JEWISH FAMILY AND CHILDREN'S SERVICES

FINANCIAL STATEMENTS

Year Ended June 30, 2012

JEWISH FAMILY AND CHILDREN'S SERVICES

Table of Contents

Good & Fowler, LLP
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, 2012, 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' 2011 financial statements, in our report dated November 18, 2011, 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, 2012, 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.

P.O. Box 271 • 262 Grand Avenue • South San Francisco, CA 94083-0271
(650) 872-7600 • FAX (650) 872-7615 www.gfllp.com

Independent Auditors' Report
(Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Good & Fowler LLP

November 7, 2012

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Financial Position
June 30, 2012
(With Comparative Totals at June 30, 2011)

ASSETS

	2012	2011
CURRENT ASSETS		
Cash	$ 618,770	$ 415,347
Accounts Receivable		
(net of allowances of $202,000 and $144,999)	2,479,676	2,542,407
Promises to Give, Net	1,674,899	2,056,087
Promises to Give, Restricted to Occupancy Rights	300,772	277,472
Grants Receivable	2,048,541	1,832,170
Bequests Receivable	-	2,553,887
Notes Receivable	225,070	240,325
Prepaid Expenses and Deposits	584,809	392,152
Total Current Assets	7,932,537	10,309,847
NONCURRENT ASSETS		
Promises to Give, Net	191,655	276,048
Promises to Give, Restricted to Occupancy Rights, Net	2,989,195	3,289,967
Bequests Receivable	1,065,551	794,751
Notes Receivable, Net	665,578	687,649
Assets Held in Split-Interest Agreements	6,988,423	6,782,715
Investments	22,216,006	19,718,472
Property and Equipment, Net	26,146,600	26,456,338
Total Noncurrent Assets	60,263,008	58,005,940
Total Assets	$ 68,195,545	$ 68,315,787

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Financial Position
June 30, 2012
(With Comparative Totals at June 30, 2011)
(Continued)

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Accounts Payable	$ 472,735	$ 533,434
Accrued Expenses	3,919,628	425,700
Defined Benefit Plan - Frozen	598,084	543,713
Line of Credit	1,296,000	300,000
Notes Payable	538,390	566,348
Total Current Liabilities	6,824,837	2,369,195
NONCURRENT LIABILITIES		
Accrued Expenses	2,509,637	5,411,833
Defined Benefit Plan - Frozen	4,693,040	3,061,832
Notes Payable	7,980,681	8,493,780
Liabilities Under Split-Interest Agreements	5,010,145	4,891,217
Total Noncurrent Liabilities	20,193,503	21,858,662
Total Liabilities	27,018,340	24,227,857
NET ASSETS		
Unrestricted	3,395,344	8,997,820
Temporarily Restricted	10,543,847	12,626,101
Permanently Restricted	27,238,014	22,464,009
Total Net Assets	41,177,205	44,087,930
Total Liabilities and Net Assets	$ 68,195,545	$ 68,315,787

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Activities
Year Ended June 30, 2012
(With Comparative Totals at June 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Total 2011
REVENUE					
Public Support					
Bequests	$ 678,027	$ -	$ 3,505,499	$ 4,183,526	$ 1,023,984
Grants and Contributions	6,381,791	2,367,675	1,157,342	9,906,808	11,819,741
In-Kind Contributions	361,466	-	-	361,466	299,953
Special Events Revenue, Net	181,383	-	-	181,383	238,803
Change in Value of Split-Interest Agreements	(232,160)	-	105,830	(126,330)	153,764
Income from Trusts	119,761	-	-	119,761	75,291
Total Public Support	7,490,268	2,367,675	4,768,671	14,626,614	13,611,536
Other Revenue, Gains and (Losses)					
Program Service Fees	16,505,934	-	-	16,505,934	16,727,868
Dividends and Interest on Investments, Net	-	427,832	-	427,832	350,352
Gain on Sale of Investments	17,712	322,759	-	340,471	663,258
Market Value Adjustments - Investments	(29,499)	(1,389,843)	-	(1,419,342)	1,264,364
Interest Income on Loans	43	8,241	5,334	13,618	14,743
Rental Income, Net	(99,467)	-	-	(99,467)	(101,539)
Miscellaneous Revenue	63,771	-	-	63,771	76,812
Total Other Revenue Gains and (Losses)	16,458,494	(631,011)	5,334	15,832,817	18,995,858
Total Revenue	23,948,762	1,736,664	4,774,005	30,459,431	32,607,394
NET ASSETS RELEASED FROM RESTRICTION					
Satisfaction of Program Restrictions	3,818,918	(3,818,918)	-	-	-
EXPENSES					
Program Services	26,656,235	-	-	26,656,235	25,353,669
Support Services	4,484,628	-	-	4,484,628	4,367,632
Total Expenses	31,140,863	-	-	31,140,863	29,721,301
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	(3,373,183)	(2,082,254)	4,774,005	(681,432)	2,886,093
OTHER ITEMS					
Change in Defined Benefit Pension Plan Liability	(2,229,293)	-	-	(2,229,293)	(2,333,116)
Change in Workers Compensation Liability	-	-	-	-	339,986
CHANGE IN NET ASSETS	(5,602,476)	(2,082,254)	4,774,005	(2,910,725)	892,963
NET ASSETS, Beginning of Year	8,997,820	12,626,101	22,464,009	44,087,930	43,194,967
NET ASSETS, End of Year	$ 3,395,344	$ 10,543,847	$ 27,238,014	$ 41,177,205	$ 44,087,930

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Functional Expenses
Year Ended June 30, 2012
(With Comparative Totals at June 30, 2011)

	Program Services						Support Services				
	Children and Families	Older Adults	Social Enterprise Center	Refugees	Adults	Total	Management and General	Development and Publicity	Total	Total 2012	Total 2011
Personnel Costs											
Salaries and Wages	$ 4,057,401	$ 8,056,861	$ 552,572	$ 1,959,388	$ 839,581	$ 15,465,803	$ 1,191,301	$ 1,190,773	$ 2,382,074	$ 17,847,877	$ 17,429,103
Employee Benefits	443,463	1,079,541	88,215	282,000	96,567	1,989,786	105,994	116,642	222,636	2,212,422	1,937,649
Payroll Taxes	312,046	669,696	45,488	153,075	61,297	1,241,602	90,596	104,640	195,236	1,436,838	1,431,498
Pension Plan	244,387	207,742	12,054	182,673	71,545	718,401	273,426	107,660	381,086	1,099,487	1,008,401
Workers' Compensation Insurance	51,786	464,086	62,190	42,907	14,297	635,266	16,174	15,097	31,271	666,537	478,754
Total Personnel Costs	5,109,083	10,477,926	760,519	2,620,043	1,083,287	20,050,858	1,677,491	1,534,812	3,212,303	23,263,161	22,285,405
Nonpersonnel Costs											
Occupancy	435,178	487,621	21,768	101,182	276,499	1,322,248	128,427	152,146	280,573	1,602,821	1,731,185
Assistance to Individuals	686,458	265,339	-	296,354	104,154	1,352,305	-	-	-	1,352,305	1,074,085
Professional Fees	406,647	228,990	16,923	148,337	42,146	843,043	101,012	150,676	251,688	1,094,731	966,183
Depreciation	418,276	247,032	17,346	119,125	197,679	999,458	36,380	35,506	71,886	1,071,344	1,172,922
Transportation	50,383	147,099	33,826	238,998	5,678	475,984	6,828	3,184	10,012	485,996	469,870
Supplies	97,142	67,065	59,648	44,511	16,881	285,247	29,174	11,962	41,136	326,383	330,340
Printing and Publications	75,655	17,555	727	5,679	6,441	106,057	3,153	159,889	163,042	269,099	165,149
Insurance	44,181	60,428	18,007	44,673	31,333	198,622	40,304	9,468	49,772	248,394	249,014
Donor-Advised Grants	241,302	-	-	-	-	241,302	-	-	-	241,302	199,251
Conferences and Meetings	67,539	32,191	36	7,237	3,624	110,627	110,886	12,364	123,250	233,877	194,452
Telephone	55,786	52,590	2,978	19,800	14,622	145,776	14,664	13,793	28,457	174,233	176,921
Publicity	62,572	84,122	132	1,666	4,086	152,578	569	13,245	13,814	166,392	203,285
Equipment Rental and Maintenance	54,692	46,908	3,126	21,127	12,110	137,963	7,921	8,317	16,238	154,201	133,516
Interest	-	-	-	-	-	-	121,678	-	121,678	121,678	137,356
Bad Debts	13,594	47,626	17,431	541	1,906	81,098	39,135	-	39,135	120,233	61,188
Postage and Shipping	31,665	26,708	1,075	7,108	5,796	72,352	9,242	35,994	45,236	117,588	100,240
Dues	15,042	14,660	2,066	5,407	1,374	38,549	12,340	2,460	14,800	53,349	29,561
Recruitment	4,272	33,685	3,278	350	583	42,168	510	1,098	1,608	43,776	41,378
Total Nonpersonnel Costs	2,760,384	1,859,619	198,367	1,062,095	724,912	6,605,377	662,223	610,102	1,272,325	7,877,702	7,435,896
Total Expenses	$ 7,869,467	$ 12,337,545	$ 958,886	$ 3,682,138	$ 1,808,199	$ 26,656,235	$ 2,339,714	$ 2,144,914	$ 4,484,628	$ 31,140,863	$ 29,721,301

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Cash Flows
Year Ended June 30, 2012
(With Comparative Totals at June 30, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (2,910,725)	$ 892,963
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	1,127,799	1,224,008
(Gain) on Sale of Investments	(351,565)	(663,258)
Market Value Adjustments - Investments	1,413,352	(1,264,364)
Permanently Restricted Contributions	(4,662,840)	(2,712,463)
Amortization of Discount	277,472	255,977
Actuarial Changes in Split-Interest Agreements	(86,780)	(198,409)
Pension Liability Adjustment	2,229,293	2,333,116
Donated Property and Equipment	(83,000)	-
Workers Compensation Liability Adjustment	-	(339,986)
Refinancing Costs Paid on Escrow	-	7,802
(Increase) Decrease in Operating Assets		
Accounts Receivable	62,731	628,746
Grants Receivable	(216,371)	(802,782)
Promises to Give	465,581	(433,575)
Bequests Receivable	2,283,087	2,467,113
Prepaid Expense and Deposits	(192,655)	(65,167)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(60,663)	232,443
Accrued Expenses	48,016	(812,666)
Net Cash Provided (Used) by Operating Activities	(657,268)	749,498
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	12,863,825	5,541,709
Purchase of Investments	(16,423,146)	(8,222,940)
Purchase of Property and Equipment	(735,099)	(588,534)
Net Principal Received (Advanced) on Notes Receivable	37,326	(74,249)
Net Cash (Used) by Investing Activities	(4,257,094)	(3,344,014)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently Restricted Contributions	4,662,840	2,712,463
Net Borrowings (Payments) on Line of Credit	996,000	(200,000)
Principal Paid on Debt	(541,055)	(548,848)
Net Cash Provided by Financing Activities	5,117,785	1,963,615
NET INCREASE (DECREASE) IN CASH	203,423	(630,901)
CASH, Beginning of Year	415,347	1,046,248
CASH, End of Year	$ 618,770	$ 415,347
SUPPLEMENTAL DISCLOSURES		
Operating Activities include cash paid for interest of:	$ 592,635	$ 623,652
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		$ 28,300

See Notes to Financial Statements

1. Organization

Jewish Family and Children's Services (JFCS) is a not-for-profit organization serving clients in the San Francisco bay area. JFCS provides high quality, research-based social and educational services designed to strengthen individuals, families, and the community. JFCS is a problem solving center for children, families, and older adults facing life transitions and personal crises.

The organization's goal is to strengthen families and improve lives. JFCS helps older adults to live independently through its Seniors at Home Program which includes homecare services, palliative and end of life care, care management, healthcare advocacy, support for holocaust survivors, counseling, adult day healthcare, meal delivery, and other practical and spiritual support.

JFCS helps children and families through its adoption agency, housing and advocacy programs, financial advice and assistance, parent education, early childhood mental health services, youth tutoring and mentoring programs, and counseling and consultation services.

JFCS offers services to adults through its financial assistance and small business loan program, community education programs, social enterprise programs, counseling, spiritual care, bereavement and healing program, disabilities services, and other practical support services.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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. The financial statements reflect $83,000 of donated property and equipment for the year ended June 30, 2012. 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, 2012.

Donated Facilities and Services – The financial statements reflect $278,458 of donated occupancy rights for the year ended June 30, 2012. 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.

2. Summary of Significant Accounting Policies (continued)

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.

JFCS' exempt organization returns are generally subject to examination by federal and state tax authorities for three and four years, respectively, after filing.

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 (formerly SFAS 157) 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.

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, 2011, 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, 2012, deposits in non-interest bearing transaction FDIC insured accounts are fully insured. At June 30, 2012, JFCS cash balances were fully insured. JFCS does not believe that it is exposed to any significant risk in connection with these cash balances.

4. Promises to Give

Receivable in less than one year	$ 1,774,899
Receivable in one to five years	190,000
Receivable in more than five years	30,000
Total unconditional promises to give	1,994,899
Less: discounts to net present value	(28,345)
Less: reserve for uncollectible pledges	(100,000)
Net unconditional promises to give at June 30, 2012	$ 1,866,554

Promises to give to be received after June 30, 2012 are discounted at 4.25%.

At June 30, 2012 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, will 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, 2012, JFCS recorded occupancy costs of $555,930, an in-kind contribution of $278,458, and the amortization of the discount of the asset of $277,472. 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, $444,344 as of June 30, 2012. Amortization of this allowance of $49,370 for the year ended June 30, 2012 has been recorded as a credit against occupancy costs.

Promises to give restricted to occupancy rights at June 30, 2012 are due as follows:

Receivable in one year	$ 300,772
Receivable in one to five years	2,779,650
Receivable in more than five years	1,158,188
Total unconditional promises to give	4,238,610
Less: discounts to net present value	(948,643)
Net unconditional promises to give at June 30, 2012	$ 3,289,967

6. Investments

Mutual Funds	$ 15,307,532
Equity Securities	9,125,163
Government Securities	1,964,795
Money Market Accounts	1,869,688
Real Property	720,000
Corporate Debt	204,293
Other	12,958
Total	$ 29,204,429

Assets Held Under Split-Interest Agreements	$ 6,988,423
Investments	22,216,006
Total	$ 29,204,429

Fees paid to investment managers for the year ended June 30, 2012 were $150,237.

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.

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.

7. Fair Value Measurements (continued)

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.

JFCS' Level 2 investments include mutual funds. The mutual funds held by JFCS are index funds which invest in marketable securities. Shares of these mutual funds are traded in active markets and can be redeemed for the quoted market price at any point in time. The valuations are derived from market values on the financial statement date and closely approximate the fair value of the investment.

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.

JFCS' Level 3 investments include real estate holding with a carrying value of $720,000. The value is derived from websites that estimate the market value of residential real estate based on the location and sales of comparable properties. JFCS' Level 3 investments also include $12,658 in accrued interest which is valued based on statements from the custodian of the assets, and $300 in donated mineral rights which are valued based on the original face value of the donated certificate.

7. **Fair Value Measurements (continued)**

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.

The table below summarizes JFCS' investments measured at fair value on a recurring basis, by the fair value hierarchy at June 30, 2012.

	Level 1	Level 2	Level 3	Total
Investments				
Cash and Money Market Funds	$ 1,392,860	$ -	$ -	$ 1,392,860
Equities	5,293,058	-	-	5,293,058
Fixed Income Mutual Funds	-	14,809,787	-	14,809,787
Real Property	-	-	720,000	720,000
Other	-	-	300	300
Assets Held in Split Interest Agreements				
Cash and Money Market Funds	476,828	-	-	476,828
Equities	3,832,105	-	-	3,832,105
Mutual Funds	-	2,666,833	-	2,666,833
Other	-	-	12,658	12,658
	$ 10,994,851	$ 17,476,620	$ 732,958	$ 29,204,429

Other financial instruments:

Financial instruments included in JFCS' Statement of Financial Position as of June 30, 2012 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.

8. Notes Receivable

Notes receivable are primarily low interest student loans. The loans can be repaid at any time before graduation without interest. The loans begin to accrue interest in the tenth month following graduation. 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, 2012 consist of the following:

Notes Receivable	$ 1,178,172
Allowance for Uncollectible Loans	(287,524)
Notes Receivable - net	$ 890,648
Notes Receivable – Current	$ 225,070
Notes Receivable – Noncurrent	665,578
Notes Receivable – net	$ 890,648

At June 30, 2012 the carrying values of JFCS' Notes Receivable net of allowances approximates the fair value of the assets.

9. Property and Equipment

Buildings	$ 22,328,851
Land	8,153,677
Furniture and Fixtures	3,112,423
Leasehold Improvements	2,401,762
Vehicles	996,695
Computer Equipment	1,390,107
Web Site	271,900
	38,655,415
Less: Accumulated Depreciation	(12,508,815)
Property and Equipment, Net	$ 26,146,600

Depreciation expense for the year ended June 30, 2012 was $1,127,799; $1,071,344 is shown in the Statement of Functional Expenses and $56,455 is included in Rental Income - Net.

10. Accrued Expenses

Current	
Pension Post-Retirement Benefits	
Qualified and Non-Qualified Plans - Active	$ 1,683,899
Accrued Expenses - Other	1,372,119
Accrued Compensation	746,418
Software	54,400
Relocation Costs	49,370
Uninsured Obligation	13,422
Total Current	3,919,628
Noncurrent	
Pension Post-Retirement Benefits	
Qualified Plans - Active	536,732
Accrued Expenses - Other	950,000
Software	194,933
Relocation Costs	394,974
Uninsured Obligation	432,998
Total Noncurrent	2,509,637
Total	$ 6,429,265

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 issuing bank's prime rate plus .25%, with a minimum rate of 4.25%. The current interest rate is 4.25%. JFCS is obligated to pay interest in full on a monthly basis and to pay the principal in full by the maturing date, November 2012. At June 30, 2012, $1,296,000 was outstanding on the line.

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	$ 3,108,842
First Republic Bank, secured by real property, interest variable at the 11th District COFI plus 2.35% (3.90% at June 30, 2012), $14,893 principal and interest payments calculated monthly, due October 2014	2,248,845

12. Notes Payable (continued)

First Republic Bank, secured by real property, monthly payments of $12,316 including interest at 6.90%, due September 2014	1,553,086
First Republic Bank, secured by real property, interest fixed at 4.30%, monthly payments of $6,001 including interest, due May 2016	927,798
First Republic Bank, secured by personal property, interest fixed at 6.40%, principal payments of $22,262 plus interest calculated monthly, due November 2014	667,858
Wells Fargo Bank, secured by real property, monthly payments of $5,150 including interest at 8.925%, due October 2012	12,642
Total	8,519,071
Less: current portion	(538,390)
Long-term debt	$ 7,980,681

Maturities of long-term debt are as follows:

Fiscal year ended June 30,	
2013	$ 538,390
2014	537,561
2015	3,801,563
2016	935,409
2017	2,706,148
Total	$ 8,519,071

JFCS incurred interest expense of $591,923 for the year ended June 30, 2012. $109,556 is included in Rental Income, Net in the Statement of Activities and $360,689 is included with Occupancy Expense in the Statement of Functional Expenses. The remaining balance of $121,678 is included in the Statement of Functional Expenses in Support Services as interest expense.

13. Temporarily Restricted Net Assets

Loan and Grant Funds	$ 3,508,381
Grants and Contributions	1,368,842
Pledges Receivable	887,875
Split Interest Agreements	1,488,782
Facilities Use	3,289,967
Total	$ 10,543,847

14. Permanently Restricted Net Assets and Donor-Designated Endowment

JFCS' endowment consists of approximately 335 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.

Jewish Family and Children's Services manages its endowment funds in accordance with the California Uniform Prudent Management of Institutional Funds Act (UPMIFA). 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.

14. 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 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 and 30% of 4% of the fair value of endowment assets as of the measurement date.

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 $4,299,013 as of June 30, 2012 and $1,008,523 as of June 30, 2011.

Endowment net asset composition by type of fund as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (4,299,013)	$ 3,508,381	$ 27,238,014	$ 26,447,382

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

Change in endowment net assets for the fiscal year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	$ (1,008,523)	$ 4,883,921	$ 22,464,009	$ 26,339,407
Investment return				
Investment income	-	537,209	5,335	542,544
Net appreciation	-	(1,067,084)	-	(1,067,084)
Investment expenses	-	(101,136)	-	(101,136)
Total investment return	-	(631,011)	5,335	(625,676)
Contributions	-	110,958	4,662,840	4,773,798
Appropriation of endowment assets for expenditure				
Appropriation for Financial Aid Center Awards and Operations	-	(191,185)	-	(191,185)
Appropriation for Agency Operations	-	(664,302)	-	(664,302)
Total	-	(855,487)	-	(855,487)
Other changes				
Transfer for unrestricted net assets to unrestricted endowment net assets to cover deficiency	(3,290,490)	-	-	(3,290,490)
Change in value of net beneficial interest in CRT's dedicated to endowment	-	-	105,830	105,830
End of year	$ (4,299,013)	$ 3,508,381	$ 27,238,014	$ 26,447,382

15. Defined Benefit Pension Plan

JFCS is one of fourteen organizations that jointly contribute to a multiple employer 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. JFCS' percentage share of the unfunded liability computed on that basis is 20.32%.

Each year, the Plan sponsor assesses participating employers a payment amount based on Plan expenses and funding requirements under ERISA and IRS regulations.

Until the Plan is terminated, participating employers are subject to various risks associated with the funded status of the Plan. These risks include investment risk, the risk that the value of Plan assets will decline due to investment losses; actuarial risk, the risk that Plan participants' longevity will exceed actuarial estimates; risks associated with joint and several liability for the plan obligations, one or more of the participating organizations could have insufficient liquidity to meet obligations under the Plan leaving the remaining organizations liable for the whole; and interest rate risk, the risk that interest rates will decline, increasing the cost of terminating the plan and increasing the present value of Plan obligations.

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' 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 January 1, 2008. As of June 30, 2012, JFCS' share of the unfunded liability of the plan had grown to $5,291,124 when computed on the same basis using the allowable discount rate of 5.31%. The increase is due to investment losses and to a reduction in the discount rate used to compute the present value of the Plan liability. The liability has been recorded in the Statement of Financial Position of the Agency.

15. **Defined Benefit Pension Plan (continued)**

Plan actuaries have prepared a financial statement estimate of the unfunded liability for the Plan as of June 30, 2012 using a discount rate of 3.9% to compute the present value of the Plan obligations. This discount rate is representative of current market rates of return at June 30, 2012. Using a discount rate of 3.9%, to estimate the present value of the unfunded liability, JFCS' share is $7,901,585.

The Plan sponsor intends to maintain the frozen plan for several more years until interest rates increase enough to make termination of the Plan feasible. Therefore, JFCS' management continues to use the funding estimates prepared by the Plan actuaries using the current allowable interest rate of 5.31%. This is consistent with the prior year computations of JFCS' share of the unfunded liability.

During the year ending June 30, 2012, JFCS incurred an increase in its share of the unfunded liability in the amount of $2,229,293. 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, 2012, JFCS paid $543,713 for Plan expenses and contributions toward the unfunded liability of the Plan.

16. **Defined Contribution Pension Plans**

JFCS sponsors a defined contribution plan organized as a qualified plan under IRS section 403(b). Employees who elect to participate in the plan may make qualified contributions into the plan on a tax deferred basis. 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 $958,185 for the year ended June 30, 2012.

JFCS also sponsors 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. Employers participating in defined benefit plans that are labeled as at risk plans under ERISA regulations are barred from making contributions to nonqualified plans. As of January 1, 2012, JFCS ceased contributions to the 457(f) plan. Contributions to the 457(f) made during the fiscal year ended June 30, 2012 totaled $129,892.

17. Donor-Advised Funds

Unrestricted net assets include $1,334,657 held in donor-advised funds at June 30, 2012. 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, 2012, donor-advised funds activity was as follows:

Balance, beginning of year	$ 1,249,863
Contributions to donor-advised funds	326,096
Grants from donor-advised funds	(241,302)
Balance, end of year	$ 1,334,657

18. 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, 2012 was $186,133. Future minimum lease commitments are as follows:

Fiscal year ended June 30,	
2013	$ 249,571
2014	222,743
2015	195,110
2016	195,110
2017	195,110
Thereafter	1,785,330
Total	$ 2,842,974

19. 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 either temporarily or 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, 2012 was $2,113,385.

19. 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, 2012:

Beginning of year	$ 6,782,715
Additions	398,917
Income net of losses	128,443
Payments to beneficiaries	(321,652)
End of year	$ 6,988,423

The liability for the present value of the estimated future payments is $5,010,145 as of June 30, 2012.

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 duration of the trust and a discount rate of 6% which is based on past earnings and projected future earnings.

20. Subsequent Events

Management has evaluated subsequent events through November 7, 2012, the date on which the financial statements were available to be issued, and determined the following reportable events occurred:

- The value of JFCS investments has declined to $21,491,061 due to unrealized losses of approximately 1% of the invested value and a withdrawal of $500,000 used to cover expenses of the organization.
- The line of credit will renew on November 30th. The outstanding balance as of November 7, 2012 is $2,000,000.

JEWISH FAMILY AND CHILDREN'S SERVICES
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Granting Agency	Program Title	Federal CFDA Number	Pass-Through Grantor	Pass-Through Number	Federal Expenditures	
Department of Health and Human Services						
Medicaid Cluster						
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		$ 341,668
Head Start Cluster						
	Head Start	93.600	Institute for Human and Social Development, Inc.	#007 & #09	32,025	
	Head Start	93.600	Community Action Marin/Head Start	n/a	9,250	
			Total Cluster			41,275
Aging Cluster						
Administration for Children and Families	Temporary Assistance for Needy Families	93.044	County of Marin Division on Aging	12-053		20,000
Other Programs						
Administration for Children and Families	Temporary Assistance for Needy Families	93.556	California Department of Social Services	10-3010-A-1	160,474	
Office of Refugee Resettlement for Children and Families	Refugee and Entrant Assistance Voluntary Agency Programs	19.510	Hebrew Immigrant Aid Society	SPRMCO12CA009	7,498	
			Total Other Programs			167,972
Department of Agriculture	Child and Adult Care Food Program	10.558	California Department of Education, Nutrition Services Division	5183-IN/V316-00		124,405
Office of Homeland Security	UASI NSGP	97.008	California Emergency Management Agency	Grant #2010-UA-TO-0025; ID 075-90539		75,000
Department of Education	Adult Education State Grant Program	84.002	California Department of Education - Secondary, Postsecondary, and Adult Leadership Division	38-V316		51,767
Total Expenditures of Federal Awards						$ 822,087

Notes to Schedule of Expenditures of Federal Awards

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, 2012. 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.

Good & Fowler, LLP
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, 2012, and have issued our report thereon dated November 7, 2012. 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

Management of Jewish Family and Children's Services is responsible for establishing and maintaining effective 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.

P.O. Box 271 • 262 Grand Avenue • South San Francisco, CA 94083-0271
(650) 872-7600 • FAX (650) 872-7615 www.gfllp.com

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.

Good & Fowler LLP

November 7, 2012

Good & Fowler, LLP
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, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

P.O. Box 271 • 262 Grand Avenue • South San Francisco, CA 94083-0271
(650) 872-7600 • FAX (650) 872-7615 www.gfllp.com

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.

Good & Fowler LLP

November 7, 2012

JEWISH FAMILY AND CHILDREN'S SERVICES
Schedule of Findings and Questioned Costs
June 30, 2012

Section I – Summary of Auditor's Results

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:

CFDA Numbers	Name of Federal Program or Cluster
#93.556	Department of Health and Human Services, Administration for Children and Families, Temporary Assistance for Needed Families
#10.558	Department of Agriculture, Child and Adult Care Food 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 were reported.