bakertilly

Gesher Human Services and Affiliates

Consolidated Financial Statements and
Supplementary Information

June 30, 2023 and 2022

Independent Auditors' Report	1
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Functional Expenses	6
Notes to Consolidated Financial Statements	8
Other Independent Auditors' Reports	
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*	27
Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	29
Supplementary Information	
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	34
Schedule of Findings and Questioned Costs	35
Summary Schedule of Prior Audit Findings	37

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, 2023 and 2022, and the related consolidated statements of activities, cash flows, 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, 2023 and 2022, 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 supplemental information as identified in the table of contents and the schedule of expenditures of 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 12, 2024 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 12, 2024

Gesher Human Services and Affiliates

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 6,632,609	$ 7,948,947
Accounts and program receivable, net	3,556,367	3,717,063
Appropriation receivable	1,455,654	1,391,065
Unconditional promises to give, net of long-term portion	10,000	10,000
Prepaid expenses	459,445	525,462
Total current assets	12,114,075	13,592,537
Other Assets		
Unconditional promises to give, net of discount	350,000	348,164
Beneficial interest in funds held at the Community Foundation of Southeastern Michigan	83,735	80,401
Endowment funds held at United Jewish Foundation	2,435,828	2,339,792
Capital project funds held at United Jewish Foundation	2,010,309	1,933,990
Beneficial interests in trusts	84,227	145,066
Long-term investments	9,263,076	8,380,018
Other long-term assets	417,999	249,576
Property and equipment	6,221,142	7,055,539
Operating right of use assets	3,935,826	-
Total other assets	24,802,142	20,532,546
Total assets	$ 36,916,217	$ 34,125,083
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and other accrued liabilities	$ 329,643	$ 610,506
Accrued payroll	1,049,114	1,612,544
Retirement plan payable	174,500	268,082
Deferred revenue	235,097	147,407
Debt, current	221,023	150,067
Operating lease liability, current	660,105	-
Total current liabilities	2,669,482	2,788,606
Long-Term Liabilities		
Long-term retirement plan payable, net of current portion	-	1,155,155
Debt, net of current portion	752,177	353,145
Operating lease liability, net of current portion	3,275,721	-
Total long-term liabilities	4,027,898	1,508,300
Total liabilities	6,697,380	4,296,906
Net Assets		
Without donor restrictions		
Undesignated	17,433,500	16,035,000
Board-designated	1,474,976	1,435,398
Total without donor restriction	18,908,476	17,470,398
With donor restrictions	11,310,361	12,357,779
Total net assets	30,218,837	29,828,177
Total liabilities and net assets	$ 36,916,217	$ 34,125,083

See notes to consolidated financial statements

Gesher Human Services and Affiliates

Consolidated Statements of Activities
Years Ended June 30, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	Without Donor Restrictions	With Donor Restrictions	2022 Total
Revenue and Support						
Contributions	$ 1,044,500	$ 699,939	$ 1,744,439	$ 1,005,281	$ 920,213	$ 1,925,494
Appropriations	-	1,620,475	1,620,475	-	1,545,970	1,545,970
Annual allocations to cover rent	-	505,730	505,730	-	476,878	476,878
Program revenue	13,675,023	-	13,675,023	11,999,374	-	11,999,374
Service fees	7,513,123	-	7,513,123	7,203,143	-	7,203,143
Special events (net of expenses)	155,526	-	155,526	308,998	-	308,998
Rental revenue (net of expenses)	634,386	-	634,386	457,209	-	457,209
Other miscellaneous revenue	91,207	-	91,207	69,513	-	69,513
Total revenue and support	23,113,765	2,826,144	25,939,909	21,043,518	2,943,061	23,986,579
Net assets released from restrictions	4,174,502	(4,174,502)	-	3,113,379	(3,113,379)	-
Total revenue, support and net assets released from restrictions	27,288,267	(1,348,358)	25,939,909	24,156,897	(170,318)	23,986,579
Expenses						
Program services	24,142,734	-	24,142,734	21,512,850	-	21,512,850
Support services:						
Management and general	2,323,285	-	2,323,285	2,185,739	-	2,185,739
Development	456,971	-	456,971	350,624	-	350,624
Total expenses	26,922,990	-	26,922,990	24,049,213	-	24,049,213
Change in net assets related to operations	365,277	(1,348,358)	(983,081)	107,684	(170,318)	(62,634)
Other Changes in Net Assets						
Endowment income	341,988	19,717	361,705	312,518	102,321	414,839
Change in value - Beneficial interest in funds held at the Community Foundation of Southeastern Michigan	-	3,334	3,334	-	(12,776)	(12,776)
Change in value - Endowment funds held at United Jewish Foundation	-	94,332	94,332	-	(437,324)	(437,324)
Change in value - Other endowment funds	63,494	107,238	170,732	(282,774)	(426,859)	(709,633)
Net investment gain (loss) on capital project funds held at United Jewish Foundation	-	76,319	76,319	-	(295,642)	(295,642)
Net other investment income	667,319	-	667,319	(902,760)	-	(902,760)
Inherent contribution from acquisitions	-	-	-	7,619,076	3,994,489	11,613,565
Total other changes in net assets	1,072,801	300,940	1,373,741	6,746,060	2,924,209	9,670,269
Change in net assets	1,438,078	(1,047,418)	390,660	6,853,744	2,753,891	9,607,635
Net Assets, Beginning	17,470,398	12,357,779	29,828,177	10,616,654	9,603,888	20,220,542
Net Assets, Ending	$ 18,908,476	$ 11,310,361	$ 30,218,837	$ 17,470,398	$ 12,357,779	$ 29,828,177

See notes to consolidated financial statements

Gesher Human Services and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ 390,660	$ 9,607,635
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions received for endowments	(49,492)	(11,407)
Depreciation	462,879	423,019
Bad debt	14,461	7,914
Change in beneficial interest in funds held at the Community Foundation of Southeastern Michigan	(3,334)	12,776
Change in endowment funds and capital project funds held at United Jewish Foundation	(170,651)	732,966
Net realized and unrealized (gain) loss on other long-term assets and long-term investments	(588,066)	1,541,441
Change in beneficial interests in trusts	60,839	646
Inherent contribution from acquisition	-	(11,613,565)
Gain on disposal of property and equipment	(33,914)	-
Changes in assets and liabilities		
Accounts and program receivable	146,235	(1,516,611)
Appropriation receivable	(64,589)	(35,249)
Prepaid expenses	66,017	(11,781)
Unconditional promises to give	(1,836)	13,415
Other long-term assets	(168,423)	16,896
Accounts payable and other accrued liabilities	(280,863)	6,128
Accrued payroll	(563,430)	388,424
Deferred revenue	87,690	104,760
Retirement plan payable	(1,248,737)	296,237
Net cash flows from operating activities	(1,944,554)	(36,356)
Cash Flow From Investing Activities		
Purchases of property and equipment	(145,082)	(267,385)
Proceeds from sale of property and equipment	550,514	(208,949)
Purchases of investments	(535,230)	(208,949)
Proceeds from sale of investments	288,026	172,726
Cash acquired from acquisition	-	290,833
Net cash flows from investing activities	158,228	888,170
Cash Flow From Financing Activities		
Principal payments on debt	(189,156)	(166,084)
Proceeds from debt	659,144	-
Net cash flows from financing activities	469,988	(166,084)
Net change in cash and cash equivalents	(1,316,338)	685,730
Cash and Cash Equivalents, Beginning	7,948,947	7,263,217
Cash and Cash Equivalents, Ending	$ 6,632,609	$ 7,948,947
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, 2023

	At Work	At Home	In the Community	Total Program	Management and General	Advancement	Total
Payroll	$ 9,068,130	$ 2,404,272	$ 2,134,334	$ 13,606,736	$ 1,796,871	$ 262,009	$ 15,665,616
Employee benefits	1,540,442	254,683	374,773	2,169,898	289,184	55,834	2,514,916
Taxes, payroll	694,937	186,182	160,238	1,041,357	123,637	17,922	1,182,915
Total salaries and related expenses	11,303,509	2,845,137	2,669,345	16,817,991	2,209,692	335,765	19,363,448
Bad debt	4,570	7,573	1,115	13,258	1,027	176	14,461
Bank and merchant fees, interest	7,908	9,301	3,225	20,434	-	23,888	44,322
Client payroll and related expenses	1,053,578	-	-	1,053,578	-	-	1,053,578
Client support services	908,810	-	33,360	942,170	-	-	942,170
Client transportation	132,584	-	-	132,584	-	-	132,584
Conferences, conventions, meetings and staff development	116,508	28,655	34,347	179,510	27,237	24,668	231,415
Contractual services	517,545	26,413	174,169	718,127	19,553	3,854	741,534
Depreciation, building	52,808	176,714	45,226	274,748	-	3,625	278,373
Depreciation, other	133,497	5,734	42,611	181,842	858	1,806	184,506
Equipment	24,514	8,434	2,216	35,164	3,046	(33)	38,177
Insurance, general and building	151,151	39,635	38,034	228,820	26,840	5,550	261,210
Insurance, workers' compensation	92,561	27,279	4,994	124,834	1,136	215	126,185
Local transportation	255,630	130,241	66,618	452,489	350	757	453,596
Membership dues	24,565	5,463	9,880	39,908	564	704	41,176
Miscellaneous	34,669	804	347	35,820	318	675	36,813
Occupancy	992,893	371,182	312,745	1,676,820	451	9,132	1,686,403
Office and shop supplies, tools and repairs	500,743	137,541	152,680	790,964	14,904	7,488	813,356
Postage and shipping	13,111	163	2,214	15,488	1,395	1,405	18,288
Professional fees	79,726	13,021	13,389	106,136	7,602	1,711	115,449
Public information	139,408	5,755	15,811	160,974	4,517	34,458	199,949
Lessor expenses	-	-	-	-	68,874	-	68,874
Special event costs	-	-	-	-	-	361,310	361,310
Telephone	59,777	62,878	18,420	141,075	3,795	1,127	145,997
Total expenses before reconciliation	16,600,065	3,901,923	3,640,746	24,142,734	2,392,159	818,281	27,353,174
Consolidated Statement of Activities Reconciliation							
Less lessor expenses	-	-	-	-	(68,874)	-	(68,874)
Less special event costs	-	-	-	-	-	(361,310)	(361,310)
Total expenses	$ 16,600,065	$ 3,901,923	$ 3,640,746	$ 24,142,734	$ 2,323,285	$ 456,971	$ 26,922,990

See notes to consolidated financial statements

Gesher Human Services and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	At Work	At Home	In the Community	Total Program	Management and General	Advancement	Total
Payroll	$ 8,166,510	$ 1,076,918	$ 1,761,640	$ 11,005,068	$ 1,587,000	$ 156,515	$ 12,748,583
Employee benefits	2,336,067	241,686	541,178	3,118,931	396,488	66,740	3,582,159
Taxes, payroll	638,543	86,374	134,712	859,629	111,150	11,802	982,581
Total salaries and related expenses	11,141,120	1,404,978	2,437,530	14,983,628	2,094,638	235,057	17,313,323
Bad debt	4,635	1,539	1,512	7,686	-	228	7,914
Bank and merchant fees, interest	6,206	1,641	1,700	9,547	48	17,176	26,771
Client payroll and related expenses	750,658	-	-	750,658	-	-	750,658
Client support services	855,191	348	29,813	885,352	-	-	885,352
Client transportation	127,660	348	372	128,380	-	-	128,380
Conferences, conventions, meetings and staff development	71,531	11,926	27,735	111,192	18,274	12,390	141,856
Contractual services	719,050	24,261	85,787	829,098	13,194	7,734	850,026
Depreciation, building	57,560	88,947	58,982	205,489	-	4,725	210,214
Depreciation, other	153,809	1,281	54,160	209,250	285	3,270	212,805
Equipment	71,740	211	38,872	110,823	5,103	543	116,469
Insurance, general and building	157,056	27,094	40,473	224,623	26,424	3,129	254,176
Insurance, workers' compensation	90,232	10,210	6,181	106,623	673	126	107,422
Local transportation	272,108	68,567	58,875	399,550	1,578	106	401,234
Membership dues	22,926	1,652	5,173	29,751	434	315	30,500
Miscellaneous	16,796	1,042	56,473	74,311	16	229	74,556
Occupancy	1,014,336	175,532	310,682	1,500,550	-	7,602	1,508,152
Office and shop supplies, tools and repairs	463,766	68,812	82,946	615,524	12,766	34,949	663,239
Postage and shipping	10,483	12	3,004	13,499	927	1,091	15,517
Professional fees	84,988	10,108	12,068	107,164	6,701	1,158	115,023
Public information	110,436	674	7,393	118,503	2,603	20,355	141,461
Special events costs	-	-	-	-	-	326,088	326,088
Telephone	49,699	28,625	13,325	91,649	2,075	441	94,165
Total expenses before reconciliation	16,251,986	1,927,808	3,333,056	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	$ 16,251,986	$ 1,927,808	$ 3,333,056	$ 21,512,850	$ 2,185,739	$ 350,624	$ 24,049,213

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Nature of Activities

Gesher Human Services (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 financial education and home ownership program that promotes economic stability by providing clients with support in becoming home owners. The program typically includes financial literacy, home buyer education, and down-payment assistance.

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 amounts designated as of June 30, 2023 and 2022.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are required to be maintained in perpetuity 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, 2023 and 2022.

Accounts and Program Receivable

The Organization assesses collectibility of amounts due prior to the recognition of revenues. Accounts receivable is 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 $185,000 and $175,000 as of June 30, 2023 and 2022, respectively. 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, 2023 and 2022.

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. 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 discount rate 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, 2023 and 2022.

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 $235,097 and $147,407 of conditional contributions received related to future activities and included in deferred revenue at June 30, 2023 and 2022, 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.

Measure of Operations

The consolidated statements of activities include change in net assets related to operations that represents the results of operations. Other activities which are excluded from change in net assets related to operations include activities incidental to the operations of the Organization including the endowment income, change in beneficial interests, investment returns, and inherent contributions from acquisitions.

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 2022 amounts have been reclassified to conform with classifications adopted in 2023. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Adopted Accounting Pronouncement

Effective July 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach. The Organization's 2022 consolidated financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted. The Organization has elected the package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs. At the date of adoption, the Organization recorded lease right of use assets and lease liabilities of $4,558,488. Refer to Note 13 for additional information pertaining to right of use assets, lease liabilities, and lease expenses.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the consolidated statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right of use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancellable lease term. Expenses for finance leases are comprised of the amortization of the right of use asset and interest expense recognized based on the effective interest method.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for all leases;

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all leases;

- The Organization elected not to apply the recognition requirements to leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Under ASU No. 2016-02, leases in which the Organization is the lessor are classified as sales-type, direct-financing leases or operating leases. The application of Topic 842 did not have a material effect on the Organization's accounting for leases as the lessor.

New Accounting Pronouncements

During June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify and correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (2023). The Organization is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its consolidated financial statements.

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 $11,613,565 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 CFSEM, capital project funds held at UJF, and endowment funds held at UJF consist of a pooled investment portfolios, which consist 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, 2023 and 2022.

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, 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Long-term investments, domestic equities	$ 8,022,417	$ 8,022,417	$ -	$ -
Long-term investments, foreign equities	302,216	302,216	-	-
Beneficial interest in funds held at the CFSEM	83,735		-	83,735
Capital project funds held at UJF	2,010,309	-	-	2,010,309
Endowment funds held at UJF	2,435,828	-	-	2,435,828
Beneficial interest in trusts	84,227	-	-	84,227
Total	$ 12,938,732	$ 8,324,633	$ -	$ 4,614,099

	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

Long term investments and other long-term assets include uninvested cash and cash surrender value of life insurance policies of $1,356,442 and $1,061,857 as of June 30, 2023 and 2022, respectively.

Transfers to and from Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2023 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 Trusts
Distributions to the Organization	$ (101,605)	$ (121,119)	$ -	$ -
Contributions by the Organization	$ -	$ 11,836	$ -	$ -

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 Trusts
Distributions to the Organization	$ (99,594)	$ (199,855)	$ -	$ -
Contributions by the Organization	$ -	$ 78,833	$ 29,968	$ -

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 (JFMD) / United Jewish Foundation (UJF)

The Organization receives appropriations and grants from JFMD and UJF, affiliated organizations. The Organization received $2,126,205 and $2,022,848 for the years ended June 30, 2023 and 2022, respectively.

The funds recognized were allocated as follows:

	2023	2022
Base allocation	$ 1,445,775	$ 1,396,270
Special purposes grants	174,700	149,700
Appropriations revenue	1,620,475	1,545,970
Allocation from JFMD to offset rent charged to the Organization by UJF	505,730	476,878
Total	$ 2,126,205	$ 2,022,848

Notice of allocation amounts to the Organization were received in May for the twelve months beginning March 1, 2023. The allocation is payable in monthly installments. The Organization has a receivable due from JFMD of $1,455,654 at June 30, 2023. 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 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.

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 $496,008 and $469,552 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 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, 2023 and 2022 was $52,790 and $39,000, respectively.

UJF holds various endowments for the benefit of the Organization totaling $2,435,828 and $2,339,792 as of June 30, 2023 and 2022, 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.

In September 2022, the Organization signed an installment note with UJF for $659,144 related to the close out of the multiple-employer defined benefit plan. The installment note has an outstanding balance of $632,700 at June 30, 2023. See Note 10 for more information about the terms of the installment note.

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, 2023 and 2022, the balance of this fund was $2,010,309 and $1,933,990, respectively.

5. Unconditional Promises to Give

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

	2023	2022
Less than one year	$ 10,000	$ 10,000
One to five years	350,000	348,164
Total unconditional promises to give	$ 360,000	$ 358,164

There is one donor that comprises 91 and 92 percent of the unconditional promises to give as of June 30, 2023 and 2022, respectively.

6. Property and Equipment

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

	Useful lives	2023	2022
Land	n/a	$ 959,500	$ 1,019,500
Building and leasehold improvements	5-20 years	2,833,971	2,775,217
Buildings	40 years	8,629,803	9,110,803
Shop equipment	5 years	99,674	93,725
Computer equipment	5 years	263,510	210,270
Furniture and fixtures	7 years	569,721	556,453
Vehicles	5 years	1,570,293	1,688,967
Work in progress	n/a	22,940	-
Total property and equipment		14,949,412	15,454,935
Less accumulated depreciation		(8,728,270)	(8,399,396)
Property and equipment, net of accumulated depreciation		$ 6,221,142	$ 7,055,539

Depreciation expense for the years ended June 30, 2023 and 2022 was $462,879 and $423,019, 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 funds 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 2023 and 2022 distribution rate on funds as approved by the CFSEM Board of Trustees is 4.5 percent. The fair value of these funds is $2,811,457 and $2,699,512 as of June 30, 2023 and 2022, 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 $83,735 and $80,401 as of June 30, 2023 and 2022, 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, 2023 and 2022, the Organization applied a discount rate of 3.0 percent. The Organization's beneficial interest in the charitable remainder unitrusts is $84,227 and $145,066 at June 30, 2023 and 2022, 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 Prime Rate plus 2.50 percent at June 30, 2023. The applicable rate for June 30, 2023 was 8.54 percent. There was no outstanding balance as of June 30, 2023 and 2022. No interest expense was incurred during the years ended June 30, 2023 and 2022. The line is secured by a first priority lien on all assets of the Organization.

10. Paycheck Protection Program Loan and Debts

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, 2023 as debt. Principal and interest are payable monthly, with the interest rate being 1 percent. The final principal and interest payment is due April 2025. The outstanding balance of the debt was $260,500 and $423,212 at June 30, 2023 and 2022, respectively.

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.

During 2023, Gesher entered into an installment note with UJF for $659,144 with a fixed interest rate of 5% and monthly principal and interest payments of $9,316. The final principal and interest payment is due March 2030. The outstanding balance of the debt was $632,700 and $0 at June 30, 2023 and 2022, respectively.

KNHC has two notes payable from Michigan State Housing Development outstanding at June 30, 2023 with individual balances of $40,000, for a total balance of $80,000 as of June 30, 2023 and 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, 2023 are as follows:

2023	$ 221,023
2024	247,720
2025	90,631
2026	135,268
2027	100,142
2028 and Thereafter	178,416
Total	$ 973,200

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, 2023:

	Without Donor Restrictions	Held in Perpetuity with Donor Restrictions	Restricted Earnings with Donor Restrictions	Total with Donor Restrictions	Total
Donor restricted	$ -	$ 2,868,094	$ 2,070,665	$ 4,938,759	$ 4,938,759
Board designated	1,196,921	-	-	-	1,196,921
Total	$ 1,196,921	$ 2,868,094	$ 2,070,665	$ 4,938,759	$ 6,135,680

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

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	$ 1,133,427	$ 4,751,682	$ 5,885,109
Net investment income (loss)	(51,076)	406,736	355,660
Contributions and collections on promises to give	-	49,492	49,492
Released to operations and additional funds designated by the Board	114,570	(269,151)	(154,581)
Endowment net assets, ending	$ 1,196,921	$ 4,938,759	$ 6,135,680

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 investment 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

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 Gesher 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, 2023 and 2022, 27 and 36 donor restricted funds with original gift values of $2,058,010 and $2,405,501 and fair values of approximately $1,786,567 and $2,000,799 respectively, were underwater. Deficiencies of $271,443 and $404,702 were reported in net assets with donor restrictions at June 30, 2023 and 2022, 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:

	2023	2022
Board designated funds for long-lived assets	$ 278,055	$ 301,971
Board designated endowment held at JP Morgan	107,509	113,167
Board designated endowment held at Fidelity	1,089,412	1,020,260
Total board designated net assets without donor restrictions	$ 1,474,976	$ 1,435,398

Net assets with donor restrictions at June 30:

	2023	2022
Beneficial interest in funds held at CFSEM	$ 83,735	$ 80,401
Life Insurance policies	231,648	223,629
Special building and maintenance needs	2,010,309	1,933,990
Time-restricted promises to give	84,227	145,066
Time and purpose-restricted funds	2,786,028	2,678,057
Time and purpose-restricted appropriations	1,390,651	1,390,651
Donor-restricted endowments held by Gesher	1,921,083	1,849,996
Contributions restricted for specific program use	2,802,680	4,055,989
Total net assets with donor restrictions	$ 11,310,361	$ 12,357,779

13. Leases

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

- Determined whether contracts contain embedded leases;

The following table summarizes the lease right of use assets and lease liabilities as of June 30, 2023:

Right of use assets:	
Operating leases	$ 3,935,826
Lease liabilities:	
Current operating lease liabilities	$ 660,105
Long-term operating lease liabilities	3,275,721
Total lease liabilities	$ 3,935,826

Below is a summary of expenses incurred pertaining to leases during the year ended June 30, 2023:

Operating lease expense	$ 744,618

The following table presents supplemental information related to leases:

Weighted average remaining lease term (in years)	
Operating leases	7.33
Weighted average discount rate:	
Operating leases	2.88%

The table below summarizes the Organization's scheduled future minimum operating lease payments for years ending after June 30, 2023:

2024	$ 764,597
2025	584,567
2026	507,175
2027	505,730
2028	505,730
2029 and after	1,475,046
Total lease payments	4,342,845
Less present value discount	(407,019)
Total lease liabilities	3,935,826
Less current portion	(660,105)
Long-term lease liabilities	$ 3,275,721

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 $639,878 and $584,182 represents the Organization's estimated liability as of June 30, 2023 and 2022, 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 was not required to file Form 5500 and does not have a separate employer identification number.

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 were expected to be available in January 2023. Subsequent to 2022 year end, the Plan shared information estimating that the total pension termination liability is $7,930,087 and total assets of the Plan were $4,078,707. The Organization's share of the net liability was projected to be $1,285,737, which has been fully accrued for at June 30, 2022. A cash payment of $500,000 to UJF was made during 2023, and the remaining liability was financed with a loan payable to UJF (Note 10).

16. Liquidity

Financial assets, at June 30:

	2023	2022
Cash and cash equivalents	$ 6,632,609	$ 7,948,947
Accounts and program receivable, net	3,556,367	3,717,063
Appropriation receivable	1,455,654	1,391,065
Unconditional promises to give, net of long-term portion	10,000	10,000
Beneficial interest in funds	83,735	80,401
Endowment funds	2,435,828	2,339,792
Capital project funds	2,010,309	1,933,990
Beneficial interest in trusts	84,227	145,066
Long-term investments	9,263,076	8,380,018
Other long-term assets	417,999	249,576
Total financial assets	25,949,804	26,195,918
Less those unavailable for general expenditures within one year, due to:		
Board designated net assets	(1,474,976)	(1,435,398)
Net assets with donor restrictions	(11,310,361)	(12,357,779)
Total unavailable for general expenditures	(12,785,337)	(13,793,177)
Financial assets available to meet cash needs for general expenditures within one year	$ 13,164,467	$ 12,402,741

As of June 30, 2023 and 2022 the Organization has liquid assets on hand to cover approximately eighty five days 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. Subsequent Events

The Organization has evaluated subsequent events through January 12, 2024, 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, 2023, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 12, 2024.

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 12, 2024

bakertilly

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, 2023. 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, 2023.

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 12, 2024

Gesher Human Services and Affiliates

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Title	Program	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	$ 6,596	$ -
U.S. Department of Housing and Urban Development					
Passed through Michigan State Housing Development Authority					
Housing Counceling Program		14.169	Unknown	30,000	-
U.S. Department of Labor					
Passed through Michigan Workforce Development Agency					
Unemployment Insurance		17.225	Unknown	71,278	-
Passed through Oakland County Workforce Development Division					
Employment Service / Wagner Peyser Funded Activities		17.207	Unknown	84,589	-
Apprenticeship USA Grants		17.285	Unknown	18,504	-
H-1B Job Training Grants		17.268	Unknown	51,162	-
WIOA Adult Program		17.258	Unknown	619,255	-
WIOA Youth Activities		17.259	Unknown	589,842	-
WIOA Dislocated Worker Formula Grants		17.278	Unknown	335,034	-
Passed through Detroit Employment Solutions Corporation					
WIOA Adult Program		17.258	Unknown	194,928	-
WIOA Dislocated Worker Formula Grants		17.278	Unknown	78,274	-
WIOA Cluster				1,817,333	-
Total U.S. Department of Labor				2,042,866	-

See accompanying notes to the schedule of federal awards

Federal 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	$ 5,389	$ -
Education Stabilization Fund	84.425	Unknown	76,829	-
Total U.S. Department of Education			82,218	-
U.S. Department of Health and Human Services				
Passed through Michigan Workforce Development Agency				
Temporary Assistance for Needy Families (PATH)	93.558	Unknown	273,409	-
Passed through Detroit Employment Solutions Corporation				
Temporary Assistance for Needy Families (PATH)	93.558	Unknown	641,606	-
Total assistance listing 93.558			915,015	-
U.S. Department of Treasury				
Passed through Michigan Department of Health and Human Services				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	261,148	-
Passed through Oakland County, Michigan				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	980,984	-
Total assistance listing 21.027			1,242,132	-
Total expenditures of federal awards			$ 4,318,827	$ -

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, 2023. 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 prepared 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	none reported

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
93.558	Temporary Assistance for Needy Families
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between 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.