year Ended June 30, 2019

Operating Activities	
Change in net assets	$ (4,612,405)
Items not requiring (providing) cash	
Depreciation	37,290
Bad debt expense (recovery)	28,077
Interest waived on note receivable	328,445
Net realized and unrealized gains on investments	(731,454)
Net realized and unrealized gains on investments held for others	(399,510)
Change in value of split-interest gifts	78,846
Contributions and investment income received for endowments	(3,007)
Contributions received for capital campaign	(2,006,460)
Changes in assets and liabilities	
Annual campaign pledges receivable	417,581
Capital campaign pledges receivable	489,148
Other assets	(72,165)
Accounts payable and accrued expenses	83,807
Due to other agencies	(449,529)
Net cash used in operating activities	(6,811,336)
Investing Activities	
Purchase of property and equipment	(6,269,186)
Purchases of investments	(22,548,505)
Proceeds from sales and maturities of investments	41,821,190
Funds held on behalf of others	(769,002)
Net cash provided by investing activities	12,234,497
Financing Activities	
Proceeds from contributions and investment income restricted for endowments	3,007
Proceeds from contributions and investment income restricted for capital campaign	2,006,460
Proceeds from line-of-credit	1,281,151
Payments on line-of-credit	(2,181,151)
Proceeds from issuance of note payable	1,461,629
Net cash provided by financing activities	2,571,096

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Statement of Cash Flows (continued)

Year Ended June 30, 2019

Net Increase in Cash, Cash Equivalents, and Restricted Cash		7,994,257
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year		2,946,142
Cash, Cash Equivalents, and Restricted Cash - End of Year	$	10,940,399
Cash and cash equivalents	$	346,036
Certificates of deposit		10,017,540
Restricted cash		191,816
Cash included in investments		385,007
Cash, Cash Equivalents, and Restricted Cash - End of Year	$	10,940,399
Supplemental Cash Flows Information		
Property and equipment in accounts payable	$	86,654
Long-term debt incurred for purchase of property and equipment	$	1,461,629

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Notes to Financial Statements

June 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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 organization 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 house at Jco.

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 company on behalf of its board. During the year ended June 30, 2019, Aspen raised approximately $538,907. Of this amount for the year ended June 30, 2019, approximately $206,289 was distributed to the Jewish Federations of North America for Israel and other overseas operations, and approximately another $68,000 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 $53,891 in fees Jco earned from managing the campaign which is included in other income on the statement of activities for the year ended June 30, 2019.

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Credit Risk

Financial instruments that potentially subject Jco to concentrations of credit risk consist primarily of cash and cash equivalents, investment, 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 Equivalents

Jco considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Restricted Cash

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

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.

Investments and Net Investment Return

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.

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value at time of donation, if acquired by contribution or fair value.

Investments in private equity funds are recorded at net asset value (NAV), as a practical expedient.

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

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

For cash flows purposes, purchases and sales of investments consist of amounts deposited and withdrawn from Jco's investment advisor. Jco's investment advisor manages Jco's investment portfolio on a day-to-day discretionary basis and acts accordingly with Jco's Investment Policy Statement.

Loans and Notes Receivable

Loans and notes receivable consist of loan participation agreements and various notes receivable to other organizations. 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 third party loan agreements. In general, the loan participation agreements are secured by a first deed of trust as part of the third-party loan agreement. Note receivable are recognized at their face value.

Notes receivable are measured at their face value. Interest is earned on 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.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	35 - 40 years
Furniture and equipment	5 - 10 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. Expenditures for lesser amounts are charged to operations.

Jco capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred for the year ended June 30, 2019 was $50,772.

Long-lived Asset Impairment

Jco evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

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.

Net Assets

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

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

Net assets with donor restrictions are subject to donor restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor reclassifications consist of amounts reclassified by donors from donor-advised funds into donor-restricted endowment funds, which are perpetual in nature.

Contributions

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.

Contributions are provided to Jco either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on Jco overcoming a donor imposed barrier to be entitled to the funds	Not recognized as revenue until the gift becomes unconditional, *i.e.* the donor imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are constructed or placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions. Program contributions are contributions restricted for certain programmatic purposes by donors. Since the contribution with restriction is received and satisfied in the same period, these amounts are reported as net assets without donor restrictions.

Donor pass-through contributions, which consist of donor-designated pledges are recorded as liabilities rather than revenue for the organization receiving the pledges and are recorded as deferred income. Gross designations and distributions are presented in the statement of activities and subsequently eliminated, since Jco does not have variance power over these contributions.

Conditional promises to give are not included as support until such time as the conditions are substantially met. Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor 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 contributions without donor restrictions 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 from donor-advised funds are recorded as distributions in the year paid.

Contributed 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.

Income Taxes

Jco is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, Jco is subject to federal income tax on any unrelated business taxable income. There was no significant unrelated business taxable income for the year ended June 30, 2019.

Advertising

Advertising costs are expensed in the year incurred. The total advertising costs for Jco were approximately $26,000 for the year ended June 30, 2019.

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. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories. Allocated overhead consists of:

- Executive personnel costs allocated based on estimates of time expended
- Facilities costs allocated based headcount

- Information technology costs allocated based on headcount

Revisions

The fair value of assets held under split interest agreements has been revised for the year ended June 30, 2018. Remainder trusts classified as Level 3 decreased by $1,308,437. These remainder trusts are held by Jco as the trustee. Since the trust's assets are held by Jco, the underlying assets are invested in Level 1 securities. Remainder trusts classified as Level 1 increased by $1,308,437. The revision had no impact on the total split interest agreements balance as of June 30, 2018.

Note 2: Change in Accounting Principle

In 2019, Jco adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Underwater donor-restricted endowment funds are shown within the donor-restricted net asset class. This is a change from the previously required classification as unrestricted net assets. This change resulted in an adjustment to beginning net assets as of June 20, 2018. Net assets without donor restrictions increased by $95,861 and net asset with donor restrictions decreased by $95,861.

Statement of Activities

Expenses are reported by both nature and function in one location.

Investment income is shown net of external investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the Statement of Financial Position.

Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed. Jco had no Governing Board designations as of June 30, 2019.

Note 3: Pledges Receivable

Pledges receivable consisted of the following:

	Without Donor Restrictions
Annual Campaign Pledges Receivable	
Due within one year	$ 3,559,578
Due within one to five years	-
	3,559,578
Less	
Allowance for uncollectible pledges	391,092
	$ 3,168,486
Capital Campaign Pledges Receivable	
Due within one year	$ 542,850
Due within one to five years	1,956,675
	2,499,525
Less	
Allowance for uncollectible contributions	21,714
Unamortized discount	166,463
Net capital campaign pledges	$ 2,311,348
Total net pledges receivable	$ 5,479,834

The discount rate applied was 4% for 2019.

Pledges receivable on the accompanying statement of financial position include approximately $1,613,000 due from various members of the Board as of June 30, 2019.

Note 4: Split-interest Gifts

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

	Fair Value	Obligation
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.	$ 1,336,632	$ 1,192,421
Jco has an irrevocable 5.0% interest in a perpetual trust	113,963	-
	$ 1,450,595	$ 1,192,421

Note 5: Note Receivable with Denver Jewish Day School

A note receivable, secured by a lien against property with Denver Jewish Day School (DJDS) in Denver valued at $1,467,514 at June 30, 2019 is included in the notes receivable balance. In June 2019, Jco and DJDS entered into an amended and restated promissory note where both parties are committed to ensuring the continued growth and strength of the Colorado Jewish Community, maturing on June 1, 2044. As part of this commitment, DJDS will conduct its Hebrew Immersion Program, a six-week study program in Israel for 10th grade students in which they have the opportunity to live with Israelis, deepen their Hebrew language skills, connect to Israel, and grow as the immerse themselves in Israel’s culture and language.

If DJDS pays amounts as agreed upon and performs its obligations as noted above, Jco will waive accrued interest ($328,445 for 2019). If performance obligations are not met, interest will accrue and be paid along with any principal at maturity date. Principal will be paid through the amount of the Jco Grant commencing for the Jewish Colorado fiscal year 2021 and continuing for all Jco grants to DJDS in future years until the note is paid in full.

Note 6: Property and Equipment

Property and equipment at June 30, 2019 consists of:

Land, building and improvements	$ 586,606
Furniture and equipment	398,288
Construction in progress	7,256,197
	8,241,091
Less accumulated depreciation and amortization	815,175
	$ 7,425,916

Note 7: Line-of-Credit

Jco has a $2,500,000 line of credit expiring in July 2020. At June 30, 2019, there was $900,000 borrowed against this line. The line is collateralized by substantially all of Jco's assets. Interest is calculated at LIBOR plus 1.750%, which was 4.19% at June 30, 2019 and is payable monthly. Interest rate shall not be less than 3.464% per annum.

Note 8: Long-term Debt

In July 2018, Jco obtained a construction loan 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 July 1, 2048 and is secured by capital campaign pledged revenues and property, with interest-only payments during a 24-month drawdown period, followed by monthly payments of interest and annual payments of principal beginning February 1, 2021. Principal will be paid annually thereafter based on a 20-year amortization with interest payable monthly during the 7-year term. Aggregate annual maturities have not been determined since Jco is still within the 24-month drawdown period. The balance of the loan at June 30, 2019 was $1,461,629.

Note 9: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

Purpose restrictions	
Programs for Israel	$ 74,657
Memorial funds	-
School and camp scholarship funds	136,512
Future care for vulnerable populations in Denver	659,785
Jco future operations	632,206
Other	310,513
	1,813,673
Time restrictions	
Split-interest gifts	24,738
Endowments	
Subject to endowment spending policy and appropriation	
Programs for Israel	3,879,271
School and camp scholarship funds	1,660,469
Jco future operations	3,245,990
Other	2,082,142
Total endowments	10,867,872
Not subject to spending policy or appropriation	
Pooled investments held by others	436,577
Perpetual trust	113,963
Charitable remainder trust	229,536
Other	80,000
	860,076
	$ 13,566,359

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Notes to Financial Statements

June 30, 2019

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 have been designated for the following purposes:

Undesignated	$ 8,789,047
Donor-advised funds	37,054,766
B'nai Tzedek fund	147,570
	$ 45,991,383

Note 10: Endowment

Jco's endowment consists of 42 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Jco's governing body is subject to the State of Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the Jco classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UPMIFA, Jco considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of Jco and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of Jco
7. Investment policies of Jco

The composition of net assets by type of endowment fund at June 30, 2019, was:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Amounts required to be maintained in maintained in perpetuity by donor	$ -	$ 10,606,469	$ 10,606,469
Accumulated investment gains	-	261,403	261,403
	$ -	$ 10,867,872	$ 10,867,872

Change in endowment net assets for the year ended June 30, 2019 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 8,942,571	$ 8,942,571
Investment return, net	-	492,522	492,522
Additions	-	3,007	3,007
Appropriation of endowment assets for expenditures	-	(1,425,172)	(1,425,172)
Other changes			
Donor reclassifications	-	2,854,944	2,854,944
Endowment net assets, end of year	$ -	$ 10,867,872	$ 10,867,872

Investment and Spending Policies

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.

This is consistent with Jco's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Underwater Endowments

The governing body of the Jco has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Jco considers a fund to be underwater if the fair value of the fund is less than the sum of

a) the original value of initial and subsequent gift amounts donated to the fund and

b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

Jco has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2019, four funds with original gift values of $596,597, fair values of $517,286, and deficiencies of $79,311, were reported in net assets with donor restrictions. These deficiencies resulted from continued appropriation for certain purposes that was deemed prudent by the governing body.

Jco has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations.

Note 11: Liquidity and Availability

Jco manages its liquidity and reserves following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets to fund near-term operating needs and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met that support mission fulfillment and will continue to be met, ensuring the sustainability of Jco

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Notes to Financial Statements
June 30, 2019

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

Financial assets at year-end	
Cash and cash equivalents	$ 346,036
Certificates of deposit	10,017,540
Investments	55,589,079
Assets held under split interest agreements	1,450,595
Pledges receivable, net	3,168,486
Capital campaign receivables, net	2,311,348
Loans and notes receivable	1,724,768
Total financial assets	74,607,852
Less: Amounts due in more than one year	1,956,675
Less: Amounts not available to be used within one year	
Funds held on behalf of others	15,753,789
Obligations on split-interest agreements	1,192,421
Restricted funds	1,838,411
Endowments and other amounts to be held in perpetuity	11,727,948
	30,512,569
Less: Internal designations	
Donor advised funds	37,054,766
Financial assets available to meet cash needs for general expenditures within one year	$ 5,083,842

Jco receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

Jco's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

To help manage unanticipated liquidity needs, Jco has committed lines of credit in the amount of $2,500,000 which it could draw upon (see Note 7). Cash needs are reviewed daily, and Jco strives to operate efficiently and in times of excess cash on hand, the line of credit will be paid down to reduce interest expense incurred.

Note 12: Due to Other Agencies

Due to other agencies consists of the following at the year ended June 30, 2019:

Grants to national and overseas organizations	$	1,843,838
Grants to strategic alliance partners and local agencies		443,534
Donor designations to local and national agencies		478,154
	$	2,765,526

Note 13: Employee Benefit Plan

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 2019. Jco contributed approximately $67,000 to the Plan during the year ended June 30, 2019.

Note 14: Agency Endowment and Other Funds Held on Behalf of Others

Jco houses funds to be invested for institutions primarily serving the greater Denver Jewish community. As of June 30, 2019, Jco held $15,753,789 for local Jewish institution funds, which is included in Jco's investments. Distributions from these funds of $20,802,711 were paid to beneficiary institutions consistent with the terms of the institution's custodial agreements in 2019. The balances in these funds at June 30, 2019 decreased due to the net of contributions, distributions, and market losses.

Note 15: Disclosures About Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019:

		Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv-able Inputs (Level 3)	Investments Measured at NAV[(A)]
June 30, 2019					
Assets					
Investments					
Cash and money market funds	$ 3,321,489	$ 3,321,489	$ -	$ -	$ -
Certificates of deposit	10,017,540	10,017,540	-	-	-
Equities	1,413,826	1,413,826	-	-	-
Mutual funds	48,829,978	48,829,978	-	-	-
Fixed Income (B)	647,833	-	-	647,833	-
Cash surrender value of life insurance policies (C)	345,298	-	345,298	-	-
Perpetual trust (D)	113,962	-	-	113,962	-
Alternative investments					
Limited partnerships (E)	118,503	-	-	118,503	-
Pooled investments held by others (F)	599,652	-	-	-	599,652
Total investments	65,408,081	63,582,833	345,298	880,298	599,652
Investments held for split interest agreements (G)	1,336,633	1,336,633	-	-	-
Total investments and split interest agreements (recurring)	$ 66,744,714	$ 64,919,466	$ 345,298	$ 880,298	$ 599,652

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(B) Jco holds investments in foreign and sovereign bonds both directly and as a part of its investment portfolio. These bonds are long-term investments. The investment valuation is at present value of future cash flows as no comparable securities or activity are available for reference.

(C) Jco is the named beneficiary of several life insurance policies. The investment value is stated at the cash surrender value of the policy, regardless of the ultimate policy coverage amount.

(D) Jco is the beneficiary of an interest in a perpetual trust in which Jco is not a trustee. Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

(E) Limited partnership investments are composed of ownership shares held in a private corporation where market comparisons are unavailable.

(F) Jco holds investments in several separately managed portfolios. In communication with portfolio managers, the underlying assets are composed of equities and publicly traded securities. Jco elected to value the asset at net asset value. One portfolio with a value of approximately $47,000 is intended to wind down and make distributions to liquidate its position, potentially in 2020. Otherwise, the investments are not intended to be sold and there is not current timeline for liquidation.

(G) Jco is a beneficiary in split interest agreements in which Jco is also the trustee of the investments held for distribution. As a trustee, Jco plays a fiduciary role in the safekeeping of the asset. The underlying investments are invested in assets with readily determinable fair values.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of securities are the responsibility of management. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	Bonds	Perpetual Trust	Limited Partnership
Balance, June 30, 2018	$ 485,500	$ 131,843	$ -
Total realized and unrealized gains and losses included in change in net assets			
Unrealized appreciation (depreciation) on investments	-	(17,880)	-
Purchases	162,333	-	118,503
Balance, June 30, 2019	$ 647,833	$ 113,963	$ 118,503

Nonrecurring Measurements

The following table presents the fair value measurement of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019:

		Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv-able Inputs (Level 3)	Year-to-Date Gain/ Loss
June 30, 2019					
Real estate (J)	$ 312,500	$ -	$ -	$ 312,500	$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a nonrecurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

(J) Jco received a donation in 2018 that provided half ownership over a real estate asset. Due to the lack of information over the donated asset, the investment was valued on a non-recurring basis in 2018. The asset was sold subsequent to year-end in August 2019 as noted the Footnote 16. The original valuation reflected an estimate based on cost and potential selling prices.

Note 16: Subsequent Events

Subsequent events have been evaluated through January 23, 2020, which is the date the financial statements were available to be issued.

In August 2019, a real estate asset was sold, in which Jco held partial ownership. The asset was valued on a non-recurring basis at $312,500 as noted in Note 15. Jco's proceeds of the sale was $291,000 resulting in a realized loss subsequent to year-end.

Note 17: Construction Commitment

As of June 30, 2019, 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 was finalized, and the building was placed in service in September 2019.

Note 18: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018 and any interim periods within annual reporting periods that begin after December 15, 2019. Jco is required to adopt the new standard in the year ending June 30, 2020. Jco is in the process of evaluating the effect the amendment will have on the financial statements.

Contributions Received and Made

In August 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Not for Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. 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.

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020, and any interim periods within annual reporting periods that begin after December 15, 2021. Jco is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.