Gesher Human Services and Affiliates

Consolidated Financial Statements and
Supplementary Information

June 30, 2022 and 2021

Independent Auditors' Report

To the Board of Directors of
Gesher Human Services and Affiliates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gesher Human Services and Affiliates (the Organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, cash flow and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Southfield, Michigan
January 6, 2023

Gesher Human Services and Affiliates

Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 7,948,947	$ 7,263,217
Accounts and program receivable, net	3,717,063	1,919,131
Appropriation receivable	1,391,065	1,355,816
Unconditional promises to give, net of long-term portion	10,000	45,798
Prepaid expenses	525,462	494,698
Total current assets	13,592,537	11,078,660
Property and Equipment, Net	7,055,539	1,863,118
Other Assets		
Unconditional promises to give, net of discount	374,112	346,729
Beneficial interest in funds held at the Community Foundation of Southeastern Michigan	80,401	63,209
Endowment funds held at United Jewish Foundation	2,339,792	2,698,283
Capital project funds held at the United Jewish Foundation	1,933,990	2,229,632
Beneficial interests in trusts	145,066	145,712
Long-term investments	8,380,018	4,975,730
Other long-term assets	223,628	214,828
Total other assets	13,477,007	10,674,123
Total assets	$ 34,125,083	$ 23,615,901
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and other accrued liabilities	$ 610,506	$ 510,407
Accrued payroll	1,612,544	1,143,364
Retirement plan payable	268,082	421,600
Deferred revenue	147,407	42,647
Debt	150,067	148,597
Total current liabilities	2,788,606	2,266,615
Long-Term Liabilities		
Long-term retirement plan payable, net of current portion	1,155,155	705,400
Debt, net of current portion	353,145	423,344
Total long-term liabilities	1,508,300	1,128,744
Total liabilities	4,296,906	3,395,359
Net Assets		
Without donor restrictions		
Undesignated	16,035,000	8,988,105
Board-designated	1,435,398	1,628,549
Total without donor restriction	17,470,398	10,616,654
With donor restrictions	12,357,779	9,603,888
Total net assets	29,828,177	20,220,542
Total liabilities and net assets	$ 34,125,083	$ 23,615,901

See notes to consolidated financial statements

Gesher Human Services and Affiliates

Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total	Without Donor Restrictions	With Donor Restrictions	2021 Total
Revenue and Support						
Contributions	$ 1,005,281	$ 920,213	$ 1,925,494	$ 681,076	$ 456,869	$ 1,137,945
Forgiveness of PPP loan	-	-	-	2,043,995	-	2,043,995
Appropriations	-	1,545,970	1,545,970	-	1,510,970	1,510,970
Annual allocations to cover rent	-	476,878	476,878	-	476,878	476,878
Program revenue	11,999,374	-	11,999,374	9,240,070	-	9,240,070
Service fees	7,203,143	-	7,203,143	7,847,076	-	7,847,076
Special events (net of expenses)	308,998	-	308,998	261,569	-	261,569
Endowment income	312,518	102,321	414,839	245,054	-	245,054
Change in value - Beneficial interest in funds held at the Community Foundation of Southeastern Michigan	-	(12,776)	(12,776)	-	10,791	10,791
Change in value - Endowment funds held at United Jewish Foundation	-	(437,324)	(437,324)	-	456,248	456,248
Change in value - Other endowment funds	(282,774)	(426,859)	(709,633)	454,862	554,424	1,009,286
Net investment gain (loss) on capital project funds held at United Jewish Foundation	-	(295,642)	(295,642)	-	353,896	353,896
Rental revenue	457,209	-	457,209	294,332	-	294,332
Net other investment income	(902,760)	-	(902,760)	682,348	-	682,348
Other miscellaneous revenue	69,513	-	69,513	33,354	-	33,354
Total revenue and support	20,170,502	1,872,781	22,043,283	21,783,736	3,820,076	25,603,812
Net assets released from restrictions	3,113,379	(3,113,379)	-	2,214,281	(2,214,281)	-
Total revenue, support and net assets released from restrictions	23,283,881	(1,240,598)	22,043,283	23,998,017	1,605,795	25,603,812
Expenses						
Program services	21,512,850	-	21,512,850	17,548,878	-	17,548,878
Support services:						
Management and general	2,185,739	-	2,185,739	1,725,274	-	1,725,274
Development	350,624	-	350,624	378,024	-	378,024
Total expenses	24,049,213	-	24,049,213	19,652,176	-	19,652,176
Change in net assets related to operations	(765,332)	(1,240,598)	(2,005,930)	4,345,841	1,605,795	5,951,636
Other Changes in Net Assets						
Inherent contribution from acquisitions	7,619,076	3,994,489	11,613,565	-	-	-
Change in net assets	6,853,744	2,753,891	9,607,635	4,345,841	1,605,795	5,951,636
Net Assets, Beginning	10,616,654	9,603,888	20,220,542	6,270,813	7,998,093	14,268,906
Net Assets, Ending	$ 17,470,398	$ 12,357,779	$ 29,828,177	$ 10,616,654	$ 9,603,888	$ 20,220,542

See notes to consolidated financial statements

Gesher Human Services and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ 9,607,635	$ 5,951,636
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions received for endowments	(11,407)	11,545
Depreciation	423,019	402,671
Bad debt expense (recovery)	7,914	(16,219)
Change in discount on unconditional promises to give	(11,435)	(11,049)
Change in beneficial interest in funds held at the Community Foundation of Southeastern Michigan	12,776	(10,791)
Change in endowment funds held at United Jewish Foundation	732,966	(810,144)
Net realized and unrealized (gain) loss on other long-term assets and long-term investments	1,541,441	(1,746,771)
Change in beneficial interests in trusts	646	(5,113)
Inherent contribution from acquisition	(11,613,565)	-
Forgiveness of PPP loan	-	(2,021,236)
Changes in assets and liabilities		
Accounts and program receivable	(1,516,611)	(252,845)
Appropriation receivable	(35,249)	(71,444)
Prepaid expenses	(11,781)	(7,977)
Unconditional promises to give	24,850	96,500
Other long-term assets	16,896	(8,535)
Accounts payable and other accrued liabilities	6,128	(49,456)
Accrued payroll	388,424	40,450
Deferred revenue	104,760	(252,419)
Retirement plan payable	296,237	(54,400)
Net cash flows from operating activities	(36,356)	1,184,403
Cash Flow From Investing Activities		
Purchases of property and equipment	(267,385)	(326,257)
Proceeds from sale of investments	172,726	592,990
Purchases of investments	(208,949)	(581,482)
Proceeds from sale of property and equipment	900,945	2,244
Cash acquired from acquisition	290,833	-
Net cash flows from investing activities	888,170	(312,505)
Cash Flow From Financing Activities		
Principal payments on debt	(166,084)	-
Net change in cash and cash equivalents	685,730	871,898
Cash and Cash Equivalents, Beginning	7,263,217	6,391,319
Cash and Cash Equivalents, Ending	$ 7,948,947	$ 7,263,217
Noncash Investing and Financing Activities		
Acquisition of Kadima and Kadima Nonprofit Housing Corporation	$ 11,322,732	$ -

See notes to consolidated financial statements

Gesher Human Services and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Services to Persons with Disabling Conditions	Career Development Services	Services to the Elderly	Total Program	Management and General	Development	Total
Payroll	$ 8,199,202	$ 2,494,420	$ 311,446	$ 11,005,068	$ 1,587,000	$ 156,515	$ 12,748,583
Employee benefits	2,361,795	646,518	110,618	3,118,931	396,488	66,740	3,582,159
Taxes, payroll	645,859	190,838	22,933	859,630	111,150	11,802	982,581
Total salaries and related expenses	11,206,856	3,331,776	444,997	14,983,629	2,094,638	235,057	17,313,324
Bad debt	6,592	806	288	7,686	-	228	7,914
Client payroll and related expenses	597,264	153,394	-	750,658	-	-	750,658
Client support services	1,168	884,184	-	885,352	-	-	885,352
Client transportation	128,380	-	-	128,380	-	-	128,380
Conferences, conventions, meetings and staff development	66,318	38,339	6,535	111,192	18,274	12,390	141,856
Contractual services	619,180	161,659	48,260	829,099	13,193	7,734	850,026
Depreciation, building	176,528	16,879	12,082	205,489	-	4,725	210,214
Depreciation, other	188,021	13,009	8,220	209,250	285	3,270	212,805
Equipment	38,882	40,439	31,502	110,823	5,103	543	116,469
Insurance	169,135	48,906	6,582	224,623	26,424	3,129	254,176
Insurance, workers' compensation	99,807	6,441	375	106,623	673	126	107,422
Bank and merchant fees, interest	7,196	1,334	1,017	9,547	48	17,176	26,771
Local transportation	389,409	5,339	4,802	399,550	1,578	106	401,234
Membership dues	22,386	6,070	1,295	29,751	434	315	30,500
Miscellaneous	74,027	210	72	74,309	18	228	74,555
Occupancy	1,233,351	229,601	37,598	1,500,550	-	7,602	1,508,152
Office and shop supplies, tools and repairs	525,352	62,201	27,972	615,525	12,765	34,949	663,239
Postage and shipping	10,209	2,445	845	13,499	927	1,091	15,517
Professional fees	76,102	29,080	1,982	107,164	6,701	1,158	115,023
Public information	101,815	11,659	5,029	118,503	2,603	20,355	141,461
Special event costs	-	-	-	-	-	326,088	326,088
Telephone	75,415	14,798	1,435	91,648	2,075	442	94,165
Total expenses before reconciliation	15,813,393	5,058,569	640,888	21,512,850	2,185,739	676,712	24,375,301
Consolidated Statement of Activities Reconciliation							
Less special event costs	-	-	-	-	-	(326,088)	(326,088)
Total expenses	$ 15,813,393	$ 5,058,569	$ 640,888	$ 21,512,850	$ 2,185,739	$ 350,624	$ 24,049,213

See notes to consolidated financial statements

Gesher Human Services and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Services to Persons with Disabling Conditions	Career Development Services	Services to the Elderly	Total Program	Management and General	Development	Total
Payroll	$ 7,029,370	$ 2,244,173	$ 259,463	$ 9,533,006	$ 1,332,246	$ 124,043	$ 10,989,295
Employee benefits	1,783,059	377,540	84,800	2,245,399	248,303	23,372	2,517,074
Taxes, payroll	521,118	170,917	19,282	711,317	94,563	9,235	815,115
Total salaries and related expenses	9,333,547	2,792,630	363,545	12,489,722	1,675,112	156,650	14,321,484
Bad debt	(11,361)	(1,947)	(396)	(13,704)	(2,400)	(115)	(16,219)
Client payroll and related expenses	488,611	80,268	-	568,879	-	-	568,879
Client support services	4,660	660,502	-	665,162	-	-	665,162
Client transportation	90,554	-	-	90,554	-	-	90,554
Conferences, conventions, meetings and staff development	34,180	29,501	1,303	64,984	2,814	11,699	79,497
Contractual services	698,984	167,503	45,788	912,275	13,023	15,673	940,971
Depreciation, building	76,061	15,959	12,064	104,084	-	1,947	106,031
Depreciation, other	272,236	13,825	8,668	294,729	471	1,440	296,640
Equipment	16,994	117,544	318	134,856	1,384	38,669	174,909
Insurance	142,502	40,694	7,124	190,320	20,581	2,365	213,266
Insurance, workers' compensation	29,694	951	105	30,750	373	33	31,156
Bank and merchant fees, interest	5,113	943	317	6,373	-	28,839	35,212
Local transportation	281,681	990	3,706	286,377	14	8	286,399
Membership dues	23,694	6,465	1,947	32,106	357	311	32,774
Miscellaneous	19,621	7,792	195	27,608	3	2,120	29,731
Occupancy	753,894	247,796	36,642	1,038,332	-	42,906	1,081,238
Office and shop supplies, tools and repairs	347,407	66,284	6,881	420,572	3,299	46,593	470,464
Postage and shipping	7,830	2,374	978	11,182	1,361	1,779	14,322
Professional fees	53,519	25,866	1,829	81,214	6,030	446	87,690
Public information	16,589	20,034	6,044	42,667	593	10,785	54,045
Special events costs	-	-	-	-	-	216,254	216,254
Telephone	51,072	17,031	1,733	69,836	2,259	15,876	87,971
Total expenses before reconciliation	12,737,082	4,313,005	498,791	17,548,878	1,725,274	594,278	19,868,430
Consolidated Statement of Activities Reconciliation							
Less special event costs	-	-	-	-	-	(216,254)	(216,254)
Total expenses	$ 12,737,082	$ 4,313,005	$ 498,791	$ 17,548,878	$ 1,725,274	$ 378,024	$ 19,652,176

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Nature of Activities

Jewish Vocational Service and Community Workshop, Inc. (Gesher), Kadima, Kadima Nonprofit Housing Corporation (KNHC), HR Solutions Group, LLC (HRSG), and eCycle Opportunities, LLC, herein referred to collectively as Gesher Human Services and Affiliates (the Organization), are primarily not-for-profit corporations organized under the laws of the State of Michigan.

The Organization provides career guidance, adult day care, vocational rehabilitation, mental health services, residential housing, training and education, financial literacy, home ownership, eldercare, youth services and employment services to individuals in the Metropolitan Detroit area. The Organization's comprehensive array of services primarily addresses the needs of persons who are at career transition points, unemployed/underemployed, dislocated workers, refugees, senior adults, high school and college students, individuals with disabilities and those who have other barriers that interfere with their economic self-sufficiency. Additionally, the Organization has a psychosocial program for veterans that is interactive and helps veterans with service-related disabilities return to civilian life.

In 2015, the Organization launched a business venture to generate revenue to support programs for people with disabilities, employ people with barriers to employment while working alongside people of all ability levels, and help the earth. eCycle Opportunities collects electronic waste and recycles the steel, aluminum, gold, copper and plastic. Obsolete electronic components are collected by the Organization and broken down by employees of eCycle Opportunities. The initiative helps the community, the Organization and the people it serves.

The Organization has a home ownership program that promotes economic development by working with communities to redevelop neighborhoods and employers to encourage their company employees to remain local by helping them purchase a home near their workplace. The program typically includes financial literacy and home buyer education.

The Organization has a division that provides elder care services. The programs reflect a variety of services to help senior adults age in place. The services include, but are not limited to, day care for people with advanced stages of dementia, senior volunteer services, services for seniors with memory concerns, services to support caregivers, outreach and case management and specialized services for seniors with lifelong disabilities.

To maximize opportunities for clients and support employment and training needs of individuals served, the Organization builds relationships with employers and area businesses and provides janitorial, mailroom, temporary employment and other human resources services.

The Organization operates out of facilities in Southfield, Detroit, Warren and Waterford, Michigan and other program designated locations.

In 1942, the Organization incorporated under the laws of the State of Michigan and follows the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its affiliates noted above.

Kadima, wholly owned subsidiary of Gesher, was acquired in 2022 through a merger with Gesher. Kadima provides comprehensive residential, therapeutic and social services to all people with mental health challenges as they move forward in their lives. Inspired by Jewish values, Kadima delivers these services while providing education and outreach to the broader community to ensure positive mental health outcomes for all.

KNHC, wholly owned subsidiary of Kadima, was acquired in 2022 through the merger of Kadima and Gesher. KNHC provides a wide range of residential housing to members of the community with mental health challenges.

eCycle Opportunities, LLC, wholly owned subsidiary of Gesher, was formed in 2015 as an electronic recycling venture which includes employment of individuals with barriers to employment to collect and de-manufacture a variety of electronics.

HRSG, wholly owned subsidiary of Gesher, was formed in 2004 with the mission to maximize opportunities for clients and build relationships with potential employers. HRSG provides human resource and employer services.

All significant intercompany accounts and transactions have been eliminated upon consolidation.

Basis of Consolidated Financial Statement Presentation

The consolidated financial statements of the Organization have been prepared on an accrual basis of accounting in accordance with generally accepted accounting principles.

The Organization presents information regarding its financial position and activities according to two classes of net assets described as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. The Organization's Board of Directors may designate a portion of net assets without donor restrictions for a specific purpose. These designations can be modified or removed by the Board of Directors at any time. See Note 12 for the amount designated as of June 30, 2022 and 2021.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are required to be maintained permanently by the Organization.

Cash and Cash Equivalents

The Organization defines cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash and cash equivalents invested with fund managers are included within long-term investments.

The Organization maintains cash balances in local institutions which may, at times, exceed the federally insured limit of $250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash deposits as of June 30, 2022 and 2021.

Accounts and Program Receivable

The Organization assesses collectibility of amounts due prior to the recognition of revenues. Accounts receivable are recorded at net realizable value when the amounts are due in accordance with contracts with customers. Accounts are written off through bad debt expense when the Organization has exhausted all collection efforts and determines accounts are impaired based on changes in credit worthiness.

Program grants receivable, included within accounts and program receivable on the consolidated statements of financial position, are shown net of an allowance for doubtful accounts of $175,000 as of June 30, 2022 and 2021. The Organization's estimate of the allowance for doubtful accounts is based on historical collection experience and a review of the current status of program grants receivable. Receivables are generally unsecured. Bad debts are written off through the allowance for doubtful accounts.

Appropriation Receivable

Appropriation receivable relates to amounts due from the Jewish Federation of Metropolitan Detroit (JFMD). No allowance is deemed necessary at June 30, 2022 and 2021.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of $5,000 and expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Impairment of Long Lived Assets

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

Income Tax Status

Gesher, Kadima, and KNHC have received notifications that each qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation.

Contributions, Gifts and Unconditional Promises to Give

Contributions received are recorded as support with or without donor restrictions depending on the existence and nature of any donor restrictions. Contributions include actual gifts or promises to give. Contributions of assets other than cash are recorded at their fair value on the date of the gift. If a donor restriction is fulfilled in the same period in which the contribution is received, the Organization reports the contribution as without donor restrictions. Restricted gifts or promises to give are reported as restricted support in the period received and are then reclassified to net assets without donor restrictions upon satisfaction of the donor restriction. Promises to give that are expected to be collected after one year have been discounted using 3.5 percent and are reflected in the consolidated financial statements at their net present value. An allowance for uncollectible promises to give is determined based on experience and was not deemed necessary as of June 30, 2022 and 2021.

Conditional contributions or grants, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized until the conditions have been met. Most of the Organization’s federal and state contracts are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. In cases where expenses are incurred in advance of receiving the grant, revenue and grants receivable are recorded in the period during which the expenses are incurred. In cases where grants are received in advance of incurring the expenses, deferred revenue is recorded in the period during which the advance is received and recognized as revenue in the period when the related expenses are incurred. There were $147,407 and $21,650 of conditional contributions received related to future activities and included in deferred revenue at June 30, 2022 and 2021, respectively.

Retroactive determination of allowable costs by resource providers may result in final settlements different from interim payments for reimbursable services submitted by the Organization. Revenue is reported at the estimated net realizable amounts from resource providers for services rendered, including estimated retroactive adjustments under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Contracts with Customers

A portion of the Organization’s revenues results from the sale of goods and services under contracts with customers. Revenue under contracts with customers is recognized when the customer obtains control of the good or service and is recognized to depict the transfer of promised goods or services in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

A performance obligation is a distinct good, service or a bundle of goods and services promised in a contract. The Organization identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to appropriately depict the Organization's performance in transferring control of the promised goods or services to the customer.

Janitorial Services: Janitorial Services revenue consists of cleaning services performed according to the scope and frequency specified in contracts. The performance obligation is met as services are rendered and revenue is recognized over time as the customer both receives and consumes the benefit of performance.

Sorting and Packaging Services: Sorting and Packaging Services revenue consists of performing specified tasks for a specified number of hours over the course of the contract. The performance obligation is met as the tasks are performed and revenue is recognized over time as the customer receives the benefit of performance.

Collection of Recycling: Recycling Collection revenue consists of removal of recyclable materials from the customer’s collection site. The performance obligation is met when the materials are picked up and revenue is recognized over time as the customer both receives and consumes the benefit of performance.

Sale of Recycling Scrap: Sale of Recycling Scrap revenue consists of the sale of commodity scrap to recyclers at agreed upon prices per pound. The performance obligation is met when commodity scrap is transferred to the customer. Scrap commodities have alternative uses to be determined by the customer and revenue is recognized at the point in time when the scrap is transferred to the customer.

In-kind Contributions

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the consolidated statements of activities. Indirect costs have been allocated between the various programs and support services based on estimates such as salary allocation and square footage, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Estimates

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

For comparability, certain 2021 amounts have been reclassified to conform with classifications adopted in 2022. The reclassifications have no effect on reported amounts of net assets or change in net assets.

2. Merger of Kadima and KNHC

On January 1, 2022, Gesher merged operations with Kadima (an unrelated non-profit organization) to expand operations. Under terms of the transaction, no consideration was transferred to either organization and Gesher became the sole member of Kadima, which is the sole member of KNHC. Pursuant to generally accepted accounting principles, the Organization accounted for the transactions as an acquisition recognizing the underlying assets and liabilities acquired at fair value, resulting in an inherent contribution of $11,885,647 recognized in the consolidated statements of activities.

The valuation of net assets acquired at January 1, 2022 for Kadima was as follows:

Cash and cash equivalents	$ 290,833
Accounts and program receivable, net	289,235
Unconditional promises to give	5,000
Prepaid expenses	18,983
Property and equipment	6,249,000
Long-term investments	4,900,694
Endowment funds held at United Jewish Federation	76,238
Beneficial interest in funds held at the Community Foundation of Southeast Michigan	29,968
Other long-term assets	25,696
Accounts payable and other accrued liabilities	(93,971)
Accrued payroll	(80,756)
Debt	(97,355)
Inherent contribution recognized on acquisition of Kadima and KNHC	$ 11,613,565

3. Fair Value Measurements

Fair Value Hierarchy

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risks), using the best information available in the circumstances, which may include using the reporting entity's own data.

Valuation Techniques and Inputs

Level 1 - Level 1 assets include investments in domestic and foreign equities for which quoted prices are readily available.

Level 2 - The Organization has no Level 2 assets.

Level 3 - Level 3 assets include:

- The fair value of the beneficial interest in endowment funds was determined primarily based on Level 3 inputs. The Organization estimates the fair value of these investments based upon its relative share of assets held in the trust and reported by the Jewish Federation of Metropolitan Detroit (JFMD), United Jewish Foundation (UJF) and the Community Foundation of Southeastern Michigan (CFSEM) unless the facts and circumstances indicate the fair value would be different from the present value of the estimated future distributions.

- The beneficial interest in funds held at UJF and CFSEM consists of a pooled investment portfolio, which consists of commonly traded mutual funds, stocks and bonds for which an active and liquid market exists and investments in fund of funds, land and partnerships which are not publicly traded.

There have been no changes in the techniques and inputs used as of June 30, 2022 and 2021.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about the Organization's assets measured at fair value on a recurring basis based upon the three-level hierarchy.

	June 30, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Long-term investments, domestic equities	$ 6,724,340	$ 6,724,340	$ -	$ -
Long-term investments, foreign equities	843,397	843,397	-	-
Beneficial interest in funds held at the CFSEM	80,401		-	80,401
Capital project funds held at UJF	1,933,990	-	-	1,933,990
Endowment funds held at UJF	2,339,792	-	-	2,339,792
Beneficial interest in trusts	145,066	-	-	145,066
Total	$ 12,066,986	$ 7,567,737	$ -	$ 4,499,249

	June 30, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Long-term Investments - Domestic equities	$ 4,449,505	$ 4,449,505	$ -	$ -
Long-term Investments - Foreign equities	466,421	466,421	-	-
Beneficial interest in funds held at the CFSEM	63,209	-	-	63,209
Capital project funds held at UJF	2,229,632	-	-	2,229,632
Endowment funds held at UJF	2,698,283	-	-	2,698,283
Beneficial interest in trusts	145,712	-	-	145,712
Total	$ 10,052,762	$ 4,915,926	$ -	$ 5,136,836

Long term investments and other long-term assets include uninvested cash and cash surrender value of life insurance policies of $1,035,909 and $274,632 as of June 30, 2022 and 2021, respectively.

Transfers to and from Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2022 are summarized as follows:

	Capital Project Funds Held at UJF	**Endowment Funds Held at UJF**	**Beneficial Interest in Funds Held at the CFSEM**	**Beneficial Interest in Trust**
Endowment losses incurred by the Organization	$ (99,594)	$ (199,855)	$ -	$ -
Contributions by the Organization	$ -	$ 78,833	$ 29,968	$ -

Transfers to and from Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2021 are summarized as follows:

	Capital Project Funds Held at UJF	Endowment Funds Held at UJF	Beneficial Interest in Funds Held at the CFSEM	Beneficial Interest in Trust
Endowment income received by the Organization	$ 100,931	$ 120,041	$ 3,633	$ -
Contributions by the Organization	$ -	$ 8,383	$ -	$ -

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

4. Related Party Transactions

Jewish Federation of Metropolitan Detroit / United Jewish Foundation

The Organization receives appropriations and grants from JFMD and UJF, affiliated organizations. The Organization received $2,022,848 and $1,987,848 for the years ended June 30, 2022 and 2021, respectively.

The funds recognized were allocated as follows:

	2022	2021
Base allocation	$ 1,396,270	$ 1,361,270
Special purposes grants	149,700	149,700
Appropriations revenue	1,545,970	1,510,970
Allocation from JFMD to offset rent charged to the Organization by UJF	476,878	476,878
Total	$ 2,022,848	$ 1,987,848

Notice of allocation amounts to the Organization were received in May for the twelve months beginning March 1, 2022. The allocation is payable in monthly installments. The Organization has a receivable due from JFMD of $1,391,065 at June 30, 2022. The allocation from JFMD to offset rent charged to the Organization by UJF relates to rent expense to be recognized in the next fiscal year.

Notice of allocation amounts to the Organization were received in May for the nine months beginning March 1, 2021. The allocation is payable in monthly installments. The Organization has a receivable due from JFMD of $1,355,816 at June 30, 2021. The allocation from JFMD to offset rent charged to the Organization by UJF relates to rent expense to be recognized in the next fiscal year.

JFMD administers an insurance program in which the Organization is a participant. The program provides general, property, auto and self-insured workers' compensation coverage. The Organization's expense for this insurance program was $469,552 and $357,160 for the years ended June 30, 2022 and 2021, respectively.

Through JFMD, the Organization is self-insured for certain losses relating to workers' compensation claims. JFMD has purchased stop-loss coverage in order to limit exposure to any major workers' compensation claims. Self-insurance expenses consist of claims filed, and are based on amounts paid by JFMD through June 30, 2022 and 2021 and an estimate of the amounts required to satisfy the unpaid claims. The estimate for unpaid claims, included in accounts payable and other accrued liabilities as of June 30, 2022 and 2021 was $39,000 and $30,000, respectively.

UJF holds various endowments for the benefit of the Organization totaling $2,339,792 and $2,698,283 as of June 30, 2022 and 2021, respectively. The endowments consist of a number of individual donor-restricted funds established for a variety of purposes, the income from which is distributed to the Organization by UJF. In accordance with Accounting Standard Codification (ASC) Topic 958, the Organization and UJF are considered financially interrelated. As a result of this financial interrelation, the Organization includes on its consolidated statements of financial position its interest in the endowments held at UJF. Refer to Note 11 for further information.

There are capital project funds also on deposit with UJF. Income credited to the capital project funds shall be expended for building maintenance. As of June 30, 2022 and 2021, the balance of this fund was $1,933,990 and $2,229,632, respectively.

The Organization provides janitorial services in the community as part of its programming to employ people with disabilities. These services were provided to an organization where a Gesher board member is a general partner. Revenue recorded by Gesher from these services amounted to $64,837 and $62,112 for the years ended June 30, 2022 and 2021, respectively.

5. Unconditional Promises to Give

Unconditional promises to give consist of the following as of June 30:

	2022	2021
Less than one year	$ 10,000	$ 45,798
One to five years	360,000	370,000
Less discount to present value	(11,836)	(23,271)
Total unconditional promises to give	$ 358,164	$ 392,527

There are 2 donors and 4 donors that comprise 100 percent and 99 percent of the unconditional promises to give as of June 30, 2022 and 2021, respectively.

6. Property and Equipment

The major categories of property and equipment at June 30 are summarized as follows:

	Useful lives	2022	2021
Land	n/a	$ 1,019,500	$ 469,500
Artwork	n/a	13,700	13,700
Building and leasehold improvements	5-20 years	2,775,217	2,750,824
Buildings	40 years	9,110,803	4,327,803
Shop equipment	5 years	93,725	85,825
Computer equipment	5 years	210,270	210,270
Furniture and fixtures	7 years	542,753	499,506
Vehicles	5 years	1,688,967	1,623,163
Total property and equipment		15,454,935	9,980,591
Less accumulated depreciation		(8,399,396)	(8,117,473)
Property and equipment, net of accumulated depreciation		$ 7,055,539	$ 1,863,118

Depreciation expense for the years ended June 30, 2022 and 2021 was $423,019 and $402,671, respectively.

7. Beneficial Interest in Funds Held at the CFSEM

The Organization entered into an agreement with the CFSEM to establish endowment funds. The investment earnings from the fund will be used to support future operations and programs for the Organization and will be distributed to the Organization in the form of grants from CFSEM as determined by CFSEM's Board of Trustees. The 2022 and 2021 distribution rate on funds as approved by the CFSEM Board of Trustees is 4.5 percent. The fair value of these funds is $2,699,512 and $1,367,671 as of June 30, 2022 and 2021, respectively. This includes $1,520,123 from Kadima added during 2022. The value of the reciprocal transfer is included in the fair value total and amounts to $80,401 and $63,209 as of June 30, 2022 and 2021, respectively.

8. Beneficial Interests in Trusts

The Organization is the beneficiary of charitable remainder trust agreements held by independent trustees. Under the terms of the agreements, the Organization has an unconditional right to receive a portion of specified cash flows from the agreements. The agreements are valued at fair value based upon expected future cash flows and discounted to present value at a risk-adjusted rate utilizing the specified end date of each agreement. As of June 30, 2022 and 2021, the Organization applied a discount rate of 3.0 percent. The Organization's beneficial interest in the charitable remainder unitrusts is $145,066 and $145,712 at June 30, 2022 and 2021, respectively.

9. Line of Credit

The Organization has a line of credit financing agreement with a financial institution under which $2,750,000 can be borrowed. The agreement expires and has been renewed on an annual basis since August 2010. Borrowings bear interest at the higher of the prime rate or the daily adjusting LIBOR plus 2.50 percent at June 30, 2022. The applicable rate for June 30, 2022 was 4.75 percent. There was no outstanding balance as of June 30, 2022 and 2021. No interest expense was incurred during the year ended June 30, 2022 and 2021. The line is secured by a first priority lien on all assets of the Organization.

10. Paycheck Protection Program Loan and Debt

On April 15, 2020, the Organization received proceeds in the amount of $2,586,380 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. Loan payments may be deferred up to ten months after the covered period ends. There is no prepayment penalty.

During 2020, the Organization assessed its application and PPP guidance and determined to record the PPP loan as a financial liability under Accounting Standards Codification 470. As of June 30, 2020, the Organization's PPP loan balance, with accrued interest, was reported as a current liability on the consolidated statements of financial position due to the uncertainty surrounding timing of forgiveness determination.

The Organization submitted an application for forgiveness of eligible expenses in the amount of $2,021,236 on September 6, 2020. During 2021, the Organization received legal release from the SBA of $2,021,236 and $22,759 of cumulative interest, and therefore, recorded that amount as forgiveness income in its 2021 consolidated statement of activities.

The remaining unforgiven portion of the PPP is reflected on the consolidated statements of financial position at June 30, 2022 as debt. Principal and interest are payable monthly, with the interest rate being 1 percent.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the consolidated financial statements.

KNHC has two notes payable from Michigan State Housing Development outstanding at June 30, 2022 with individual balances of $40,000, for a total balance of $80,000 as of June 30, 2022. The notes payable are interest free and forgivable in 2035 and 2037 if KNHC stays in compliance with the requirements of the agreement. If compliance is not maintained, the notes payable are due in full during 2025 and 2027.

Principal requirements on the debt for years ending after June 30, 2022 are as follows:

2023	$	150,067
2024		151,567
2025		161,578
2026		-
2027		40,000
Total	$	503,212

11. Endowment

The Organization's endowment consists of a number of individual funds established for a variety of purposes. The funds include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Organization's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the endowment funds are held at UJF, with a lesser amount held by the Organization. All endowment funds that are held by UJF are managed by UJF/JFMD.

Interpretation of Relevant Law - The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

Endowment net asset composition by type of fund as of June 30, 2022:

	Without Donor Restrictions	Held in Perpetuity with Donor Restrictions	Restricted Earnings with Donor Restrictions	Total with Donor Restrictions	Total
Donor restricted	$ -	$ 1,820,424	$ 2,931,258	$ 4,751,682	$ 4,751,682
Board designated	1,133,427	-	-	-	1,133,427
Total	$ 1,133,427	$ 1,820,424	$ 2,931,258	$ 4,751,682	$ 5,885,109

Endowment net asset composition by type of fund as of June 30, 2021:

	Without Donor Restrictions	Held in Perpetuity with Donor Restrictions	Restricted Earnings with Donor Restrictions	Total with Donor Restrictions	Total
Donor restricted	$ -	$ 2,869,822	$ 2,157,451	$ 5,027,273	$ 5,027,273
Board designated	1,298,626	-	-	-	1,298,626
Total	$ 1,298,626	$ 2,869,822	$ 2,157,451	$ 5,027,273	$ 6,325,899

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	$ 1,298,626	$ 5,027,273	$ 6,325,899
Kadima endowment addition from acquisition	117,576	577,184	694,760
Net loss	(234,220)	(597,495)	(831,715)
Contributions and collections on promises to give	-	11,409	11,409
Released to operations	(48,555)	(266,689)	(315,244)
Endowment net assets, ending	$ 1,133,427	$ 4,751,682	$ 5,885,109

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	$ 885,894	$ 3,978,239	$ 4,864,133
Net appreciation	454,861	1,154,795	1,609,656
Contributions and collections on promises to give	-	65,713	65,713
Released to operations	(42,129)	(171,474)	(213,603)
Endowment net assets, ending	$ 1,298,626	$ 5,027,273	$ 6,325,899

Return Objectives and Risk Parameters - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Organization's programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to grow capital assets, preserve spending power and provide income and a secure base for the organization. Measures of success include meeting or exceeding the S&P 500 as a target return for long term funds.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The long-term goal of funds designated by the Board of Directors to function as endowment or other donated funds, managed by the Organization, is to preserve and enhance fund assets; however, there is no limit or covenant that the principal is to be preserved other than for donor-restricted funds, nor is there any restriction as to funds that might be transferred to the JVS General Operating Fund or otherwise distributed in any single year.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At June 30, 2022 and 2021, 36 and 15 donor restricted funds with original gift values of $2,405,501 and $1,778,176 and fair values of approximately $2,000,799 and $1,644,438, respectively, were underwater. Deficiencies of $404,702 and $133,738 were reported in net assets with donor restrictions at June 30, 2022 and 2021, respectively. These deficiencies resulted from continued appropriation for certain programs that was deemed prudent by the governing board.

12. Net Assets

Board designated net assets without donor restrictions represents amounts the Organization's executive committee has established for future cash flow purposes.

Net assets without donor restrictions - Board designated net assets at June 30:

	2022	2021
Board designated funds for long-lived assets	$ 301,971	$ 329,923
Board-designated held at JP Morgan	113,167	-
Board designated endowment held at Fidelity	1,020,260	1,298,626
Total board designated net assets without donor restrictions	$ 1,435,398	$ 1,628,549

Net assets with donor restrictions at June 30:

	2022	2021
Beneficial interest in funds held at CFSEM	$ 80,401	$ 63,209
Life Insurance policies	223,629	214,828
Special building and maintenance needs	1,933,990	2,229,632
Time-restricted promises to give	145,066	155,712
Time and purpose-restricted funds held at UJF	2,678,057	3,025,111
Time and purpose-restricted appropriations	1,390,651	1,362,648
Donor-restricted endowments held by JVS Human Services	1,849,996	1,787,334
Contributions restricted for specific program use	4,055,989	765,414
Total net assets with donor restrictions	$ 12,357,779	$ 9,603,888

13. Rental Income

The Organization leases space in the buildings that it operates to two tenants. The leases with the tenants expire in 2023 and 2025. Future minimum lease payments to be received under the leases are as follows:

2023	$ 194,877
2024	165,119
2025	41,495
Total	$ 401,491

14. Accrued Vacation

The employees of the Organization receive vacation benefits on an annual basis in accordance with the Organization's Code of Personnel Practices.

The accrued vacation of $584,182 and $503,192 represents the Organization's estimated liability as of June 30, 2022 and 2021, respectively, and is included in accrued payroll on the consolidated statements of financial position.

15. Retirement Plans

Multiple-Employer Defined Benefit Plan

The Organization previously participated in the JFMD Pension Plan (the Plan), which covered substantially all of the Organization's employees. The Plan is not required to file Form 5500 and does not have a separate employer identification number.

Effective January 1, 2009, the Plan has been frozen with respect to the benefits for all participants. The Organization will continue to fund the Plan as determined by the Plan's actuary. The Organization has recorded an accrual of approximately $1,286,000 and $987,000 related to its portion of the underfunded liability as of June 30, 2022 and 2021, respectively.

Contributions to the Plan by the Organization, related to the underfunded liability, were $881,600 and $249,200 for the years ended June 30, 2022 and 2021, respectively. Based on information as of December 31, 2021, the year end of the Plan, Organization contributions to the Plan represented more than 5 percent of total contributions received by the plan. The amount of the Organization's contributions to the Plan increased in the current year to improve the funded status of the plan. The underfunded liability was increased due to the acceleration of costs related to the termination of the Plan.

The following information is based on the modified cash basis audited financial statements of the Plan as of December 31, 2020, the most recently completed financial statements available.

Total Plan assets	$ 18,699,317
Actuarial present value of accumulated plan benefits	20,665,035
Total contributions received by the Plan	1,103,579
Indicated level of funding - At least	80%

The Plan was approved to be terminated during 2022. The financial statements of the Plan for the year ended December 31, 2021 and ten months ending October 31, 2022 are expected to be available in January 2023. Subsequent to year end, the Plan shared information estimating that the total pension termination liability is $7,930,087 and total assets of the Plan are $4,078,707. The Organization's share of the net liability is projected to be approximately $1,286,000, which as been fully accrued for at June 30, 2022. A cash payment of $500,000 to UJF was made subsequent to year end, and the remaining liability was financed with a loan payable to UJF to be paid over 7 years at 5% interest.

403(b) Retirement Plan

The Organization has a 403(b) retirement plan. Under this Plan, employees can elect to defer a portion of their compensation. The Organization can make discretionary employer and matching contributions to the 403(b) plan. The Organization expensed $349,598 and $342,172 for the 403(b) plan as of the years ended June 30, 2022 and 2021, respectively.

16. Liquidity

Financial assets, at June 30:

	2022	2021
Cash and cash equivalents	$ 7,948,947	$ 7,263,217
Accounts and program receivable, net	3,717,063	1,919,131
Appropriation receivable	1,391,065	1,355,816
Unconditional promises to give, net of long-term portion	10,000	45,798
Beneficial interest in funds	80,401	63,209
Endowment funds	2,339,792	2,698,283
Capital project funds	1,933,990	2,229,632
Beneficial interest in trusts	145,066	145,712
Long-term investments	8,380,018	4,975,730
Other long-term assets	223,628	214,828
Total financial assets	26,169,970	20,911,356

Less those unavailable for general expenditures within one year, due to:

Board designated net assets	(1,435,398)	(1,628,549)
Net assets with donor restrictions	(12,357,779)	(9,603,888)
Total unavailable for general expenditures	(13,793,177)	(11,232,437)
Financial assets available to meet cash needs for general expenditures within one year	$ 12,376,793	$ 9,678,919

As of June 30, 2022 and 2021 the Organization has liquid assets on hand to cover approximately one hundred eighteen days and one hundred fourteen days, respectively, of operating expenses. The organization also has access to a $2,750,000 line of credit, of which the board has approved borrowing of up to $2,000,000 for operational expenses.

The Organization is highly reliant on contractual revenue for services provided and receivables are monitored regularly to ensure prompt collection. In the case of significant receivable balances in excess of sixty days, the Organization can draw upon the line of credit.

As part of the Organization's liquidity management, it has a policy to invest cash in excess of daily requirements in short-term investments. In addition, a portion of operating surpluses will, from time to time, be invested in an operating reserve account for future liquidity or agency investment needs.

17. New Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases.* ASU No. 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2021 (fiscal 2023). The Organization is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

18. Subsequent Events

The Organization has evaluated subsequent events through January 6, 2023, which is the date that the consolidated financial statements were approved and available to be issued.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

To the Board of Directors of
Gesher Human Services and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Gesher Human Services and Affiliates (the Organization), which comprise the Organization's consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Southfield, Michigan
January 6, 2023

Report on Compliance
for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Directors of
Gesher Human Services and Affiliates

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Gesher Human Services and Affiliates's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Southfield, Michigan
January 6, 2023

Gesher Human Services and Affiliates

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Awards Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures	Subrecipient Awards
U.S. Department of Agriculture				
Passed through Detroit Employment Solutions Corporation				
State Admin Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	Unknown	$ 3,708	$ -
U.S. Department of Housing and Urban Development				
Passed through Michigan State Housing Development Authority				
Housing Counceling Program	14.169	Unknown	8,213	-
U.S. Department of Labor				
Passed through Michigan Workforce Development Agency				
Unemployment Insurance	17.225	Unknown	21,324	-
WIA National Emergency Grants	17.277	Unknown	61,216	-
Apprenticeship USA Grants	17.285	Unknown	998	-
Employment Service / Wagner Peyser Funded Activities	17.207	Unknown	82,637	-
Employment Services Cluster			82,637	-
WIOA Adult Program	17.258	Unknown	485,634	-
WIOA Youth Activities	17.259	Unknown	498,072	-
WIOA Dislocated Worker Formula Grants	17.278	Unknown	266,172	-
Passed through Detroit Employment Solutions Corporation				
WIOA Adult Program	17.258	Unknown	106,994	-
WIOA Dislocated Worker Formula Grants	17.278	Unknown	45,604	-
WIOA Cluster			1,402,476	-
Passed through Michigan Workforce Development Agency				
H-1B Job Training Grants (America's Promise)	17.268	Unknown	98,796	-
Total U.S. Department of Labor			1,667,447	-

See accompanying notes to the schedule of federal awards

Federal Awards Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures	Subrecipient Awards
U.S. Department of Education				
Passed through Michigan Workforce Development Agency				
Rehab Services Vocational Rehab Grants to States	84.126A	Unknown	$ 5,850	$ -
Education Stabilization Fund	84.425	Unknown	38,166	-
Total U.S. Department of Education			44,016	-
U.S. Department of Health and Human Services				
Passed through Michigan Workforce Development Agency				
Temporary Assistance for Needy Families (PATH)	93.558	Unknown	298,080	-
Passed through Detroit Employment Solutions Corporation				
Temporary Assistance for Needy Families (PATH)	93.558	Unknown	780,184	-
Total assistance listing 93.558			1,078,264	-
U.S. Department of Treasury				
Passed through Michigan Workforce Development Agency				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	200,786	-
Passed through Michigan Department of Health and Human Services				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	62,967	-
Passed through Oakland County, Michigan				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	90,374	-
Total assistance listing 21.027			354,127	-
Total expenditures of federal awards			$ 3,155,775	$ -

See accompanying notes to the schedule of federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The Organization has not elected to use the 10-percent de minimis Indirect Cost Rate as allowed under the Uniform Guidance.

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major federal programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	no
Type of auditors' report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		yes	X	no

Identification of major federal program:

Assistance Listing Number(s)	Name of Federal Program or Cluster
17.258 / 17.259 / 17.278	WIOA Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between federal Type A and Type B programs	$750,000			
Auditee qualified as low-risk auditee?	X	yes		no

Section II - Financial Statement Findings

There were no findings.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs.

The prior year single audit disclosed no findings, and therefore, no uncorrected or unresolved findings exist from prior single audits.