JEWISH FAMILY AND CHILDREN'S SERVICES

Audited Financial Statements

Year Ended June 30, 2009

JEWISH FAMILY AND CHILDREN'S SERVICES

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Good & Fowler, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Daniel J. Harrington, CPA
Bruce J. Wright, CPA
Michael J. Ellingson, CPA

Independent Auditors' Report

Board of Directors
Jewish Family and Children's Services

We have audited the accompanying Statement of Financial Position of Jewish Family and Children's Services (a nonprofit organization) as of June 30, 2009, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of Jewish Family and Children's Services' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Jewish Family and Children's Services' 2008 financial statements, which were audited by other auditors, and in their report dated November 25, 2008, they expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family and Children's Services, as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2009, on our consideration of Jewish Family and Children's Services' 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Jewish Family and Children's Services taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basis financial statements taken as a whole.

Good & Fowler, LLP

November 11, 2009

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JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Financial Position
June 30, 2009
(With Comparative Totals at June 30, 2008)

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	$ 773,912	$ 91,409
Accounts Receivable		
(net of allowances of $216,822 and $188,728, respectively)	3,079,314	3,537,596
Bequests Receivable	1,091,549	591,965
Promises to Give, Net	836,919	597,053
Promises to Give, Restricted to Occupancy Rights	235,270	217,921
Grants Receivable	918,100	668,822
Prepaid Expenses and Deposits	417,807	331,166
Total Current Assets	7,352,871	6,035,932
NONCURRENT ASSETS		
Assets Held in Split-Interest Agreements	5,781,307	6,812,453
Promises to Give, Net	300,134	330,252
Promises to Give, Restricted to Occupancy Rights, Net	3,823,416	4,058,686
Bequests Receivable	794,751	1,169,751
Investments	10,248,913	12,067,435
Notes Receivable, Net	954,915	885,779
Property and Equipment, Net	28,022,577	27,090,944
Total Noncurrent Assets	49,926,013	52,415,300
Total Assets	$ 57,278,884	$ 58,451,232
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 367,610	$ 646,987
Accrued Expenses	3,863,756	1,897,233
Notes Payable	638,877	609,867
Total Current Liabilities	4,870,243	3,154,087
NONCURRENT LIABILITIES		
Accrued Expenses	4,286,941	3,142,843
Notes Payable	10,103,814	10,762,185
Liabilities Under Split-Interest Agreements	4,163,384	4,603,613
Total Noncurrent Liabilities	18,554,139	18,508,641
Total Liabilities	23,424,382	21,662,728
NET ASSETS		
Unrestricted	10,333,933	14,363,405
Temporarily Restricted	9,826,220	10,193,278
Permanently Restricted	13,694,349	12,231,821
Total Net Assets	33,854,502	36,788,504
Total Liabilities and Net Assets	$ 57,278,884	$ 58,451,232

See Notes to Financial Statements

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Activities
For the Year Ended June 30, 2009
(With Comparative Totals at June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
REVENUE					
Public Support					
Bequests	$ 798,890	$ -	$ -	$ 798,890	$ 2,171,649
Grants and Contributions	7,203,943	2,148,039	1,667,603	11,019,585	8,548,398
In-Kind Contributions	338,010	-	-	338,010	354,892
Special Events Revenue, Net	428,123	-	-	428,123	396,111
Change in Value of Split-Interest Agreements	(332,600)	-	-	(332,600)	(164,284)
Income from Trusts	111,991	-	-	111,991	474,472
Total Public Support	8,548,357	2,148,039	1,667,603	12,363,999	11,781,238
Other Gains and Losses					
Program Service Fees	18,475,001	-	-	18,475,001	18,636,525
Dividends and Interest on Investments, Net	24,210	171,403	-	195,613	316,677
Gain (Loss) on Sale of Investments	(312,218)	(898,586)	-	(1,210,804)	529,108
Market Value Adjustments - Investments	59,122	(538,774)	-	(479,652)	(1,088,232)
Interest Income on Loans	-	4,638	6,745	11,383	11,342
(Loss) on Disposal of Assets	(7,639)	-	-	(7,639)	(3,889)
Rental Income - Net	(123,351)	-	-	(123,351)	(139,326)
Miscellaneous Revenue	92,277	-	-	92,277	85,950
Total Other Gains and Losses	18,207,402	(1,261,319)	6,745	16,952,828	18,348,155
Total Revenue	26,755,759	886,720	1,674,348	29,316,827	30,129,393
NET ASSETS RELEASED FROM RESTRICTION					
Satisfaction of Program Restrictions	3,133,270	(2,921,450)	(211,820)	-	-
EXPENSES					
Program Services	26,418,133	-	-	26,418,133	26,373,848
Support Services	4,462,355	-	-	4,462,355	4,224,172
Total Expenses	30,880,488	-	-	30,880,488	30,598,020
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	(991,459)	(2,034,730)	1,462,528	(1,563,661)	(468,627)
Discontinued Operations - Net	-	-	-	-	(755,061)
Change in Defined Benefit Pension Plan Liability	(1,370,341)	-	-	(1,370,341)	-
Reclassification Based on Change in Law	(1,667,672)	1,667,672	-	-	-
CHANGE IN NET ASSETS	(4,029,472)	(367,058)	1,462,528	(2,934,002)	(1,223,688)
NET ASSETS, Beginning of Year	14,363,405	10,193,278	12,231,821	36,788,504	38,012,192
NET ASSETS, End of Year	$ 10,333,933	$ 9,826,220	$ 13,694,349	$ 33,854,502	$ 36,788,504

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Functional Expenses
For the Year Ended June 30, 2009
(With Comparative Totals at June 30, 2008)

	Program Services						Support Services				
	Children and Families	Older Adults	Social Enterprise Center	Refugees	Adults	Total	Management and General	Development and Publicity	Total	Total 2009	Total 2008
Personnel Costs											
Salaries and Wages	$ 3,417,600	$ 8,582,766	$ 642,076	$ 2,005,418	$ 1,158,665	$ 15,806,525	$ 1,167,949	$ 1,258,442	$ 2,426,391	$ 18,232,916	$ 18,893,207
Employee Benefits	289,933	1,002,200	101,264	238,306	91,901	1,723,604	102,832	82,585	185,417	1,909,021	1,832,055
Payroll Taxes	261,779	684,665	51,974	152,277	83,304	1,233,999	78,572	93,583	172,155	1,406,154	1,611,363
Pension Plan	182,227	219,381	12,227	134,031	67,345	615,211	411,477	77,420	488,897	1,104,108	913,697
Workers' Compensation Insurance	9,226	121,763	23,230	5,384	3,054	162,657	2,671	3,573	6,244	168,901	437,808
Total Personnel Costs	4,160,765	10,610,775	830,771	2,535,416	1,404,269	19,541,996	1,763,501	1,515,603	3,279,104	22,821,100	23,688,130
Nonpersonnel Costs											
Occupancy	505,471	458,181	47,207	185,709	288,054	1,484,622	154,300	168,959	323,259	1,807,881	2,304,032
Professional Fees	397,066	228,683	39,264	243,678	66,060	974,751	123,442	204,095	327,537	1,302,288	1,269,243
Assistance to Individuals	146,708	337,486	-	258,917	583,056	1,326,167	-	-	-	1,326,167	1,046,837
Depreciation	392,807	302,951	15,971	218,226	164,674	1,094,629	39,634	44,923	84,557	1,179,186	1,128,542
Transportation	63,170	112,568	30,253	175,662	7,670	389,323	5,498	2,199	7,697	397,020	353,760
Supplies	92,808	101,930	50,116	57,969	20,893	323,716	11,666	17,341	29,007	352,723	432,264
Insurance	52,491	85,132	29,389	69,017	23,594	259,623	44,733	12,417	57,150	316,773	304,310
Printing and Publications	49,605	16,219	4,709	9,942	4,153	84,628	8,782	99,638	108,420	193,048	160,649
Publicity	68,130	80,625	2,841	4,940	6,211	162,747	614	19,965	20,579	183,326	249,290
Telephone	49,651	59,909	5,531	20,301	23,974	159,366	12,651	9,469	22,120	181,486	214,148
Donor-Advised Grants	175,080	-	-	-	-	175,080	-	-	-	175,080	221,750
Conferences and Meetings	63,027	8,669	188	10,012	6,388	88,284	45,770	3,562	49,332	137,616	139,112
Equipment Rental and Maintenance	42,161	44,468	9,898	15,737	10,860	123,124	6,557	7,554	14,111	137,235	114,414
Postage and Shipping	42,562	23,761	1,449	6,942	6,428	81,142	8,272	34,818	43,090	124,232	116,376
Interest	-	1	432	-	-	433	86,789	-	86,789	87,222	101,079
Bad Debts	2,037	47,107	19,335	-	600	69,079	1,108	-	1,108	70,187	73,652
Dues	14,412	14,639	582	7,444	4,588	41,665	4,478	3,054	7,532	49,197	49,118
Recruitment	3,081	31,517	2,444	221	495	37,758	496	467	963	38,721	56,565
Total Nonpersonnel Costs	2,160,267	1,953,846	259,609	1,284,717	1,217,698	6,876,137	554,790	628,461	1,183,251	8,059,388	8,335,141
Subtotal	6,321,032	12,564,621	1,090,380	3,820,133	2,621,967	26,418,133	2,318,291	2,144,064	4,462,355	30,880,488	32,023,271
Less: Discontinued Operations	-	-	-	-	-	-	-	-	-	-	(1,425,251)
Total Continuing Expenses	$ 6,321,032	$ 12,564,621	$ 1,090,380	$ 3,820,133	$ 2,621,967	$ 26,418,133	$ 2,318,291	$ 2,144,064	$ 4,462,355	$ 30,880,488	$ 30,598,020

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Cash Flows
For the Year Ended June 30, 2009
(With Comparative Totals at June 30, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (2,934,002)	$ (1,223,688)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities		
Depreciation	1,227,362	1,176,654
Loss on Disposal of Assets	7,639	3,889
(Gain) Loss on Sale of Investments	1,210,804	(600,168)
Market Value Adjustments - Investments	479,652	1,159,292
Permanently Restricted Contributions	(1,667,603)	(985,820)
Amortization of Discount	217,921	201,038
Actuarial Changes in Split-Interest Agreements	590,917	(1,724)
Noncash Contributions	(950,000)	-
Pension Liability Adjustment	1,370,341	-
(Increase) Decrease in Operating Assets		
Accounts Receivable	458,282	(915,655)
Bequests Receivable	(124,584)	912,884
Promises to Give	(209,748)	(201,989)
Grants Receivable	(249,278)	580,046
Prepaid Expense and Deposits	(86,641)	230,122
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(279,377)	9,704
Accrued Expenses	790,280	1,020,065
Net Cash Provided (Used) by Operating Activities	(148,035)	1,364,650
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	4,744,627	12,311,440
Purchase of Investments	(4,616,561)	(13,454,186)
Proceeds from Sale of Property	-	36,231
Purchase of Property and Equipment	(266,634)	(3,073,494)
Net Principal (Advanced) on Notes Receivable	(69,136)	(38,618)
Net Cash (Used) by Investing Activities	(207,704)	(4,218,627)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently Restricted Contributions	1,667,603	985,820
New Borrowings	-	1,870,000
Principal Paid on Debt	(629,361)	(683,059)
Net Cash Provided by Financing Activities	1,038,242	2,172,761
NET INCREASE (DECREASE) IN CASH	682,503	(681,216)
CASH, Beginning of Year	91,409	772,625
CASH, End of Year	$ 773,912	$ 91,409
SUPPLEMENTAL DISCLOSURES		
Operating Activities include cash paid for interest of:	$ 706,816	$ 815,916

See Notes to Financial Statements

1. Organization

Jewish Family and Children's Services (JFCS) is a not-for-profit organization that provides comprehensive social services to children, adults, and the elderly, as well as immigration and resettlement services, in a geographic area from Mountain View to Santa Rosa, California.

2. Summary of Significant Accounting Policies

Basis of Presentation – Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, JFCS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash and all highly liquid investments with original maturities of three months or less at date of purchase.

Accounts Receivable – Accounts Receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends.

Contributions, Grants and Bequests Receivable – Contribution and Grants Receivable consist of unconditional promises to give. Unconditional promises to give are recognized as revenues or gains in the period received provided that they are to be paid within one year. Unconditional promises to give that are expected to be collected in excess of one year are recorded at the net present value of their estimated future cash flows. The discounts on these amounts are computed using rates applicable to the number of years the contribution is expected to remain outstanding. Amortization of the discounts is included in contributed income. Conditional promises to give are not recorded as revenue until the conditions are substantially met. Bequests Receivable are recorded based on estimates of the expected estate settlement amount.

2. Summary of Significant Accounting Policies (continued)

Investments – Investments are stated at their fair market value based on quoted market prices. Investments received by donation are recorded at their fair market value on the date received. Net realized and unrealized gains and losses are reflected as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by the donor.

Property and Equipment – JFCS capitalizes expenditures for property and equipment in excess of $1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets. Maintenance and repairs are charged to expense as incurred.

Donated Facilities and Services – The financial statements reflect $338,010 of donated occupancy rights for the year ended June 30, 2009. Donated services are recognized when the services received either (a) create or enhance a nonfinancial asset or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. JFCS pays for most services requiring specific expertise.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statement of Functional Expenses. Certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – JFCS is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. JFCS qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Comparative Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly such information should be read in conjunction with JFCS' financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

3. Concentration of Credit Risk

JFCS maintains cash balances at several financial institutions located in the San Francisco Bay Area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 or by the Securities Investor Protection Corporation (SIPC) up to $500,000. Moreover, JFCS' principal bank, First Republic Bank, takes part in the FDIC's Transaction Account Guarantee Program, which provides unlimited deposit insurance coverage for non-interest bearing accounts until December 31, 2009. Because of this program, JFCS had no uninsured cash balances at June 30, 2009.

Investments are exposed to various risks, including interest rate, credit, and overall market volatility. To address the risk of investments, JFCS maintains a formal investment policy that sets out performance criteria, investment guidelines, asset allocation guidelines and requires review of the investment manager's performance. Investments are managed by multiple investment managers, who have responsibility for investing the funds in various investment classes. The investment managers and overall asset allocation are overseen by an Investment Committee that includes members and non-members of the Board of Directors.

4. Promises to Give

Receivable in less than one year	$ 974,419
Receivable in one to five years	250,000
Receivable in more than five years	100,000
Total unconditional promises to give	1,324,419
Less: discounts to net present value	(49,866)
Less: reserve for uncollectible pledges	(137,500)
Net unconditional promises to give	$ 1,137,053

Promises to give to be received after June 30, 2009 are discounted at 3.53%.

5. Promises to Give – Occupancy Rights and Scott Street Senior Housing Complex, Inc.

In 1998, JFCS entered into an agreement with Mount Zion Health Systems (MZHS) to form a separate corporate entity called Scott Street Senior Housing Complex, Inc. (SSSHC) for the purpose of creating an assisted living facility, now operating as Rhoda Goldman Plaza. SSSHC was incorporated September 14, 2000. The Articles of Incorporation of SSSHC stipulate that should the corporation cease operations, its assets, after payment of liabilities, shall be distributed in equal proportion to JFCS and MZHS.

Under the agreement, JFCS contributed real property in exchange for occupancy rights for office space in the new facility. The fair market value of the occupancy rights as of the date of the agreement has been recognized as an asset in the Statement of Financial Position. The agreement includes a buyout provision. The buyout amount is based on the initial fair market value and reduced each year over the initial 20 years of the lease using an 8% discount rate for the amortization. For the year ended June 30, 2009, JFCS recorded occupancy costs of $555,930, an in-kind contribution of $338,010, and the amortization of the discount of the asset of $217,920. The agreement also included an allowance for costs associated with dislocation and relocation of JFCS during the construction phase of the project which has been recorded as a liability in the Statement of Financial Position, $592,454 as of June 30, 2009. Amortization of this allowance of $49,370 for the year ended June 30, 2009 has been recorded as a credit against occupancy costs.

5. **Promises to Give – Occupancy Rights and Scott Street Senior Housing Complex, Inc. (continued)**

Receivable in less than one year	$ 235,270
Receivable in one to five years	2,779,650
Receivable in more than five years	2,825,979
Total unconditional promises to give	5,840,899
Less: discounts to net present value	(1,782,213)
Net unconditional promises to give	$ 4,058,686

Promises to give to be received after June 30, 2009 are discounted at 8% based on the amortization schedule in the agreement.

6. **Investments**

Equity securities	$ 6,773,871
Mutual funds	4,233,987
Money market accounts	2,974,452
Government securities	1,165,622
Property	813,000
Corporate debt	53,094
Other	16,194
Total	$ 16,030,220

Investments are recorded on the Statement of Financial Position at June 30, 2009 as follows:

Assets held under split-interest agreements	$ 5,781,307
Investments	10,248,913
Total	$ 16,030,220

Investment fees for the year ended June 30, 2009 were $99,545.

JFCS maintains a diversified portfolio, subject to an investment policy. The policy requires asset allocation among several asset classes, and the portfolio is monitored by the Investment Committee and Board of Directors.

7. Notes Receivable

Notes receivable are primarily low interest student loans. The loans can be repaid at any time before graduation without interest. Upon graduation, the loans begin to accrue interest. The loan period is typically four to seven years with interest rates ranging between 1.95% and 6.75%. The allowance is estimated from historical performance and projections of trends. Notes receivable at June 30, 2009 consist of the following:

Notes receivable	$ 1,187,164
Allowance for uncollectible loans	(232,249)
Notes receivable – net	$ 954,915

8. Property and Equipment

Buildings	$ 21,778,910
Land	8,153,677
Furniture and fixtures	3,506,151
Leasehold improvements	2,342,241
Computer equipment	1,194,887
Vehicles	915,370
Web site	271,900
	38,163,136
Less: accumulated depreciation	(10,140,559)
Property and equipment – net	$ 28,022,577

Depreciation expense for the year ended June 30, 2009 was $1,227,362.

9. Accrued Expenses

Current	
Accrued pension expenses	$ 1,660,596
Accrued expenses	1,106,470
Accrued compensation	1,031,614
Relocation costs	53,169
Accrued uninsured obligation	11,907
Total current	3,863,756
Noncurrent	
Accrued pension expenses	2,325,947
Accrued expenses	950,000
Relocation costs	539,285
Accrued uninsured obligation	471,709
Total noncurrent	4,286,941
Total	$ 8,150,697

10. Notes Payable

First Republic Bank, secured by real property, fixed interest rate of 7%, principal and interest payments of $25,078, due August 2016	$ 3,436,398
First Republic Bank, secured by real property, interest variable at the 11th District COFI plus 2.35% (4% at June 30, 2009), $20,289 principal and interest payments calculated monthly, due October 2014	2,912,845
First Republic Bank, secured by real property, monthly payments of $12,316 including interest at 6.9%, due September 2014	1,662,896
First Republic Bank, secured by personal property, interest fixed at 6.4%, principal payments of $22,262 plus interest calculated monthly, due November 2014	1,447,026

10. Notes Payable (continued)

Wells Fargo Bank, secured by real property, interest variable at 2% over the weekly average on U.S. Treasury Securities (3.45% at June 30, 2009), monthly payments of $7,416 including interest, due May 2011	$	986,761
Wells Fargo Bank, secured by real property, monthly payments of $5,150 including interest at 8.925%, due October 2012		171,765
First Republic Bank, secured by personal property, interest variable at the bank's prime rate minus .5% (2.75% at June 30, 2009), principal payments of $8,333 plus interest calculated monthly, due September 2010		125,000
Total		10,742,691
Less: Current Portion		(638,877)
Long-Term Debt	$	10,103,814

Maturities of long-term debt are as follows:

Fiscal year ended June 30,		
2010	$	638,877
2011		1,505,335
2012		545,539
2013		501,816
2014		508,254
Thereafter		7,042,870
Total	$	10,742,691

Interest expense of $708,732 for the year ended June 30, 2009, with $143,224 included in Rental Income-Net in the Statement of Activities and $478,286 included with Occupancy Expense in the Statement of Functional Expenses.

11. Temporarily Restricted Net Assets

Loan and Grant Funds	$ 2,267,403
Grants and Contributions	966,520
Pledges Receivable	1,137,052
Split Interest Agreements	1,396,559
Facilities Use	4,058,686
Total	$ 9,826,220

12. Permanently Restricted Net Assets and Donor-Designated Endowment

JFCS' endowment consists of approximately 260 donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

JFCS' financial statements for the year ended June 30, 2009 reflect implementation of the California Uniform Management of Institutional Funds Act (UPMIFA) and "Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act", the Financial Accounting Standards Boards Statement of Staff Position 117-1.

JFCS' Board of Directors has interpreted 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, JFCS 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 fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by JFCS in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, JFCS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investment, (6) other resources of the Agency, and (7) the Agency's investment policies.

12. Permanently Restricted Net Assets and Donor-Designated Endowment (continued)

The JFCS Board of Directors has adopted investment and spending policies for endowment assets that are intended to provide a predictable stream of funding to programs supported by the Agency's endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, it is the goal of the aggregate endowment fund assets (excluding assets segregated for split-interest gifts) to meet or exceed a real rate of return (inflation-adjusted) of 4% after fees and costs, but before annual spending.

Actual returns in any given year may vary from this amount. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

JFCS' Board of Directors has also adopted a policy of appropriating for distribution each year no more than the weighted average of 70% of the previous year's appropriation and 30% of 4% of the current market value of endowment assets.

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 Agency to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $1,439,123 as of June 30, 2009. These deficiencies resulted from recent unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2008. The Board of Directors will reduce annual appropriations as needed in subsequent years until any deficiency has been eliminated.

Endowment net asset composition by type of fund as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,439,124)	$ 2,267,403	$ 13,694,349	$ 14,522,628
Board-designated endowment funds	-	-	-	-
Total	$ (1,439,124)	$ 2,267,403	$ 13,694,349	$ 14,522,628

12. Permanently Restricted Net Assets and Donor-Designated Endowment (continued)

Change in endowment net assets for the fiscal year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	$ 1,667,672	$ 2,730,301	$ 12,231,821	$ 16,629,794
Net asset reclassification based on change in law	(1,667,672)	1,667,672	-	-
Balance after reclassification	-	4,397,973	12,231,821	16,629,794
Investment return				
Investment income	-	230,521	6,745	237,266
Net (depreciation)	-	(1,437,503)	-	(1,437,503)
Investment expenses	-	(54,303)	-	(54,303)
Total investment return	-	(1,261,285)	6,745	(1,254,540)
Contributions	-	44,465	1,667,603	1,712,068
Appropriation of endowment assets for expenditure				
Appropriation for Financial Aid Center Awards and Operations	-	(263,374)	-	(263,374)
Appropriation for Agency Operations	-	(650,376)	-	(650,376)
Total	-	(913,750)	-	(913,750)
Other changes				
Transfer for unrestricted net assets to unrestricted endowment net assets to cover deficiency	(1,439,124)	-	-	(1,439,124)
Change in value of net beneficial interest in CRT's dedicated to endowment	-	-	(211,820)	(211,820)
End of year	$ (1,439,124)	$ 2,267,403	$ 13,694,348	$ 14,522,628

13. Retirement Plans

JFCS is one of fourteen organizations that jointly contribute to a single defined benefit plan, the retirement plan of the Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties, and Affiliated Agencies (the Plan). The assets and liabilities of the Plan are not attributed to participating employers on an actuarial basis and actuarial information for individual organizations is not determined. The annual pension expense is allocated among the participating employers on the basis of total annual salaries of covered employees subject to ERISA limits but without regard to the ages or lengths of work experience of the participants' employees. Contributions made during the fiscal year ending June 30, 2009 totaled $293,699.

Plan officials elected to freeze the plan as of December 31, 2007. JFCS' share of the unfunded liability of the Plan computed on a termination basis as required by ERISA and IRS regulations was $1,047,363 as of that date. As of December 31, 2008, JFCS' share of the unfunded liability of the plan had grown to $2,221,898. The increase was almost entirely due to investments losses occurring near the end of 2008. Management believes that the liability has not increased materially between December 31, 2008 and June 30, 2009, the date of these financial statements. The liability has been recorded in the Statements of Financial Position of the Agency. Plan officials maintain a diversified portfolio subject to an investment policy that requires asset allocation among several asset classes. The portfolio is monitored by an investment committee, and outside investment counsel, and the board of directors of the Plan's sponsor.

JFCS maintains a supplemental retirement plan covering a select group of employees. The supplemental plan has been organized as a nonqualified plan under IRS section 457(f). As such the employees' deferred compensation is subject to substantial risk of forfeiture. JFCS records the assets and liabilities for the plan in the Statement of Financial Position. Contributions to the 457(f) made during the year ended June 30, 2009 totaled $84,897.

As of January 1, 2008, JFCS employees can also elect to participate in a defined contribution plan organized as a qualified plan under IRS section 403(b). The plan allows employees to defer a portion of their earnings. Eligible employees also receive an employer contribution. Under terms of the plan, the employer portion is funded subsequent to the end of each calendar year. JFCS records the employer share as pension expense in the Statement of Activities. Pension expense for the 403(b) defined contribution plan was $1,008,212 for the year ended June 30, 2009.

14. Donor-Advised Funds

Unrestricted net assets include $769,689 of donor-advised funds at June 30, 2009. Although grant recommendations are accepted from the donors or other advisors of these funds, JFCS has variance power; that is, the ultimate discretion of the use of these funds lies with the Board of Directors. Thus, such funds represent unrestricted net assets to JFCS. Grants from donor-advised funds are included in Program Services expenses.

During the fiscal year ended June 30, 2009, donor-advised funds activity was as follows:

Balance, beginning of year	$ 916,175
Contributions to donor-advised funds	228,863
Grants from donor-advised funds to JFCS	(200,269)
Grants from donor-advised funds to others	(175,080)
Balance, end of year	$ 769,689

15. Lease Agreements

JFCS is obligated under various operating lease agreements for program facilities. The leases expire at various times from 2009 to 2040. Rental expense under these leases for the fiscal year ended June 30, 2009 was $248,695. Future minimum lease commitments are as follows:

Fiscal year ended June 30,	
2010	$ 244,950
2011	246,445
2012	247,985
2013	249,571
2014	222,743
Thereafter	2,370,660
Total	$ 3,582,354

16. Split-Interest Agreements

JFCS is the residual beneficiary of a number of split-interest agreements. These include charitable remainder trusts (CRT), charitable gift annuities (CGA), and pooled income funds (PIF). Assets held in split-interest agreements are recognized at estimated fair value with a corresponding liability to beneficiaries. JFCS' net beneficial interest in the split-interest agreements is the difference between the assets and the liabilities. The net beneficial interest is included in temporarily and permanently restricted net assets and is shown as a release from temporarily restricted net assets when the non-charitable beneficiaries' interest in the agreement expires. JFCS reports contribution from split-interest agreements and the change in valuation of split-interest agreements separately in its Statement of Activities. Investment income and realized and unrealized gains and losses are recorded as a change in the value of split-interest agreements for CRT and PIF agreements. For CGA agreements, income and realized and unrealized gains and losses are recorded separately in the Statement of Activities.

A CRT provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term. At the end of the term of the trust, the remaining assets are available for JFCS' use. On an annual basis, JFCS revalues the liability to make distributions to designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 6% and the gender-based 1994 Group Annuity Mortality Tables (GAM94) published by the Society of Actuaries.

A CGA is an arrangement between a donor and JFCS in which the donor contributes assets to JFCS in exchange for a promise from JFCS to pay a fixed amount for a specified period of time. The present value of the estimated future payments is calculated using a discount rate of 6% and the gender-based 1994 Group Annuity Mortality Tables (GAM94) published by the Society of Actuaries. The California State Department of Insurances licenses JFCS to issue CGAs, which are regulated as insurance products. The State requires that an invested reserve be maintained that is calculated based on the terms of the CGA. The invested reserve is subject to certain portfolio restrictions. Investments must be in marketable securities and there are limitations on the total value of foreign investments that may be included in the portfolio. The total reserve requirements as of June 30, 2009 was $1,712,122.

16. Split-Interest Agreements

PIFs are arrangements whereby donors' gifts are invested and pooled together, and each donor is assigned a relative number of units in the pool. Until the donor's death, the donor is paid the actual investment income earned on the donor's units of the pooled income fund. Upon the donor's death, the value of the donor's units reverts to JFCS. The present value of the estimated future payments is calculated using a discount rate of 6%, the gender-based 1994 Group Annuity Mortality Tables (GAM94) published by the Society of Actuaries, and an estimated average annual investment return of 5%.

The following is a summary of assets held in split-interest agreements as of and for the year ended June 30, 2009:

Beginning of year	$ 6,812,453
Additions	20,000
Income (loss)	(674,218)
Payments to beneficiaries	(376,928)
End of year	$ 5,781,307

The liability for the present value of the estimated future payments is $4,163,384 as of June 30, 2009.

17. Subsequent Events

Management has reviewed subsequent events through November 11, 2009, the date which the financial statements were available to be issued, and a determined that one reportable subsequent event occurred.

On August 31, 2009, JFCS opened a revolving line of credit with First Republic Bank in the amount of $2,000,000, secure by real property. Outstanding balances on the line accrue interest at the greater of the issuing bank's prime rate plus .25%. or 5.00% per annum. The current interest rate is 5.00%. JFCS is obligated to pay interest in full on a monthly basis and to pay the principal in full by the maturing date, August 15, 2010.

JEWISH FAMILY AND CHILDREN'S SERVICES
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Granting Agency	Program Title	Federal CFDA Number	Pass-Through Grantor	Pass-Through Number	Federal Expenditures
Department of Health and Human Services	Medical Assistance Program - Multipurpose Senior Services Program	93.778	Department of Aging - State of California	MS-0809-26	$ 385,563
Department of Health and Human Services - Administration for Children and Families	Temporary Assistance for Needy Families	93.558	California Department of Social Services	07-3006	162,599
Department of Education	Adult Education State Grant Program	84.002	California Department of Education - Secondary, Postsecondary, and Adult Leadership Division	N/A	113,771
Department of Agriculture	Child and Adult Care Food Program	10.558	California Department of Education, Nutrition Services Division	5183-1N / V316-00	116,406
Federal Transit Authority	LIFT Funds	20.505	Metropolitan Transportation Commission	n/a	60,311
Office of Homeland Security	Homeland Security Grant Program		Governor's Office of Homeland Security	Grant #2005-15, OES ID #075-90539	60,307
United States Department of Housing and Urban Development (HUD			Housing Authority of the County of Marin (MHA)	Resident Support Project	53,734
Department of Health and Human Services - Administration for Children and Families	Temporary Assistance for Needy Families	93.558	Sonoma WORKS	3-0809-1FL/ 3-0809-1TX	31,000
Department of Health and Human Services	Head Start	93.600	Institute for Human and Social Development, Inc.	n/a	30,250
Department of Health and Human Services - Office of Refugee Resettlement for Children and	Refugee and Entrant Assistance Voluntary Agency Programs	19.510	Hebrew Immigrant Aid Society	SPRMCO08CA005	6,818
Department of Justice Office of Violence Against Women	Elder Abuse Training Grant				6,023
United States Department of Housing and Urban Development (HUD	Fair Housing of Marin (FHOM)		Fair Housing of Marin (FHOM)	n/a	1,000
					$ 1,027,782

The schedule of expenditures of federal awards includes the federal grant activity of Jewish Family and Children's Services and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Good & Fowler, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Daniel J. Harrington, CPA
Bruce J. Wright, CPA
Michael J. Ellingson, CPA

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*

Board of Directors
Jewish Family and Children's Services

We have audited the financial statements of Jewish Family and Children's Services as of and for the year ended June 30, 2009, and have issued our report thereon dated November 11, 2009. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jewish Family and Children's Services' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jewish Family and Children's Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jewish Family and Children's Services' internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jewish Family and Children's Services' financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Good & Fowler LLP

November 11, 2009

Good & Fowler, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Daniel J. Harrington, CPA
Bruce J. Wright, CPA
Michael J. Ellingson, CPA

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Directors
Jewish Family and Children's Services

Compliance

We have audited the compliance of Jewish Family and Children's Services with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Jewish Family and Children's Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jewish Family and Children's Services' management. Our responsibility is to express an opinion on Jewish Family and Children's Services' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jewish Family and Children's Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Jewish Family and Children's Services' compliance with those requirements.

In our opinion, Jewish Family and Children's Services complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 (Continued)

Internal Control Over Compliance

The management of Jewish Family and Children's Services is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jewish Family and Children's Services' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Jewish Family and Children's Services' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 11, 2009

Good & Fowler LLP

JEWISH FAMILY AND CHILDREN'S SERVICES
Schedule of Findings and Questioned Costs
June 30, 2009

<u>Section I – Summary of Auditor's Results</u>

Financial Statements

Type of auditor's report issued:	*unqualified*	
Internal control over financial reporting:		
• Material weaknesses identified?	___ yes	_X_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	___ yes	_X_ none reported
Noncompliance material to financial statements noted?	___ yes	_X_ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	___ yes	_X_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	___ yes	_X_ none reported
Type of auditor's report issued on compliance for major programs:	*unqualified*	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	___ yes	_X_ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
#93.778	U.S. Department of Aging Medical Assistance Program Multipurpose Senior Services Program

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000	
Audited qualified as low-risk auditee:	_X_ yes	___ no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Status of Prior Year Findings

No prior year audit findings.