

**JEWISH FOUNDATION FOR GROUP HOMES, INC.  
AND AFFILIATES  
D.B.A: MAKOM**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2023 AND 2022**



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**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A: MAKOM**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Jewish Foundation for Group Homes, Inc. and Affiliates  
d.b.a.: Makom  
Rockville, Maryland

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Jewish Foundation for Group Homes, Inc. and Affiliates d.b.a.: Makom (Makom), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Makom as of June 30, 2023 and 2022, and 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. 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 Makom 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. The financial statements of JFGH Homeownership, LLC, JFGH Leasing, LLC, JFGH Leasing PP, LLC, and The Jewish Foundation for Group Homes Endowment, Inc. were not audited in accordance with *Government Auditing Standards*.

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2023 the Makom adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Makom's ability to continue as a going concern for one year after the date the consolidated 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 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 financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 Makom'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 Makom's ability to continue as a going concern for a reasonable period of time.

Board of Directors  
Jewish Foundation for Group Homes, Inc. and Affiliates  
d.b.a.: Makom

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

**Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and 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 18, 2024, on our consideration of Makom’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 Makom’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 Makom’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Greenbelt, Maryland  
January 18, 2024

**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A.: MAKOM**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

<b>ASSETS</b>	2023	2022
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 5,675,607	\$ 7,764,530
Investments	21,666,352	20,401,191
Accounts Receivable, Net of Allowance	1,565,903	1,763,500
Grants Receivable	528,365	170,227
Unconditional Promise to Give, Net of Allowance	156,637	71,066
Prepaid Expenses	243,260	240,993
Total Current Assets	29,836,124	30,411,507
<b>PROPERTY AND EQUIPMENT</b>		
<b>NET OF ACCUMULATED DEPRECIATION</b>	15,674,936	13,477,588
<b>LEASES</b>		
Right of Use Assets - Operating Leases	458,092	-
Right of Use Assets - Financing Leases	1,484,108	-
Total Leases	1,942,200	-
<b>OTHER ASSETS</b>		
Investment - 457(b) Plan Asset	672,996	540,424
Deposits	12,542	10,976
Total Other Assets	685,538	551,400
Total Assets	\$ 48,138,798	\$ 44,440,495

See accompanying Notes to Consolidated Financial Statements.

**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A.: MAKOM**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2023 AND 2022**

<b>LIABILITIES AND NET ASSETS</b>	<u>2023</u>	<u>2022</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 2,443,349	\$ 1,998,903
Due to State	5,156,666	6,577,355
Deferred Mortgage Payable, Current Portion	14,828	14,828
Capital Lease Obligations, Current Portion	-	195,035
Lease Liability, Current Portion - Operating Leases	95,004	-
Lease Liability, Current Portion - Financing Leases	356,862	-
Total Current Liabilities	<u>8,066,709</u>	<u>8,786,121</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred Grant Revenue	2,603,387	2,603,387
Deferred Mortgages Payable, Net of Current Portion	734,709	728,519
Lease Liability, Net of Current Portion - Operating Leases	369,477	-
Lease Liability, Net of Current Portion - Financing Leases	1,054,929	-
Capital Lease Obligations, Net of Current Portion	-	574,384
Deferred Compensation - 457(b) Plan Liability	672,996	540,424
Security Deposits	16,559	10,100
Total Long-Term Liabilities	<u>5,452,057</u>	<u>4,456,814</u>
Total Liabilities	13,518,766	13,242,935
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	12,227,589	10,299,573
Board-Designated	4,281,250	4,001,627
Total Net Assets Without Donor Restrictions	<u>16,508,839</u>	<u>14,301,200</u>
With Donor Restrictions:		
Purpose and Time Restrictions	8,247,208	7,042,222
Perpetual in Nature	9,863,985	9,854,138
Total Net Assets With Donor Restrictions	<u>18,111,193</u>	<u>16,896,360</u>
Total Net Assets	<u>34,620,032</u>	<u>31,197,560</u>
Total Liabilities and Net Assets	<u>\$ 48,138,798</u>	<u>\$ 44,440,495</u>

See accompanying Notes to Consolidated Financial Statements.

**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A.: MAKOM**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
State Program Fees	\$ 21,370,765	\$ -	\$ 21,370,765	\$ 18,530,954	\$ -	\$ 18,530,954
Contributions	1,846,288	1,060,051	2,906,339	2,375,673	515,758	2,891,431
Net Investment Return	745,907	1,710,749	2,456,656	(610,761)	(2,198,556)	(2,809,317)
Provider Relief Fund Grant	-	-	-	1,029,051	-	1,029,051
Other Grants	1,907,009	-	1,907,009	1,133,612	-	1,133,612
Consumer Fees	602,152	-	602,152	613,129	-	613,129
Gain on Disposal of Property and Equipment	188,014	-	188,014	446,929	-	446,929
Other Program Service Fees	292,759	-	292,759	404,235	-	404,235
Rental Income and Utilities Pass-Through	150,734	-	150,734	98,549	-	98,549
Other Income	38,366	15	38,381	15,875	364	16,239
Total	<u>27,141,994</u>	<u>2,770,815</u>	<u>29,912,809</u>	<u>24,037,246</u>	<u>(1,682,434)</u>	<u>22,354,812</u>
Net Assets Released from Restrictions	1,555,982	(1,555,982)	-	1,059,481	(1,059,481)	-
Total Revenues, Gains, and Other Support	<u>28,697,976</u>	<u>1,214,833</u>	<u>29,912,809</u>	<u>25,096,727</u>	<u>(2,741,915)</u>	<u>22,354,812</u>
<b>EXPENSES</b>						
Program Services:						
Residential Group Homes	17,754,375	-	17,754,375	17,109,282	-	17,109,282
In-Home Supports	1,574,767	-	1,574,767	1,232,621	-	1,232,621
MOST Program - Maryland and Virginia	1,910,800	-	1,910,800	1,135,181	-	1,135,181
MyPad	282,692	-	282,692	211,204	-	211,204
Other Programs	1,052,020	-	1,052,020	136,728	-	136,728
Total Program Services	<u>22,574,654</u>	<u>-</u>	<u>22,574,654</u>	<u>19,825,016</u>	<u>-</u>	<u>19,825,016</u>
Supporting Services:						
Management and General	3,129,273	-	3,129,273	2,744,776	-	2,744,776
Fundraising	786,410	-	786,410	810,003	-	810,003
Total Supporting Services	<u>3,915,683</u>	<u>-</u>	<u>3,915,683</u>	<u>3,554,779</u>	<u>-</u>	<u>3,554,779</u>
Total Expenses	<u>26,490,337</u>	<u>-</u>	<u>26,490,337</u>	<u>23,379,795</u>	<u>-</u>	<u>23,379,795</u>
<b>CHANGE IN NET ASSETS</b>	2,207,639	1,214,833	3,422,472	1,716,932	(2,741,915)	(1,024,983)
Net Assets - Beginning of Year	14,301,200	16,896,360	31,197,560	12,584,268	16,349,014	28,933,282
Net Assets Transfer - JFGH-E - Beginning of Year	-	-	-	-	3,289,261	3,289,261
Net Assets - Beginning of Year - After JFGH-E Transfer	<u>14,301,200</u>	<u>16,896,360</u>	<u>31,197,560</u>	<u>12,584,268</u>	<u>19,638,275</u>	<u>32,222,543</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 16,508,839</u>	<u>\$ 18,111,193</u>	<u>\$ 34,620,032</u>	<u>\$ 14,301,200</u>	<u>\$ 16,896,360</u>	<u>\$ 31,197,560</u>

See accompanying Notes to Consolidated Financial Statements.



**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A.: MAKOM**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2023**

	Program Services					Supporting Services			Total
	Residential Group Homes	In-Home Supports	MOST Program MD and VA	MyPad	Other Programs	Total Program Services	Management and General	Fundraising	
Salaries and Related Expenses	\$ 14,285,432	\$ 1,463,842	\$ 1,301,435	\$ 97,229	\$ 902,485	\$ 18,050,423	\$ 2,225,971	\$ 530,408	\$ 20,806,802
Occupancy	711,729	6,032	163,739	103,239	36,729	1,021,468	26,744	5,730	1,053,942
Repairs and Maintenance	898,019	4,150	95,472	42,132	5,292	1,045,065	43,589	5,697	1,094,351
Depreciation	614,143	415	63,785	15,068	2,947	696,358	101,271	4,896	802,525
Information Technology	87,572	43,265	78,912	12,706	42,849	265,304	274,202	25,094	564,600
Other Expenses	224,900	25,727	109,235	4,675	29,449	393,986	83,000	41,937	518,923
Food	431,698	22	692	356	1,313	434,081	316	74	434,545
Supplies and Equipment	226,653	866	20,563	62	26,244	274,388	120,758	3,840	398,986
Insurance	131,298	10,819	23,630	832	82	166,661	83,272	21,307	271,240
Contracted Services	40,075	-	18,079	4,372	1,148	63,674	128,656	49,431	241,761
Transportation	102,844	19,629	35,258	516	3,457	161,704	19,502	626	181,832
Communications	12	-	-	1,505	25	1,542	28,402	97,370	127,314
<b>Total Expenses</b>	<b>\$ 17,754,375</b>	<b>\$ 1,574,767</b>	<b>\$ 1,910,800</b>	<b>\$ 282,692</b>	<b>\$ 1,052,020</b>	<b>\$ 22,574,654</b>	<b>\$ 3,135,683</b>	<b>\$ 786,410</b>	<b>\$ 26,496,821</b>

See accompanying Notes to Consolidated Financial Statements.

**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A.: MAKOM**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	Program Services					Supporting Services			Total
	Residential Group Homes	In-Home Supports	MOST Program MD and VA	MyPad	Other Programs	Total Program Services	Management and General	Fundraising	
Salaries and Related Expenses	\$ 14,176,292	\$ 1,174,161	\$ 851,111	\$ 86,911	\$ 132,428	\$ 16,420,903	\$ 1,788,954	\$ 450,460	\$ 18,660,317
Occupancy	572,731	3,208	131,077	99,028	-	806,044	57,628	1,836	865,508
Other Expenses	268,469	3,933	29,869	3,842	-	306,113	402,504	89,573	798,190
Depreciation	499,970	12,063	51,741	3,502	-	567,276	70,716	6,146	644,138
Repairs and Maintenance	529,804	1,578	29,216	14,659	-	575,257	51,430	2,212	628,899
Supplies and Equipment	305,217	7,761	17,012	1,558	-	331,548	38,394	2,154	372,096
Information Technology	161,800	10,861	8,722	475	4,300	186,158	148,084	13,481	347,723
Food	341,153	-	-	-	-	341,153	-	-	341,153
Communications	-	-	-	630	-	630	64,011	223,719	288,360
Insurance	166,310	10,643	8,653	592	-	186,198	24,748	16,137	227,083
Contracted Services	15,083	-	-	-	-	15,083	94,104	4,285	113,472
Transportation	72,453	8,413	7,780	7	-	88,653	4,203	-	92,856
<b>Total Expenses</b>	<b>\$ 17,109,282</b>	<b>\$ 1,232,621</b>	<b>\$ 1,135,181</b>	<b>\$ 211,204</b>	<b>\$ 136,728</b>	<b>\$ 19,825,016</b>	<b>\$ 2,744,776</b>	<b>\$ 810,003</b>	<b>\$ 23,379,795</b>

See accompanying Notes to Consolidated Financial Statements.

**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A.: MAKOM**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 3,422,472	\$ (1,024,983)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	512,589	644,138
Amortization	308,617	-
Realized/Unrealized Gain on Investments	(2,151,172)	3,062,128
Contributions with Donor Restrictions in Perpetuity	(9,847)	(5,100)
Gain on Disposal of Property and Equipment	(15,652)	(446,929)
Gain on Disposal of Leased Vehicles	(172,362)	-
Impact of ASC 842 Implementation	19,275	-
Donated Securities	(815,300)	(103,347)
Bad Debt Write-Off	-	91,777
(Increase) Decrease in Operating Assets:		
Accounts Receivable	197,597	(296,739)
Grants Receivable	(358,138)	(71,122)
Prepaid Expenses	(2,267)	51,746
Unconditional Promises to Give	(85,571)	(66,653)
Cash Surrender Value - Life Insurance	-	686,607
Deposits	(1,566)	984
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	444,446	806,962
Due to State	(1,420,689)	5,270,180
Security Deposit Liability	6,459	1,900
Net Cash Provided (Used) by Operating Activities	(121,109)	8,601,549
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(3,684,711)	(1,895,734)
Proceeds from Disposal of Property and Equipment	281,306	538,362
Purchase of Investments and Reinvested Earnings	(6,799,750)	(11,070,158)
Proceeds from Sale of Investments	8,501,061	11,112,794
Net Cash Used by Investing Activities	(1,702,094)	(1,314,736)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-Term Borrowing (Mortgages Payable)	6,190	423,810
Proceeds from Contributions With Donor Restrictions in Perpetuity	9,847	5,100
Payments on Finance Leases	(281,757)	-
Principal Payments on Capital Leases	-	(215,248)
Net Cash Provided (Used) by Financing Activities	(265,720)	213,662
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,088,923)	7,500,475
Cash and Cash Equivalents - Beginning of Year	7,764,530	264,055
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 5,675,607	\$ 7,764,530

See accompanying Notes to Consolidated Financial Statements.

**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A.: MAKOM**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 35,801	\$ 39,923
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Property and Equipment Acquisitions	\$ -	\$ 2,541,868
Less: Amounts Financed	-	(646,134)
Net Cash Paid for Property and Equipment	\$ -	\$ 1,895,734

*See accompanying Notes to Consolidated Financial Statements.*

**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A.: MAKOM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Jewish Foundation for Group Homes, Inc. d.b.a.: Makom (Makom) is incorporated under the laws of the state of Maryland. Makom is a nonprofit organization which provides community residential services and support for persons with developmental disabilities. Makom's primary sources of support are government program service fees, grants, and charitable contributions.

JFGH Homeownership, LLC, JFGH Leasing, LLC, and JFGH Leasing PP, LLC,. filed articles of organization in the state on Maryland on October 30, 2017, to provide housing to individuals with intellectual and developmental disabilities. The entities are wholly owned limited liability company subsidiaries of Makom and are included within the accounts of Makom in the consolidating financial statements.

The Jewish Foundation for Group Homes Endowment, Inc. (JFGH-E) is a nonprofit organization whose purpose is to hold and manage those assets donated as endowments to Makom and to provide distributions to Makom consistent with explicit donor stipulation of the JFGH-E's applicable spending policies. In fiscal year 2022, JFGH-E amended its bylaws that provided Makom a controlling financial interest in JFGH-E by way of appointing the majority board of directors. Prior to this amendment, Makom had the option to consolidate due to economic interest and being the sole beneficiary of JFGH-E's operations. As a result, beginning net assets of JFGH-E were transferred to Makom, as of July 1, 2021. The change in net assets of both Makom and JFGH-E are reflected in the consolidated statement of activities for the year ended June 30, 2022.

Makom, JFGH Homeownership, LLC, JFGH Leasing, LLC, JFGH Leasing PP, LLC, and JFGH-E are collectively referred to as Makom throughout the consolidated financial statements and notes.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of its wholly owned subsidiaries JFGH Homeownership, LLC, JFGH Leasing, LLC, JFGH PP Leasing, LLC, and JFGH-E. Significant intercompany accounts and transactions have been eliminated in consolidation.

**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A.: MAKOM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

Makom prepares its consolidated financial statements on the accrual basis of accounting. In accordance with accounting principles generally accepted in the United States of America, Makom is required to report information regarding its financial position and activities according to three classes of net assets: net assets without donor restrictions, net assets with donor restrictions – time and purpose, and net assets with donor restrictions – perpetuity as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category consist principally of federal and state government grants, program service fees, contributions, and related expenses associated with the operating activities of Makom. Makom reports amounts restricted by donors, that were initially conditional, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) simultaneous to conditions being met. The board of directors has designated, from net assets without donor restrictions, an operating reserve, a capital reserve and a quasi-endowment.

*Net Assets with Donor Restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Makom or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Use of 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 contingencies at the consolidated statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Certain balances for the fiscal year ended June 30, 2022, have been reclassified to reflect comparative presentation with the fiscal year ended June 30, 2023.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash accounts and all highly liquid investments with an initial maturity of three months or less, except those that are part of an investment portfolio.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in investment income in the consolidated statements of activities. As a result, investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

**Accounts Receivable**

Accounts receivable are recorded at their net realizable value. The majority of the receivables consist of amounts due from governmental agencies. Accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the allowance for doubtful accounts. The allowance for doubtful accounts was \$154,543 and \$20,000 for the years ended June 30, 2023 and 2022, respectively. The beginning balance in accounts receivable was \$1,763,500 and \$1,466,761 at June 30, 2023 and 2022, respectively. The ending balance was \$1,565,903 and \$1,763,500 at June 30, 2023 and 2022, respectively.

**Grants Receivable and Unconditional Promises to Give**

Grants receivable and unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are not included as support until the conditions are substantially met. Promises to give are presented in the consolidated financial statements net of an allowance for doubtful accounts. Promises to give are determined to be past due on a review of how recently payments have been received. The allowance for doubtful accounts is determined based on an annual review of account balances, including the age of the balance and the past experience with the beneficiary or the beneficiary's sponsor. Bad debt expense is recorded when the allowance is adjusted. Uncollectible promises to give are charged to the allowance for doubtful accounts. The allowance for doubtful accounts was \$17,015 and \$5,977 for the years ended June 30, 2023 and 2022, respectively.

Grants receivable and unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of discounts is included in contribution revenue, when appropriate.

At June 30, 2023 and 2022, all grants receivable and unconditional promises to give are expected to be collected within one of year of the balance sheet date.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Unconditional Promises to Give – Fair Value Election**

Accounting Standards Codification (ASC) 825, *Financial Instruments*, provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. Makom has elected the fair value option for unconditional promises to give in order to mitigate volatility in reported changes in net assets.

**Property and Equipment**

Property and equipment acquisitions more than \$5,000 are capitalized and recorded at cost. The cost of maintenance and repairs is charged to current operations as incurred, whereas significant renewals and betterments are capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values at date of donation and reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, Makom reports expirations of donor restrictions when the donated or acquired assets are placed in service.

**Leases**

Makom leases office space, vehicles and equipment. Makom determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the consolidated statements of financial position. Finance leases are included in financing lease ROU assets and financing lease liabilities on the consolidated statements of financial position. ROU assets represent Makom's right to use an underlying asset for the lease term and lease liabilities represent Makom's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, Makom uses risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Makom will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Makom has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

Makom has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.



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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Revenue is recognized when earned. Makom recognizes contributions when cash, securities, other assets, or an unconditional promise to give are received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

At June 30, 2023, there were no non-government conditional grants.

Contributions and grants recognized as without or with donor restrictions depending on existence and/or nature of donor restrictions and recorded when there is sufficient evidence in the form of verifiable documentation that an unconditional promise to give was received. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, either by the passage of time or incurrence of donor specified expenses, these net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Donated assets are recognized as contribution revenue at their estimated fair market value on the date of donation.

A portion of Makom's revenue is derived from cost-reimbursable grants and contracts. Amounts received are recognized as earned and are reported as revenue when Makom has incurred expenditures in compliance with specific contract or grant provisions.

Certain services and support for persons with developmental disabilities services, including residential, personal supports, and transitional services, provided by the Makom are paid by the various federal, state, and local agencies based on per person reimbursement at the pre-determined rate based on the verified attendance records or service agreement. The performance obligation is considered to be a delivery of services. Revenue is recognized over time as the services are provided.

Makom records special events and sponsorship revenue equal to the fair value of direct benefits to donors, and contribution revenue for the difference. All goods and services are transferred at a point in time.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allocation of Functional Expenses**

Nonprofit organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expenses. Functional expenses are either charged directly to program and supporting services as incurred or allocated based on usage or estimates of time and effort. Salaries and benefits of personnel in the executive office, human resources, finance and development are considered to be supporting costs and are included in management and general and fundraising. Items such as occupancy and depreciation are allocated based on square footage to each function.

**Income Taxes**

The consolidated financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of June 30, 2023, Makom had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

Makom follows the income tax standard for uncertain tax positions. Makom evaluated its tax positions and determined that they are more likely than not to be sustained on examination. Makom's tax returns are subject to review and examination by federal, state, and local authorities.

**Recently Adopted Accounting Standards**

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for the leases classified as operating leases.

Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Makom adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

Makom has elected to adopt the package of practical expedients available in the year of adoption.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Adopted Accounting Standards (Continued)**

Makom did not elect the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. Leases were reassessed the existing leases and redetermined whether the classification of capital leases or operating leases would be different with the new guidance.

As a result of the adoption of the new lease accounting guidance, Makom recognized on July 1, 2022, operating ROU asset of 539,280 and operating lease liability of \$633,653. On July 1, 2022, Makom also recognized \$1,792,725 of financing ROU and financing lease liability of \$2,005,622. Additional detail regarding leases is provided in Note 12 Operating and Financing Leases – ASC 842.

The standard had a material impact on the consolidated statements of financial position and statements of cash flows but did not have a material impact on the consolidated statements of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating and financing leases.

**NOTE 2 CONCENTRATION OF RISK**

**Credit Risk**

Financial instruments, which potentially subject Makom to concentration of credit risk, include cash and cash equivalents and investments. It is Makom's practice to place its cash and cash equivalents and investments in high credit quality institutions to mitigate this risk. Makom maintains its cash balances at several financial institutions which at times, may exceed federally insured limits.

**Market Value Risk**

Makom invests in diversified investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amount reported in the consolidated financial statements.

**Revenue Concentration**

Makom received approximately 71% and 83% of its revenues from state program fees in 2023 and 2022, respectively. Makom is highly dependent upon its government funding to continue its operations.

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**NOTE 3 LIQUIDITY**

The following represents Makom's financial assets at June 30:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 5,675,607	\$ 7,764,530
Investments	21,666,352	20,401,191
Accounts Receivable	1,565,903	1,763,500
Grants Receivable	528,365	170,227
Unconditional Promises, Net of Allowance and Discount	156,637	71,066
Total Financial Assets	<u>29,592,864</u>	<u>30,170,514</u>
Less Amounts Not Available to be Used Within One Year:		
Net Assets With Donor Restrictions	<u>(18,111,193)</u>	<u>(16,896,360)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months Before Board Designations	11,481,671	13,274,154
Less: Board-Designated Funds	<u>(4,281,250)</u>	<u>(4,001,627)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u><u>\$ 7,200,421</u></u>	<u><u>\$ 9,272,527</u></u>

It is the policy of Makom to manage agency cash and cash equivalents to ensure appropriate levels and liquidity are maintained to support ongoing operating expenses, capital needs and strategic initiatives. Makom shall maintain a minimum of \$620,000, approximately 14 days, and a maximum of \$3,375,000, approximately 75 days, in operating cash and cash equivalents available to meet general expenditures over the next 12 months. The policy provides instructions if operating cash falls either below the minimum or exceeds the maximum. The cash balance at June 30, 2023 and 2022 exceeded the guidelines in policy, but because the money was being held to pay the State within a short term period of time, the finance committee of the board of directors agreed that the excess should remain in money market until repayment was required. In addition, Makom has a line of credit in the amount of \$3,000,000 which is secured by Makom assets, which Makom can draw upon if conditions dictate.

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**NOTE 4 INVESTMENTS**

The fair market value of investments was as follows at June 30:

	<u>2023</u>	<u>2022</u>
Cash and Money Market	\$ 1,607,979	\$ 1,480,687
Equity Securities	12,174,373	10,555,710
Fixed Income Securities	7,873,501	8,179,294
Bonds Issued by the State of Israel	10,500	185,500
Total	<u>\$ 21,666,353</u>	<u>\$ 20,401,191</u>

Net investment return is comprised of the following for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Net Realized/Unrealized Gain (Loss) on Investments	\$ 2,151,172	\$ (3,062,128)
Interest and Dividends	422,621	389,284
Investment Expenses	(117,137)	(136,473)
Net Investment Return	<u>\$ 2,456,656</u>	<u>\$ (2,809,317)</u>

**NOTE 5 FAIR VALUE MEASUREMENTS**

ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are as described as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Makom has the ability to access at the measurement date.

*Level 2* – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, include active listed equity securities, fixed income securities, and cash and money market funds traded in brokerage firms.

Investments that trade in markets that are not considered to be active, but are valued on quoted market prices, dealer quotations, or alternative price sources supported by observable inputs are classified with Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or nontransferability, which are generally based on available market information. Investments whose values are based on inputs in markets that are not considered to be active, and are therefore classified with Level 2, include bonds issued by the state of Israel.

Assets classified with Level 3 have significant unobservable inputs.

There have been no changes in investment valuation or techniques.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30:

	2023			Total
	Level 1	Level 2	Level 3	
Investments:				
Cash and Money Market Funds	\$ 1,607,978	\$ -	\$ -	\$ 1,607,978
Equities	12,174,373	-	-	12,174,373
Fixed Income Securities	-	7,873,501	-	7,873,501
Bonds Issued by the State of Israel	-	10,500	-	10,500
Total Investments	<u>13,782,351</u>	<u>7,884,001</u>	<u>-</u>	<u>21,666,352</u>
Unconditional Promises to Give	-	-	156,637	156,637
Investment - 457(b) Plan Assets:				
Mutual Fund Equities	272,673	-	-	272,673
Mutual Fund Fixed Income Securities	15,337	-	-	15,337
Mutual Fund Other Securities	384,986	-	-	384,986
Total Investment - 457(b) Plan Assets	<u>672,996</u>	<u>-</u>	<u>-</u>	<u>672,996</u>
Total Assets	<u>\$ 14,455,347</u>	<u>\$ 7,884,001</u>	<u>\$ 156,637</u>	<u>\$ 22,495,985</u>

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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

	2022			Total
	Level 1	Level 2	Level 3	
Investments:				
Cash and Money Market Funds	\$ 1,480,687	\$ -	\$ -	\$ 1,480,687
Equities	10,555,712	-	-	10,555,712
Fixed Income Securities	-	8,179,292	-	8,179,292
Bonds Issued by the State of Israel	-	185,500	-	185,500
Total Investments	12,036,399	8,364,792	-	20,401,191
Unconditional Promises to Give	-	-	71,066	71,066
Investment - 457(b) Plan Assets:				
Mutual Fund Equities	195,203	-	-	195,203
Mutual Fund Fixed Income Securities	9,240	-	-	9,240
Mutual Fund Other Securities	335,981	-	-	335,981
Total Investment - 457(b) Plan Assets	540,424	-	-	540,424
Total Assets	<u>\$ 12,576,823</u>	<u>\$ 8,364,792</u>	<u>\$ 71,066</u>	<u>\$ 21,012,681</u>

The unobservable inputs used to determine fair value of the unconditional promises to give in have been estimated using risk-free rate available in the market. However, it is possible that different rates are reported by various sources and could differ from source to source. Due to the nature of these financial instruments and rates applied to discount them, changes in market conditions and economic environment the fair value of these financial instruments.

The following table reconciles the beginning balance of Makom's unconditional promises to give assets that are measured at fair value using significant unobservable inputs (Level 3) for the years ended June 30:

	2023	2022
Balance - Beginning of Year	\$ 71,066	\$ 96,190
Contributions	906,637	202,601
Collections	(809,275)	(162,516)
Bad Debt Write Off	(753)	(60,190)
Change in Allowance for Doubtful Promises	(11,038)	(5,019)
Balance - End of Year	<u>\$ 156,637</u>	<u>\$ 71,066</u>

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**NOTE 6 UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give are comprised of the following at June 30:

	2023	2022
Unconditional Promises to Give Due in Less than One Year	\$ 173,652	\$ 77,043
Total Unconditional Promises to Give	173,652	77,043
Allowance for Doubtful Accounts	(17,015)	(5,977)
Net Unconditional Promises to Give	\$ 156,637	\$ 71,066

**NOTE 7 CASH SURRENDER VALUE – LIFE INSURANCE**

During the fiscal year ended June 30, 1987, Makom received a legacy gift that was funded by death benefits of a joint and last survivor life insurance policy issued by John Hancock. The life insurance policy named Makom as the sole owner and beneficiary of the policy's death benefits. The policy, with a net death benefit in the amount of \$1,053,558, was paid to Makom due to the death of the surviving spouse during the year ended June 30, 2022. Prior to fiscal year 2022, the aggregate cash surrender value of \$686,607 was recognized in the consolidated financial statements. The remainder of the policy value was recognized as contributions during the year ended June 30, 2022.

**NOTE 8 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	Estimated Useful Life	2023	2022
Land	-	\$ 3,489,796	\$ 2,502,409
Buildings and Improvements	10 to 35 Years	16,713,429	14,421,914
Furniture and Equipment	3 to 10 Years	1,581,889	1,490,024
Vehicles	5 Years	-	1,452,263
Construction in Progress	-	1,469,346	1,625,993
Total		23,254,460	21,492,603
Less: Accumulated Depreciation and Amortization		(7,579,524)	(8,015,015)
Total		\$ 15,674,936	\$ 13,477,588

Depreciation expense was \$512,589 and \$644,138 for the years ended June 30, 2023 and 2022.



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**NOTE 8 PROPERTY AND EQUIPMENT (CONTINUED)**

Subsequent to June 30, 2023, Makom sold 2 properties and recognized cumulative gain on sale in the amount of \$866,100. In addition, Makom also purchased 4 properties and paid \$1,479,011 in cumulative purchase price.

**NOTE 9 LINE OF CREDIT**

Makom has a revolving line of credit with a bank, which is due on demand. The maximum borrowing potential was \$3,000,000 as of June 30, 2023 and 2022. The line is secured by cash balances, accounts receivable, Makom's personal property, and certain investments defined in the security agreement. The line bears interest at a floor of 4.5% and was 4.5% as of June 30, 2023 and 2022. The balance outstanding on the line was \$-0- at June 30, 2023 and 2022. The line of credit maturity date was extended to March 2024.

**NOTE 10 DEFERRED GRANT REVENUE**

Makom obtained grants from the state of Maryland for the purchase or renovation of certain group homes and the Makom administrative building. These grants include the right of recovery by the state against the specific property, in an amount bearing the same ratio to the then current fair market value of the property as the amount of the state participation in the total eligible cost of the property. The circumstances that this could occur would include a sale or transfer to any person, agency or organization that would not qualify as an applicant or if the property ceases as a developmental disabilities facility during a period of 30 years for each grant, expiring in 2026 through 2036. The total amount received from the state totaled \$2,603,387 and is reflected in the consolidated statements of financial position as deferred grant revenue at June 30, 2023. If Makom does not meet the terms of the agreement the amount owed to the state may differ from the deferred grant revenue recorded and the consolidated financial statements have not been adjusted for this, as Makom intends to continue to use the properties as required under the grant and does not expect to sell any of the properties or cease to use them as group homes. At the expiration of the 30-year period for each grant, when the conditions and barriers expire, Makom will recognize the associated amount as revenue.

**NOTE 11 DEFERRED MORTGAGES PAYABLE**

On April 26, 2007, Makom entered into two loan agreements with Fairfax County, Virginia, in the amounts of \$169,955 and \$149,582. The mortgages are noninterest bearing with a 30-year term. No monthly payments are required until maturity as long as the property is owned and maintained by Makom as a group home for the duration of the loan. The mortgages are secured by the respective group home and upon maturity of the mortgages or sale of the property, the county is entitled to 28% and 26%, respectively, of Makom's equity in the respective properties.

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**NOTE 11 DEFERRED MORTGAGES PAYABLE (CONTINUED)**

On November 30, 2021, Makom received \$430,000 in the form of a -0-% loan with a term of 30 years and other conditions from Montgomery County, Maryland, through the Department of Housing and Community Affairs (DHCA). The loan was used to purchase a group home in Silver Spring, Maryland, which is to be occupied by individuals with intellectual and developmental disabilities. The annual amount due is the lesser of 50% of the property's "Surplus Cash" as defined in the Deed of Trust note or the principal amount of the note amortized over 30 years. The loan is secured by the respective home and has a due date of December 1, 2051. Annual principal payments over the next 30 years, beginning on December 1, 2023, are estimated to be \$14,828.

**NOTE 12 OPERATING AND FINANCING LEASES – ASC 842**

**Operating Leases**

Makom entered into a noncancelable lease agreement on February 16, 2011, for property in Fairfax, Virginia. The current term of the lease is from November 1, 2019, to October 31, 2022. Monthly rent for the property is \$2,402 for the current term of the lease.

Makom entered into a lease agreement on January 28, 2020, for property in Loudoun County, Virginia. The term of the lease is from February 1, 2020, to April 30, 2025. Monthly rent for the property ranges from \$3,842 to \$4,454 for the term of the lease.

**Financing Leases**

Makom has agreements for the lease of vehicles with a combined capitalized cost of \$1,792,725 as of June 30, 2023. The leases' terms are for 60-82 months and mature between August 2022 and April 2027. Accumulated depreciation on the leased vehicles for the year ended June 30, 2023 was \$308,617. Depreciation expense for the vehicles totaled \$308,617 for the years ended June 30, 2023.

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**NOTE 12 OPERATING AND FINANCING LEASES – ASC 842 (CONTINUED)**

The following provides quantitative information concerning Makom’s leases:

Lease Costs:

Finance Lease Costs:	
Amortization of Right-of-Use Assets	\$ 308,617
Interest on Lease Liabilities	35,801
Operating Lease Costs	95,108
Total Lease Costs	<u>\$ 439,526</u>

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Finance - Finance Cash Flows	\$ 281,757
Finance - Operating Cash Flows	35,801
Operating - Operating Cash Flows	88,719
Right-of-Use Assets Obtained in Exchange for New Financing Lease Liabilities	1,086,009
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	539,280
Weighted-Average Remaining Lease Term - Financing Leases	4.01 Years
Weighted-Average Remaining Lease Term - Operating Leases	5.44 Years
Weighted-Average Discount Rate - Financing Leases	3.96%
Weighted-Average Discount Rate - Operating Leases	3.94%

Makom classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for the lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	Operating Leases	Financing Leases
2024	\$ 111,366	\$ 403,728
2025	106,403	380,375
2026	65,272	355,037
2027	67,880	286,676
2028	70,592	101,192
Thereafter	98,211	-
Total Lease Payments	<u>519,724</u>	<u>1,527,008</u>
Less: Interest	<u>(55,243)</u>	<u>(115,217)</u>
Present Value of Lease Liabilities	<u>\$ 464,481</u>	<u>\$ 1,411,791</u>

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**NOTE 13 CAPITAL LEASE OBLIGATIONS – ASC 840**

Makom elected to apply provisions of FASB ASC 842 to the beginning of the period of adoption through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

Makom has agreements for the lease of vehicles with a combined capitalized cost of \$1,286,096 as of June 30, 2022. The lease terms call for monthly payments ranging from \$402 to \$1,114 including interest ranging from 5.48% to 10.06%. The leases' terms are for 60-82 months and mature between August 2022 and April 2027. Accumulated depreciation on the leased vehicles for the year ended June 30, 2022, was \$743,143. Depreciation expense for the vehicles totaled \$194,927 for the years ended June 30, 2022.

Future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 241,583
2024	176,774
2025	149,715
2026	146,904
2027	176,101
Total Minimum Lease Payments	<u>891,077</u>
Less: Amounts Representing Interest	<u>(121,658)</u>
Present Value of Minimum Lease Payments (Including Current Portion of \$195,035)	<u><u>\$ 769,419</u></u>

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

**Employment Contract**

Makom has entered into an employment contract with an employee. In the event of termination for reasons other than cause, the employee will receive severance pay as stipulated in the agreement.

**Contingent Liabilities**

Makom has received grant funds from the state of Maryland for capital projects to group homes. The grant agreements include a disposition clause whereby Makom may not sell or otherwise transfer or dispose of real or personal property acquired with grant funds without prior written consent from the state. If the state elects to permit any such transfer or disposition, it may, in its sole discretion, require that Makom thereupon repay the state a percentage of the proceeds allocable to the grant that was used to acquire such property.

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**NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Conditional Revenue**

Makom earns a portion of its revenues through contracts with various federal, state, and county agencies, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses and all of which may be subject to audit. Amounts received are recognized as revenue when Makom has incurred expenditures in compliance with specific grant provisions. Until such audits have been completed and final settlement reached, there exists a potential to refund any amounts received in excess of allowable costs. Management is not aware of any liability as a result of these audits. Makom received cost-reimbursable grants of which approximately \$389,396 had not been recognized as of June 30, 2023, because qualifying expenditures have not yet been incurred.

**Contingency**

In the ordinary course of activities, Makom is party to various legal and administrative actions. In the opinion of management, the potential adverse impact of these legal and administrative actions is insignificant to the financial statements of Makom.

**NOTE 15 RETIREMENT PLANS**

All employees of Makom are eligible to participate in a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code (IRC). Employees may elect to contribute up to 20% of their salary, up to a maximum amount established by federal regulations. Makom did not contribute to this plan until the year beginning July 1, 2019. Makom's annual contribution to this plan is determined by the board of directors and is allocated to participants based upon length of service.

Makom has an IRC section 457(b) plan to supplement retirement income for certain key members of the Makom's executive management team. Makom's annual contribution to this plan is determined by the board of directors and is allocated to participants based upon compensation level.

Makom's contributions to the plans for the years ended June 30, 2023 and 2022, were \$281,111 and \$248,586, respectively, and are included in Employee Benefits in the consolidated statements of functional expenses.

**NOTE 16 RELATED PARTY TRANSACTIONS**

**Board Donations**

For the years ended June 30, 2023 and 2022, cash received from board members for contributions, including payments on pledges, totaled approximately \$87,000 and \$154,000, respectively.

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**NOTE 17 NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD-DESIGNATED**

The board of directors of Makom has designated funds for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Operating Reserve	\$ 1,710,736	\$ 1,543,105
Capital Reserve	900,000	900,000
Marschka Fund	99,146	88,133
Quasi-Endowment	1,571,368	1,470,389
Total	<u>\$ 4,281,250</u>	<u>\$ 4,001,627</u>

**NOTE 18 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with time and purpose donor restrictions consisted of the following as of and for the years ended June 30:

	<u>Beginning July 1, 2022</u>	<u>Contributions and Net Investment Return</u>	<u>Releases</u>	<u>Balance June 30, 2023</u>
Home Maintenance, Well-Being, Cultural, and Other Program Funds	\$ 1,980,371	\$ 1,028,722	\$ (723,993)	\$ 2,285,100
Endowment Funds	5,061,851	1,733,387	(831,989)	5,963,249
Total	<u>\$ 7,042,222</u>	<u>\$ 2,762,109</u>	<u>\$ (1,555,982)</u>	<u>\$ 8,248,349</u>

	<u>Beginning July 1, 2021</u>	<u>Contributions and Net Investment Return</u>	<u>Releases</u>	<u>Balance June 30, 2022</u>
Home Maintenance, Well-Being, Cultural, and Other Program Funds	\$ 1,759,579	\$ 461,472	\$ (240,680)	\$ 1,980,371
Endowment Funds	7,972,555	(2,149,022)	(761,682)	5,061,851
Total	<u>\$ 9,732,134</u>	<u>\$ (1,687,550)</u>	<u>\$ (1,002,362)</u>	<u>\$ 7,042,222</u>

Time and purpose net assets are released from donor restrictions when expenditures are made in accordance with the purposes specified by the donor. Included in home maintenance, well-being, cultural, and other program funds are time restricted annual fund donations in the amount of \$31,109 that are to be used in fiscal year 2024.

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**NOTE 19 ENDOWMENTS**

Makom's endowment (net assets restricted into perpetuity) has been funded by donor-restricted contributions to be held in perpetuity, the earnings of which can be used for specific donor-imposed purposes. In addition, prior to July 1, 2019, Makom established quasi-endowment funds to provide for the long-term needs of group home renovations and maintenance. While functioning as an endowment, the quasi-endowment funds were established by Makom and are net assets without donor restriction. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets consist of the following at June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated			
Quasi-Endowment Funds	\$ 1,571,368	\$ -	\$ 1,571,368
Donor Restricted Endowment			
Funds:			
Original Donor Restricted Gifts			
to be Held in Perpetuity	-	9,863,985	9,863,985
Portion Subject to Appropriation			
under UPMIFA	-	5,963,249	5,963,249
Total	\$ 1,571,368	\$ 15,827,234	\$ 17,398,602
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated			
Quasi-Endowment Funds	\$ 1,470,389	\$ -	\$ 1,470,389
Donor Restricted Endowment			
Funds:			
Original Donor Restricted Gifts			
to be Held in Perpetuity	-	9,854,138	9,854,138
Portion Subject to Appropriation			
under UPMIFA	-	5,061,851	5,061,851
Total	\$ 1,470,389	\$ 14,915,989	\$ 16,386,378

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**NOTE 19 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law**

Makom has interpreted the Maryland 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, Makom classifies as net assets restricted into perpetuity (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 fund that is not classified in net assets restricted into perpetuity is classified as net assets restricted for time or purpose until those amounts are appropriated for expenditure by Makom in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Makom considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of Makom and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of Makom; and (7) investment policies of Makom.

**Spending Policy**

Makom's spending policy for endowments designed to stabilize annual spending levels and preserve the real value of the endowment over time. In accordance with the Makom's policy, a predetermined endowment spending rate has been established. The endowment spending rate is calculated at 5% of the total fair value of the available funds managed by JFGH-E and Makom based on a three-year rolling average.

**Return Objectives, Risk Parameters, and Strategies**

Makom follows a conservative investment policy for endowment assets that attempts to preserve fully the original corpus and optimize returns. Should significant new donations be made to the endowment assets, the Makom's investment policy would permit a strategy of long-term growth of the endowment assets. Under such a policy, the endowment assets would be invested in a manner that is intended to produce favorable results while taking a prudent approach to risk.



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**NOTE 19 ENDOWMENTS (CONTINUED)**

**Changes in Endowment Net Assets**

Changes in endowment net assets was as follows for the years ended June 30:

	Without Donor Restrictions - Quasi- Endowment	With Donor Restrictions - Time and Purpose	With Donor Restrictions - Perpetuity	Total
Endowment Net Assets - July 1, 2022	\$ 1,470,389	\$ 5,061,851	\$ 9,854,138	\$ 16,386,378
Contributions	16,089	50,000	9,847	75,936
Transfers				
Investment Income, Net of Investment Fees	22,402	227,746	-	250,148
Net Depreciation (Realized and Unrealized)	143,102	1,455,641	-	1,598,743
Appropriated for Expenditure	(80,614)	(831,989)	-	(912,603)
Endowment Net Assets - June 30, 2023	<u>\$ 1,571,368</u>	<u>\$ 5,963,249</u>	<u>\$ 9,863,985</u>	<u>\$ 17,398,602</u>
	Without Donor Restrictions - Quasi- Endowment	With Donor Restrictions - Time and Purpose	With Donor Restrictions - Perpetuity	Total
Endowment Net Assets - July 1, 2021	\$ 1,726,982	\$ 6,559,729	\$ 8,029,722	\$ 16,316,433
Endowment Net Assets Transfer JFGH-E - July 1, 2021	-	1,412,826	1,876,435	3,289,261
Contributions	5,680	252	5,100	11,032
Transfers				
Investment Income, Net of Investment Fees	17,624	182,398	-	200,022
Net Depreciation (Realized and Unrealized)	(229,491)	(2,331,672)	-	(2,561,163)
Donor Release of Restriction	-	-	(57,119)	(57,119)
Appropriated for Expenditure	(50,406)	(761,682)	-	(812,088)
Endowment Net Assets - June 30, 2022	<u>\$ 1,470,389</u>	<u>\$ 5,061,851</u>	<u>\$ 9,854,138</u>	<u>\$ 16,386,378</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gift donated to the permanent endowment. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as a deduction into the corresponding category of net assets. As of June 30, 2023 and 2022, there were no underwater endowments to report. Subsequent gains that restore the fair value of the endowment fund assets to the required level stipulated by the donor will be classified as increases in corresponding net assets category to the extent that the shortfalls were charged to the fund.

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**NOTE 20 DEVELOPMENTAL DISABILITIES ADMINISTRATION REVENUE AND EXPENSES**

Makom had total revenue and expenses from Developmental Disabilities Administration of \$18,464,203 and \$16,968,385, respectively, for the year ended June 30, 2023. Total revenue and expenses from Developmental Disabilities Administration were \$16,757,700 and \$15,786,933, respectively, for the year ended June 30, 2022.

**NOTE 21 SUBSEQUENT EVENTS**

In preparing the consolidated financial statements, Makom has evaluated events and transactions for potential recognition or disclosure through January 18, 2024, the date the consolidated financial statements were available to be issued. See Note 8 for the fiscal year ended June 30, 2023, subsequent event disclosure.

## **SUPPLEMENTARY INFORMATION**

**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A.: MAKOM**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**

<b>ASSETS</b>	<u>Makom</u>	<u>JFGH-E</u>	<u>Elimination</u>	<u>Consolidated Total</u>
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 5,675,607	\$ -	\$ -	\$ 5,675,607
Investments	4,192,091	17,474,261	-	21,666,352
Accounts Receivable, Net of Allowance	1,565,903	-	-	1,565,903
Grants Receivable	528,365	-	-	528,365
Due from Makom	-	8,783	(8,783)	-
Unconditional Promises to Give, Net of Allowance	156,637	-	-	156,637
Prepaid Expenses	243,260	-	-	243,260
Total Current Assets	<u>12,361,863</u>	<u>17,483,044</u>	<u>(8,783)</u>	<u>29,836,124</u>
<b>PROPERTY AND EQUIPMENT</b>				
NET OF ACCUMULATED DEPRECIATION	15,674,936	-	-	15,674,936
<b>LEASES</b>				
Right of Use Assets - Operating Leases	458,092	-	-	458,092
Right of Use Assets - Financing Leases	1,484,108	-	-	1,484,108
Total Leases	<u>1,942,200</u>	<u>-</u>	<u>-</u>	<u>1,942,200</u>
<b>OTHER ASSETS</b>				
Endowment Funds Held With Makom	14,603,065	-	(14,603,065)	-
Investment - 457(b) Plan Asset	672,996	-	-	672,996
Deposits	12,542	-	-	12,542
Total Other Assets	<u>15,288,603</u>	<u>-</u>	<u>(14,603,065)</u>	<u>685,538</u>
Total Assets	<u>\$ 45,267,602</u>	<u>\$ 17,483,044</u>	<u>\$ (14,611,848)</u>	<u>\$ 48,138,798</u>

**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
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**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2023**

<b>LIABILITIES AND NET ASSETS</b>	<u>Makom</u>	<u>JFGH-E</u>	<u>Elimination</u>	<u>Consolidated Total</u>
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 2,443,349	\$ -	\$ -	\$ 2,443,349
Due to State	5,156,666	-	-	5,156,666
Due to JFGH-E	8,783	-	(8,783)	-
Endowment Funds Held for Makom	-	14,603,065	(14,603,065)	-
Deferred Mortgage Payable, Current Portion	14,828	-	-	14,828
Lease Liability, Current Portion - Operating Leases	95,004	-	-	95,004
Lease Liability, Current Portion - Financing Leases	356,862	-	-	356,862
Total Current Liabilities	<u>8,075,492</u>	<u>14,603,065</u>	<u>(14,611,848)</u>	<u>8,066,709</u>
<b>LONG-TERM LIABILITIES</b>				
Deferred Grant Revenue	2,603,387	-	-	2,603,387
Lease Liability, Net of Current Portion - Operating Leases	369,477	-	-	369,477
Lease Liability, Net of Current Portion - Financing Leases	1,054,929	-	-	1,054,929
Deferred Compensation - 457(b) Plan Liability	672,996	-	-	672,996
Deferred Mortgages Payable	734,709	-	-	734,709
Security Deposits	16,559	-	-	16,559
Total Long-Term Liabilities	<u>5,452,057</u>	<u>-</u>	<u>-</u>	<u>5,452,057</u>
Total Liabilities	13,527,549	14,603,065	(14,611,848)	13,518,766
<b>NET ASSETS</b>				
Without Donor Restrictions:				
Undesignated	12,227,589	-	-	12,227,589
Board-Designated	4,281,250	-	-	4,281,250
Total Net Assets Without Donor Restrictions	<u>16,508,839</u>	<u>-</u>	<u>-</u>	<u>16,508,839</u>
With Donor Restrictions:				
Purpose and Time Restrictions	7,243,664	1,003,544	-	8,247,208
Perpetual in Nature	7,987,550	1,876,435	-	9,863,985
Total Net Assets With Donor Restrictions	<u>15,231,214</u>	<u>2,879,979</u>	<u>-</u>	<u>18,111,193</u>
Total Net Assets	<u>31,740,053</u>	<u>2,879,979</u>	<u>-</u>	<u>34,620,032</u>
Total Liabilities and Net Assets	<u>\$ 45,267,602</u>	<u>\$ 17,483,044</u>	<u>\$ (14,611,848)</u>	<u>\$ 48,138,798</u>

**JEWISH FOUNDATION FOR GROUP HOMES, INC. AND AFFILIATES**  
**D.B.A.: MAKOM**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**

	Makom			JFGH-E			Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>								
State Program Fees	\$ 21,370,765	\$ -	\$ 21,370,765	\$ -	\$ -	\$ -	\$ -	\$ 21,370,765
Contributions	2,000,807	1,060,051	3,060,858	-	-	-	(154,519)	2,906,339
Net Investment Return	745,907	1,404,973	2,150,880	-	305,776	305,776	-	2,456,656
Other Grants	1,907,009	-	1,907,009	-	-	-	-	1,907,009
Consumer Fees	602,152	-	602,152	-	-	-	-	602,152
Other Program Service Fees	292,759	-	292,759	-	-	-	-	292,759
Rental Income and Utilities Pass-Through	150,734	-	150,734	-	-	-	-	150,734
Other Income	44,776	-	44,776	-	15	15	(6,410)	38,381
Gain on Disposal of Property and Equipment	188,014	-	188,014	-	-	-	-	188,014
Total	27,302,923	2,465,024	29,767,947	-	305,791	305,791	(160,929)	29,912,809
Net Assets Released from Restriction	1,395,053	(1,395,053)	-	160,929	(160,929)	-	-	-
Total Revenues, Gains, and Other Support	28,697,976	1,069,971	29,767,947	160,929	144,862	305,791	(160,929)	29,912,809
<b>EXPENSES</b>								
Program Services:								
Residential Group Homes	17,754,375	-	17,754,375	-	-	-	-	17,754,375
In-Home Supports	1,574,767	-	1,574,767	-	-	-	-	1,574,767
MOST Program - Maryland and Virginia	1,910,800	-	1,910,800	-	-	-	-	1,910,800
MyPad	282,692	-	282,692	-	-	-	-	282,692
Other Programs	1,052,020	-	1,052,020	154,519	-	154,519	(154,519)	1,052,020
Total Program Services	22,574,654	-	22,574,654	154,519	-	154,519	(154,519)	22,574,654
Supporting Services:								
Management and General	3,129,273	-	3,129,273	6,410	-	6,410	(6,410)	3,129,273
Fundraising	786,410	-	786,410	-	-	-	-	786,410
Total Supporting Services	3,915,683	-	3,915,683	6,410	-	6,410	(6,410)	3,915,683
Total Expenses	26,490,337	-	26,490,337	160,929	-	160,929	(160,929)	26,490,337
<b>CHANGE IN NET ASSETS</b>	2,207,639	1,069,971	3,277,610	-	144,862	144,862	-	3,422,472
Net Assets - Beginning of Year	14,301,200	14,161,243	28,462,443	-	2,735,117	2,735,117	-	31,197,560
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 16,508,839</u>	<u>\$ 15,231,214</u>	<u>\$ 31,740,053</u>	<u>\$ -</u>	<u>\$ 2,879,979</u>	<u>\$ 2,879,979</u>	<u>\$ -</u>	<u>\$ 34,620,032</u>