

**JEWISH FAMILY AND
CHILDREN'S SERVICES**

FINANCIAL STATEMENTS

Year Ended June 30, 2011

JEWISH FAMILY AND CHILDREN'S SERVICES

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CERTIFIED PUBLIC ACCOUNTANTS

Partners

Daniel J. Harrington, CPA

Bruce J. Wright, CPA

Michael J. Ellingson, CPA

Principal

Mitchell Richstone, CPA

Independent Auditors' Report

To the 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, 2011, 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' 2010 financial statements, in our report dated October 22, 2010; we 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, 2011, 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.

Independent Auditors' Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



November 18, 2011

JEWISH FAMILY & CHILDREN'S SERVICES

Statement of Financial Position

June 30, 2011

(With Comparative Totals at June 30, 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 415,347	\$ 1,046,248
Accounts Receivable (net of allowances of \$144,999 and \$180,071)	2,542,407	3,171,150
Promises to Give, Net	2,056,087	1,408,401
Promises to Give, Restricted to Occupancy Rights	277,472	255,977
Grants Receivable	1,832,170	1,029,388
Bequests Receivable	2,553,887	5,021,000
Prepaid Expenses and Deposits	<u>392,152</u>	<u>326,985</u>
Total Current Assets	<u>10,069,522</u>	<u>12,259,149</u>
NONCURRENT ASSETS		
Promises to Give, Net	276,048	490,159
Promises to Give, Restricted to Occupancy Rights, Net	3,289,967	3,567,438
Bequests Receivable	794,751	794,751
Notes Receivable, Net	927,974	853,726
Assets Held in Split-Interest Agreements	6,782,715	6,480,568
Investments	19,718,472	15,109,620
Property and Equipment, Net	<u>26,456,338</u>	<u>27,091,812</u>
Total Noncurrent Assets	<u>58,246,265</u>	<u>54,388,074</u>
Total Assets	<u>\$ 68,315,787</u>	<u>\$ 66,647,223</u>

JEWISH FAMILY & CHILDREN'S SERVICES

Statement of Financial Position

June 30, 2011

(With Comparative Totals at June 30, 2010)

(Continued)

	<u>2011</u>	<u>2010</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 533,434	\$ 300,991
Accrued Expenses	4,031,245	4,628,630
Line of Credit	300,000	500,000
Notes Payable	<u>566,348</u>	<u>1,496,377</u>
Total Current Liabilities	<u>5,431,027</u>	<u>6,925,998</u>
NONCURRENT LIABILITIES		
Accrued Expenses	5,411,833	3,633,984
Notes Payable	8,493,780	8,104,796
Liabilities Under Split-Interest Agreements	<u>4,891,217</u>	<u>4,787,478</u>
Total Noncurrent Liabilities	<u>18,796,830</u>	<u>16,526,258</u>
Total Liabilities	<u>24,227,857</u>	<u>23,452,256</u>
NET ASSETS		
Unrestricted	8,997,820	12,873,446
Temporarily Restricted	12,626,101	10,633,312
Permanently Restricted	<u>22,464,009</u>	<u>19,688,209</u>
Total Net Assets	<u>44,087,930</u>	<u>43,194,967</u>
Total Liabilities and Net Assets	<u>\$ 68,315,787</u>	<u>\$ 66,647,223</u>

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Activities
Year Ended June 30, 2011
(With Comparative Totals at June 30, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
REVENUE					
Public Support					
Bequests	\$ 1,023,984	\$ -	\$ -	\$ 1,023,984	\$ 10,249,646
Grants and Contributions	6,275,567	2,831,711	2,712,463	11,819,741	11,353,265
In-Kind Contributions	299,953	-	-	299,953	322,491
Special Events Revenue, Net	238,803	-	-	238,803	106,291
Change in Value of Split-Interest Agreements	97,425	-	56,339	153,764	(351,731)
Income from Trusts	75,291	-	-	75,291	47,319
Total Public Support	<u>8,011,023</u>	<u>2,831,711</u>	<u>2,768,802</u>	<u>13,611,536</u>	<u>21,727,281</u>
Other Revenue, Gains and (Losses)					
Program Service Fees	16,727,868	-	-	16,727,868	17,271,782
Dividends and Interest on Investments, Net	10,075	340,277	-	350,352	178,229
Gain on Sale of Investments	199,253	464,005	-	663,258	156,863
Market Value Adjustments - Investments	(56,221)	1,320,585	-	1,264,364	271,056
Interest Income on Loans	-	7,745	6,998	14,743	12,772
Rental Income, Net	(101,539)	-	-	(101,539)	(64,226)
Miscellaneous Revenue	76,812	-	-	76,812	82,574
Total Other Revenue Gains and (Losses)	<u>16,856,248</u>	<u>2,132,612</u>	<u>6,998</u>	<u>18,995,858</u>	<u>17,909,050</u>
Total Revenue	<u>24,867,271</u>	<u>4,964,323</u>	<u>2,775,800</u>	<u>32,607,394</u>	<u>39,636,331</u>
NET ASSETS RELEASED FROM RESTRICTION					
Satisfaction of Program Restrictions	<u>2,971,534</u>	<u>(2,971,534)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES					
Program Services	25,353,669	-	-	25,353,669	25,792,107
Support Services	4,367,632	-	-	4,367,632	4,503,759
Total Expenses	<u>29,721,301</u>	<u>-</u>	<u>-</u>	<u>29,721,301</u>	<u>30,295,866</u>
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	(1,882,496)	1,992,789	2,775,800	2,886,093	9,340,465
Change in Defined Benefit Pension Plan Liability	(2,333,116)	-	-	(2,333,116)	-
Change in Workers Compensation Liability	<u>339,986</u>	<u>-</u>	<u>-</u>	<u>339,986</u>	<u>-</u>
CHANGE IN NET ASSETS	(3,875,626)	1,992,789	2,775,800	892,963	9,340,465
NET ASSETS, Beginning of Year	<u>12,873,446</u>	<u>10,633,312</u>	<u>19,688,209</u>	<u>43,194,967</u>	<u>33,854,502</u>
NET ASSETS, End of Year	<u>\$ 8,997,820</u>	<u>\$ 12,626,101</u>	<u>\$ 22,464,009</u>	<u>\$ 44,087,930</u>	<u>\$ 43,194,967</u>

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Functional Expenses
Year Ended June 30, 2011
(With Comparative Totals at June 30, 2010)

	Program Services						Support Services			Total 2011	Total 2010
	Children and Families	Older Adults	Social Enterprise Center	Refugees	Adults	Total	Management and General	Development and Publicity	Total		
Personnel Costs											
Salaries and Wages	\$ 3,813,170	\$ 7,676,982	\$ 467,674	\$ 2,027,884	\$ 931,950	\$ 14,917,660	\$ 1,247,735	\$ 1,263,708	\$ 2,511,443	\$ 17,429,103	\$ 17,215,920
Employee Benefits	383,245	928,929	75,682	267,550	91,369	1,746,775	103,022	87,852	190,874	1,937,649	1,882,288
Payroll Taxes	288,260	680,299	36,558	153,669	66,734	1,225,520	99,737	106,241	205,978	1,431,498	1,427,246
Pension Plan	213,712	184,016	13,620	183,102	80,188	674,638	199,929	133,834	333,763	1,008,401	1,049,746
Workers' Compensation Insurance	36,078	320,518	38,439	43,018	16,282	454,335	13,247	11,172	24,419	478,754	337,920
Total Personnel Costs	<u>4,734,465</u>	<u>9,790,744</u>	<u>631,973</u>	<u>2,675,223</u>	<u>1,186,523</u>	<u>19,018,928</u>	<u>1,663,670</u>	<u>1,602,807</u>	<u>3,266,477</u>	<u>22,285,405</u>	<u>21,913,120</u>
Nonpersonnel Costs											
Occupancy	531,478	454,128	35,473	118,598	272,580	1,412,257	152,919	166,009	318,928	1,731,185	1,746,247
Depreciation	405,962	301,660	20,084	154,123	202,983	1,084,812	40,303	47,807	88,110	1,172,922	1,171,097
Assistance to Individuals	490,566	222,356	-	263,110	98,053	1,074,085	-	-	-	1,074,085	1,653,247
Professional Fees	319,812	163,566	27,723	199,370	42,809	753,280	44,287	168,616	212,903	966,183	1,092,665
Transportation	55,196	106,031	26,129	239,729	6,092	433,177	17,599	19,094	36,693	469,870	424,492
Supplies	112,285	74,279	44,169	50,925	16,621	298,279	19,792	12,269	32,061	330,340	366,151
Insurance	41,764	60,827	18,226	42,109	36,978	199,904	39,685	9,425	49,110	249,014	273,549
Publicity	80,965	96,472	147	7,854	1,907	187,345	648	15,292	15,940	203,285	198,193
Donor-Advised Grants	199,251	-	-	-	-	199,251	-	-	-	199,251	210,445
Conferences and Meetings	69,910	21,607	2	11,030	2,307	104,856	85,796	3,800	89,596	194,452	235,449
Telephone	64,867	51,371	4,051	17,422	20,401	158,112	10,253	8,556	18,809	176,921	159,251
Printing and Publications	67,037	24,023	4,759	5,180	3,103	104,102	3,261	57,786	61,047	165,149	174,920
Interest	-	-	-	-	-	-	137,356	-	137,356	137,356	106,080
Equipment Rental and Maintenance	36,306	43,832	5,408	24,265	11,769	121,580	5,620	6,316	11,936	133,516	126,979
Postage and Shipping	35,555	22,295	1,309	6,405	4,265	69,829	7,672	22,739	30,411	100,240	112,327
Bad Debts	2,928	44,085	4,874	7,713	1,182	60,782	406	-	406	61,188	262,435
Recruitment	6,448	31,170	1,032	930	816	40,396	819	163	982	41,378	32,288
Dues	9,399	13,003	1,752	5,940	2,600	32,694	(4,717)	1,584	(3,133)	29,561	36,931
Total Nonpersonnel Costs	<u>2,529,729</u>	<u>1,730,705</u>	<u>195,138</u>	<u>1,154,703</u>	<u>724,466</u>	<u>6,334,741</u>	<u>561,699</u>	<u>539,456</u>	<u>1,101,155</u>	<u>7,435,896</u>	<u>8,382,746</u>
Total Expenses	<u>\$ 7,264,194</u>	<u>\$ 11,521,449</u>	<u>\$ 827,111</u>	<u>\$ 3,829,926</u>	<u>\$ 1,910,989</u>	<u>\$ 25,353,669</u>	<u>\$ 2,225,369</u>	<u>\$ 2,142,263</u>	<u>\$ 4,367,632</u>	<u>\$ 29,721,301</u>	<u>\$ 30,295,866</u>

JEWISH FAMILY & CHILDREN'S SERVICES

Statement of Cash Flows Year Ended June 30, 2011 (With Comparative Totals at June 30, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 892,963	\$ 9,340,465
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	1,224,008	1,219,275
(Gain) on Sale of Investments	(663,258)	(156,863)
Market Value Adjustments - Investments	(1,264,364)	(271,056)
Permanently Restricted Contributions	(2,712,463)	(5,981,284)
Amortization of Discount	255,977	235,270
Actuarial Changes in Split-Interest Agreements	(198,409)	(75,167)
Pension Liability Adjustment	2,333,116	-
Workers Compensation Liability Adjustment	(339,986)	-
Refinancing Costs Paid on Escrow	7,802	-
(Increase) Decrease in Operating Assets		
Accounts Receivable	628,746	(91,839)
Grants Receivable	(802,782)	(111,288)
Promises to Give	(433,575)	(761,507)
Bequests Receivable	2,467,113	(3,929,451)
Prepaid Expense and Deposits	(65,167)	90,822
Increase (Decrease) in Operating Liabilities		
Accounts Payable	232,443	(66,619)
Accrued Expenses	(812,666)	111,917
Net Cash Provided (Used) by Operating Activities	<u>749,498</u>	<u>(447,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	5,541,709	3,371,129
Purchase of Investments	(8,222,940)	(7,803,918)
Purchase of Property and Equipment	(588,534)	(288,509)
Net Principal Received (Advanced) on Notes Receivable	(74,249)	101,190
Net Cash (Used) by Investing Activities	<u>(3,344,014)</u>	<u>(4,620,108)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently Restricted Contributions	2,712,463	5,981,284
Net Borrowings (Payments) on Line of Credit	(200,000)	500,000
Principal Paid on Debt	(548,848)	(1,141,515)
Net Cash Provided by Financing Activities	<u>1,963,615</u>	<u>5,339,769</u>
NET INCREASE (DECREASE) IN CASH	(630,901)	272,336
CASH, Beginning of Year	<u>1,046,248</u>	<u>773,912</u>
CASH, End of Year	<u>\$ 415,347</u>	<u>\$ 1,046,248</u>
SUPPLEMENTAL DISCLOSURES		
Operating Activities include cash paid for interest of:	<u>\$ 623,652</u>	<u>\$ 647,917</u>
Non-Cash Financing Activities		
Refinance of Current Debt	\$ 960,000	
Payoff of Note Payable	(923,898)	
Payment of Interest Expense and Loan Costs	(7,802)	
Net Cash Received	<u>\$ 28,300</u>	

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

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 in a geographic area from Mountain View to Santa Rosa, California.

2. Summary of Significant Accounting Policies

Basis of Presentation – Financial presentation follows the U.S. generally accepted accounting principles promulgated by the Financial Accounting Standards Board. Under those principles, 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 unrestricted cash and 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. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the allowance have not been material to the financial statements.

Contributions, Grants and Bequests Receivable – Contributions, grants and bequests receivable are recorded at estimated fair value in the period in which the gifts become irrevocable. The fair value estimate is based on the amount of the gift and the estimated risk associated with the transaction. Contribution and grant receivables 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. Conditional promises to give are not recorded as revenue until the conditions have been substantially met. Bequest receivables are recorded based on estimates of the expected estate settlement amount. Bequests and 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 the risk free rates applicable to the number of years the contribution is expected to remain outstanding. Amortization of the discounts is included in contributed income.

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

2. Summary of Significant Accounting Policies (continued)

Investments – Investments are stated at their fair value based on quoted market prices. Investments received by donation are recorded at their fair 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 estimated fair value of the item donated 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. JFCS has not recognized any impairment of these long-lived assets during the year ended June 30, 2011.

Donated Facilities and Services – The financial statements reflect \$299,953 of donated occupancy rights for the year ended June 30, 2011. 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).

JFCS recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management continually evaluates tax positions reflected in JFCS's tax filings and does not believe that any material uncertain tax positions exist.

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

2. Summary of Significant Accounting Policies (continued)

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 reported revenues and expenses. Actual results could differ from those estimates.

Fair Value Measurements - JFCS has adopted FASB ASC 820 as of July 1, 2009, for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for that asset or liability. The fair value of liabilities includes consideration of non-performance risk including JFCS' own credit risk.

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, 2010, 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. For the year ending June 30, 2011, deposits in non-interest bearing transaction FDIC insured accounts are fully insured. At June 30, 2011, JFCS cash balances were fully insured. JFCS does not believe that it is exposed to any significant risk in connection with these cash balances.

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

4. Promises to Give

Receivable in less than one year	\$ 2,156,087
Receivable in one to five years	242,000
Receivable in more than five years	<u>50,000</u>
Total unconditional promises to give	2,448,087
Less: discounts to net present value	(15,952)
Less: reserve for uncollectible pledges	<u>(100,000)</u>

Net unconditional promises to give at June 30, 2011 \$ 2,332,135

Promises to give to be received after June 30, 2011 are discounted at 1.76%.

At June 30, 2011 the carrying values of JFCS' promises to give net of discounts and reserves, approximates the fair value of the assets.

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 Agreement includes a buyout provision. The buyout amount is based on the initial estimated fair value of the occupancy rights which was recorded as an asset, and is reduced each year over the initial 20 years of the lease using an 8% discount rate for the amortization. The discount rate used was specified in the original agreement and results in amortization based on the legal obligation. For the year ended June 30, 2011, JFCS recorded occupancy costs of \$555,930, an in-kind contribution of \$299,953, and the amortization of the discount of the asset of \$255,977. 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, \$493,714 as of June 30, 2011. Amortization of this allowance of \$49,370 for the year ended June 30, 2011 has been recorded as a credit against occupancy costs.

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

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

Promises to give restricted to occupancy rights at June 30, 2011 are due as follows:

Receivable in one year	\$ 277,472
Receivable in one to five years	2,779,650
Receivable in more than five years	<u>1,714,119</u>
Total unconditional promises to give	4,771,241
Less: discounts to net present value	<u>(1,203,802)</u>
Net unconditional promises to give at June 30, 2011	\$ <u>3,567,439</u>

6. Investments

Equity Securities	\$ 12,940,108
Mutual Funds	7,384,845
Cash and Money Market Funds	3,026,906
Government Securities	2,204,476
Real Property	720,000
Corporate Debt	202,605
Other	<u>22,247</u>
Total	\$ <u>26,501,187</u>
Assets Held Under Split-Interest Agreements	\$ 6,782,715
Investments	<u>19,718,472</u>
Total	\$ <u>26,501,187</u>

Fees paid to investment managers for the year ended June 30, 2011 were \$150,952.

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

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

7. Fair Value Measurements

FASB ASC 820 expands the disclosure requirements for fair value measurements of assets and liabilities and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in an appropriate market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets; or obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 Fair value measurements based on valuation techniques that use significant inputs that are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The fair value of investment securities and restricted cash is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

7. Fair Value Measurements (continued)

The table below summarizes JFCS' investments measured at fair value on a recurring basis, by the fair value hierarchy at June 30, 2011.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash and Money Market Funds \$	2,566,948	\$ -	\$ -	2,566,948
Equities	9,508,984	-	-	9,508,984
Fixed Income Mutual Funds	-	6,922,241	-	6,922,241
Real Property	-	-	720,000	720,000
Other	-	-	300	300
Assets Held in				
Split Interest Agreements				
Cash and Money Market Funds	459,958	-	-	459,958
Equities	3,431,124	-	-	3,431,124
Mutual Funds	-	2,869,685	-	2,869,685
Other	-	-	<u>21,947</u>	<u>21,947</u>
	<u>\$ 15,967,014</u>	<u>\$ 9,791,926</u>	<u>\$ 742,247</u>	<u>\$ 26,501,187</u>

Investments whose fair value is measured using level three inputs include real property whose carrying value has been reduced as follows:

Beginning Balance June 30, 2010	\$ 813,000
Less: Unrealized (Loss) Included in Earnings	<u>(93,000)</u>
Balance at June 30, 2011	<u>\$ 720,000</u>

Other financial instruments:

Financial instruments included in JFCS' Statement of Financial Position as of June 30, 2011 which are not required to be measured at fair value on a recurring basis include cash and equivalents, accounts receivable, contributions, grants, and bequests receivable, prepaid expenses, accounts payable and accrued expenses, liabilities associated with split-interest gifts, liabilities associated with post-employment benefits and notes payable.

For cash equivalents, the carrying amounts materially approximate their fair values due to the short maturity of these financial instruments. For the other financial instruments listed, carrying amounts represents a reasonable estimate of their fair value.

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

8. 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%. JFCS also makes emergency assistance loans at 0% interest. The allowance is estimated from historical performance and projections of trends. Notes receivable at June 30, 2011 consist of the following:

Notes Receivable	\$ 1,203,865
Allowance for Uncollectible Loans	<u>(275,891)</u>
Notes Receivable - net	\$ <u>927,974</u>

At June 30, 2011 the carrying values of JFCS' Notes Receivable net of allowances approximates the fair value of the assets.

9. Property and Equipment

Buildings	\$ 22,192,811
Land	8,153,677
Furniture and Fixtures	2,910,972
Leasehold Improvements	2,392,262
Vehicles	964,814
Computer Equipment	950,880
Web Site	<u>271,900</u>
	37,837,316
Less: Accumulated Depreciation	<u>(11,380,978)</u>
Property and Equipment, Net	\$ <u>26,456,338</u>

Depreciation expense for the year ended June 30, 2011 was \$1,224,008; \$1,172,922 is shown in the Statement of Functional Expenses and \$51,086 is included in Rental Income, Net.

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

10. Accrued Expenses

Current

Accrued Pension Expenses	\$ 2,087,538
Accrued Expenses	1,007,686
Accrued Compensation	873,755
Relocation Costs	49,370
Uninsured Obligation	<u>12,896</u>
Total Current	<u>4,031,245</u>

Noncurrent

Accrued Pension Expenses	3,571,069
Accrued Expenses	950,000
Relocation Costs	444,344
Uninsured Obligation	<u>446,420</u>
Total Noncurrent	<u>5,411,833</u>

Total \$ 9,443,078

11. Line of Credit

JFCS has a revolving line of credit with First Republic Bank with a credit limit of \$2,000,000, secured 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 2012. \$300,000 was outstanding at June 30, 2011.

12. Notes Payable

First Republic Bank, secured by real property, fixed interest rate of 7.00%, monthly principal and interest payments of \$25,668, due August 2016 \$ 3,192,352

First Republic Bank, secured by real property, interest variable at the 11th District COFI plus 2.35% (3.90% at June 30, 2011), \$14,882 principal and interest payments calculated monthly, due October 2014 2,336,419

First Republic Bank, secured by real property, monthly payments of \$12,316 including interest at 6.90%, due September 2014 1,592,235

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

12. Notes Payable (continued)

First Republic Bank, secured by real property, interest fixed at 4.30%, monthly payments of \$6,001 including interest, due May 2016 955,948

First Republic Bank, secured by personal property, interest fixed at 6.40%, principal payments of \$22,262 plus interest calculated monthly, due November 2014 912,738

Wells Fargo Bank, secured by real property, monthly payments of \$5,150 including interest at 8.925%, due October 2012 70,436
Total 9,060,128

Less: current portion (566,348)

Long-term debt \$ 8,493,780

Maturities of long-term debt are as follows:

Fiscal year ended June 30,	
2012	\$ 566,348
2013	535,295
2014	537,662
2015	3,779,394
2016	935,279
Thereafter	<u>2,706,150</u>

Total \$ 9,060,128

JFCS incurred interest expense of \$618,743 for the year ended June 30, 2011. \$117,397 is included in Rental Income, Net in the Statement of Activities and \$363,990 is included with Occupancy Expense in the Statement of Functional Expenses. The remaining balance of \$137,356 is included in the Statement of Functional Expenses in Support Services as interest expense.

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

13. Temporarily Restricted Net Assets

Loan and Grant Funds	\$ 4,883,921
Grants and Contributions	1,458,061
Pledges Receivable	1,208,848
Split Interest Agreements	1,507,833
Facilities Use	<u>3,567,438</u>
Total	\$ <u>12,626,101</u>

14. Permanently Restricted Net Assets and Donor-Designated Endowment

JFCS' endowment consists of approximately 310 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, 2011 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

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

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

appreciation of investment, (6) other resources of the Agency, and (7) the Agency's investment policies.

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 so that the fund is not exposed 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, adjusted for inflation, plus 30% of 4% of the fair value of endowment assets as of the measurement date.

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, as interpreted by the JFCS' Board, 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 \$1,008,523 as of June 30, 2011 and \$-0- as of June 30, 2010.

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

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

Endowment net asset composition by type of fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>(1,008,523)</u>	\$ <u>4,883,921</u>	\$ <u>22,464,009</u>	\$ <u>26,339,407</u>

Change in endowment net assets for the fiscal year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ -	\$ 3,468,819	\$ 19,688,209	\$ 23,157,028
Investment return				
Investment income	-	442,219	6,999	449,218
Net appreciation	-	1,784,590	-	1,784,590
Investment expenses	-	(94,197)	-	(94,197)
Total investment return	-	<u>2,132,612</u>	<u>6,999</u>	<u>2,139,611</u>
Contributions	-	<u>22,732</u>	<u>2,712,463</u>	<u>2,735,195</u>
Appropriation of endowment assets for expenditure				
Appropriation for Financial Aid Center Awards and Operations	-	(203,569)	-	(203,569)
Appropriation for Agency Operations	-	<u>(536,673)</u>	-	<u>(536,673)</u>
Total	-	<u>(740,242)</u>	-	<u>(740,242)</u>
Other changes				
Transfer for unrestricted net assets to unrestricted endowment net assets to cover deficiency	(1,008,523)	-	-	(1,008,523)
Change in value of net beneficial interest in CRT's dedicated to endowment	-	-	<u>56,338</u>	<u>56,338</u>
End of year	\$ <u>(1,008,523)</u>	\$ <u>4,883,921</u>	\$ <u>22,464,009</u>	\$ <u>26,339,407</u>

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

15. 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.

Plan officials elected to freeze the plan as of December 31, 2007. The Plan had an unfunded liability as of that date. Each participating employers' share of the unfunded liability has been computed by a formula based on covered payroll at the end of 2007. Each year, the Plan sponsor assesses participating employers a payment amount based on Plan expenses and funding requirements under ERISA and IRS regulations. 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 December 31, 2007. As of June 30, 2011, JFCS' share of the unfunded liability of the plan had grown to \$3,605,545. The increase was due to investment losses occurring near the end of 2008 and to a reduction in the discount rate used to compute the present value of the Plan liability as required by United States Department of Labor regulations governing actuarial estimates for defined benefit pension plans. 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. During the year ending June 30, 2011 JFCS incurred an increase in its share of the unfunded liability in the amount of \$2,333,116. This increase has been recorded as a Change in Defined Benefit Pension Plan Liability in the Statement of Activities. During the year ending June 30, 2011, JFCS paid \$543,713 for Plan expenses and contributions toward the unfunded liability of the Plan.

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, 2011 totaled \$86,595.

As of January 1, 2008, JFCS' employees can 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.

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

15. Retirement Plans (continued)

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 \$921,806 for the year ended June 30, 2011.

16. Donor-Advised Funds

Unrestricted net assets include \$1,256,363 held in donor-advised funds at June 30, 2011. 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, 2011, donor-advised funds activity was as follows:

Balance, beginning of year	\$ 1,297,774
Contributions to donor-advised funds	151,340
Grants from donor-advised funds	<u>(199,251)</u>
Balance, end of year	\$ <u>1,249,863</u>

17. Lease Agreements

JFCS is obligated under various operating lease agreements for program facilities. The leases expire at various times from 2013 to 2040. Rental expense under these leases for the fiscal year ended June 30, 2011 was \$244,593. Future minimum lease commitments are as follows:

Fiscal year ended June 30,	
2012	\$ 247,985
2013	249,571
2014	222,743
2015	195,110
2016	195,110
Thereafter	<u>1,980,441</u>
Total	\$ <u>3,090,960</u>

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

18. 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. The corresponding liability for each split interest agreement is the present value of the amount payable to the income beneficiary under terms of the agreement. 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 contributions 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 which can be a specified number of years or the life of the income recipient or recipients. 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 for scheduled 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 Annuity 2000 Mortality Tables (Annuity 2000) 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 Annuity 2000 Mortality Tables (Annuity 2000) published by the Society of Actuaries. The California State Department of Insurance 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 requirement as of June 30, 2011 was \$1,905,006.

JEWISH FAMILY AND CHILDRENS' SERVICES

Notes to Financial Statements

June 30, 2011

(Continued)

18. Split-Interest Agreements (continued)

PIFs are arrangements whereby donors' gifts are invested and pooled together, and each donor is assigned a relative number of units in the pool. The donor receives life time payments consisting of 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%, using Annuity 2000 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, 2011:

Beginning of year	\$ 6,480,568
Additions	76,687
Income net of losses	851,500
Payments to beneficiaries	<u>(626,040)</u>
End of year	\$ <u>6,782,715</u>

The liability for the present value of the estimated future payments is \$4,891,217 as of June 30, 2011.

The invested assets are accounted for at their fair value. The present value of the liability approximates its fair value and is computed using the estimated life expectancy of the income interest and a discount rate of 6% which is based on past earnings and projected future earnings.

19. Subsequent Events

Management has evaluated subsequent events through November 18, 2011, the date on which the financial statements were available to be issued, and determined the following reportable events occurred:

- The value of investments declined approximately 5% to \$25,133,000. The increases and decreases among the investment accounts are consistent with increases and decreases in benchmarks established for each investment manager and with general market volatility in the current investment environment.
- The line of credit has been renewed for another year. The outstanding balance as of November 18, 2011 is \$1,896,000.

JEWISH FAMILY AND CHILDREN'S SERVICES
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Granting Agency	Program Title	Federal CFDA Number	Pass-Through Grantor	Pass-Through Number	Federal Expenditures
<u>Department of Health and Human Services</u>					
Office of the Secretary, Administration on Aging	Medical Assistance Program - Multipurpose Senior Services Program	93.778	State of California - Department of the Aging, Multipurpose Senior Services Program	MS-1011-26	\$ 385,509
Administration for Children and Families	Temporary Assistance for Needy Families Head Start	93.556 93.600	California Department of Social Services Institute for Human and Social Development, Inc.	10-3010-A-1 n/a	163,276 33,975
Administration for Children and Families	Temporary Assistance for Needy Families	93.044	County of Marin Division on Aging	11-248	30,842
Administration for Children and Families	ARRA - Temporary Assistance for Needy Families (TANF) Supplemental Grants	93.716	City and County of San Francisco, Human Services Agency	RFQ 428	24,189
Office of Refugee Resettlement for Children and Families	Refugee and Entrant Assistance Voluntary Agency Programs	19.510	Hebrew Immigrant Aid Society	SPRMCO10CA030	12,886
Human Services Agency	ARRA - Head Start	93.709	Community Action Marin/Head Start	n/a	10,000
Total Department of Health and Human Services	Medical Assistance Program	93.778	City and County of San Francisco,	n/a	<u>3,637</u>
					\$ 664,314
<u>Department of Agriculture</u>	Child and Adult Care Food Program	10.558	California Department of Education, Nutrition Services Division	5183-IN/V316-00	125,366
<u>Office of Homeland Security</u>					
	Citizenship Education and Training	97.010	USCIS Office of Citizenship	Grant #2009-CIS-010-000011	25,751
	Emergency Food and Shelter National Board Program	97.024	Emergency Food and Shelter Program	09080-048	<u>4,009</u>
Total Office of Homeland Security					29,760
<u>Department of Education</u>	Adult Education State Grant Program	84.002	California Department of Education - Secondary, Postsecondary, and Adult Leadership Division	38-V316	35,238
<u>United States Department of Housing and Urban Development (HUD); Office of Fair Housing and Equal Opportunity</u>	Private Enforcement Initiatives	14.418	Fair Housing of Marin (FHOM)	n/a	<u>500</u>
Total Expenditures of Federal Awards					<u>\$ 855,178</u>

Notes to Schedule of Federal Expenditures

1. Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of JFCS under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of JFCS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of JFCS.

2. Basis of Accounting - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Pass-Through Numbers - Pass-through entity numbers are presented where available.



CERTIFIED PUBLIC ACCOUNTANTS

Partners

Daniel J. Harrington, CPA

Bruce J. Wright, CPA

Michael J. Ellingson, CPA

Principal

Mitchell Richstone, 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**

To the 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, 2011, and have issued our report thereon dated November 18, 2011. 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.

**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)**

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.

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, audit committee, board of directors and 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 18, 2011



CERTIFIED PUBLIC ACCOUNTANTS

Partners

Daniel J. Harrington, CPA

Bruce J. Wright, CPA

Michael J. Ellingson, CPA

Principal

Mitchell Richstone, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors
Jewish Family and Children's Services

Compliance

We have audited Jewish Family and Children's Services' compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jewish Family and Children's Services' major federal programs for the year ended June 30, 2011. Jewish Family and Children's Services' major federal programs are identified in the summary of auditors' 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, 2011.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133
(Continued)**

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, 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, audit committee, board of directors and 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 18, 2011

JEWISH FAMILY AND CHILDREN'S SERVICES
Schedule of Findings and Questioned Costs
June 30, 2011

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unqualified*

Internal control over financial reporting:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over federal awards:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditors' 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 ☒ no

Identification of major programs:

CFDA Numbers
#93.778

Name of Federal Program or Cluster
Office of the Secretary, Administration on 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:

☒ yes ☐ no

JEWISH FAMILY AND CHILDREN'S SERVICES
Schedule of Findings and Questioned Costs
June 30, 2011
(Continued)

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 were reported.