JEWISH FAMILY AND CHILDREN'S SERVICES

FINANCIAL STATEMENTS

Year Ended June 30, 2013

JEWISH FAMILY AND CHILDREN'S SERVICES

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Jewish Family and Children's Services (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2013,and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related Notes to the Financial Statements. The prior-year summarized comparative information has been derived from the Organization's 2012 financial statements and, in our report dated November 7, 2012, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jewish Family and Children's Services' internal control over financial reporting and compliance.

South San Francisco, California
November 7, 2013

Good & Fowler LLP

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Financial Position
June 30, 2013
(With Comparative Totals at June 30, 2012)

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ 373,235	$ 618,770
Accounts Receivable		
(net of allowances of $229,910 and $246,871)	2,393,681	2,479,676
Promises to Give, Net	1,239,523	1,674,899
Promises to Give, Restricted to Occupancy Rights	325,335	300,772
Grants Receivable	2,404,519	2,048,541
Bequests Receivable	350,000	-
Notes Receivable	230,422	225,070
Prepaid Expenses and Deposits	544,198	584,809
Total Current Assets	7,860,913	7,932,537
NONCURRENT ASSETS		
Promises to Give, Net	150,000	191,655
Promises to Give, Restricted to Occupancy Rights, Net	2,663,859	2,989,195
Bequests Receivable	1,494,752	1,065,551
Grants Receivable	352,000	-
Notes Receivable, Net	650,057	665,578
Assets Held in Split-Interest Agreements	7,537,178	6,988,423
Investments	22,970,504	22,216,006
Property and Equipment, Net	24,728,642	26,146,600
Total Noncurrent Assets	60,546,992	60,263,008
Total Assets	$ 68,407,905	$ 68,195,545

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Financial Position
June 30, 2013
(With Comparative Totals at June 30, 2012)
(Continued)

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts Payable	$ 482,045	$ 472,735
Accrued Expenses	4,185,559	3,919,628
Defined Benefit Plan - Frozen	598,084	598,084
Line of Credit	150,000	1,296,000
Notes Payable	567,641	538,390
Total Current Liabilities	5,983,329	6,824,837
NONCURRENT LIABILITIES		
Accrued Expenses	2,328,258	2,509,637
Defined Benefit Plan - Frozen	5,208,970	4,693,040
Notes Payable	7,565,796	7,980,681
Liabilities Under Split-Interest Agreements	5,302,026	5,010,145
Total Noncurrent Liabilities	20,405,050	20,193,503
Total Liabilities	26,388,379	27,018,340
NET ASSETS		
Unrestricted	2,680,885	3,395,344
Temporarily Restricted	10,671,403	10,543,847
Permanently Restricted	28,667,238	27,238,014
Total Net Assets	42,019,526	41,177,205
Total Liabilities and Net Assets	$ 68,407,905	$ 68,195,545

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Activities
Year Ended June 30, 2013
(With Comparative Totals at June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
REVENUE					
Public Support					
Bequests	$ 960,153	$ -	$ 180,000	$ 1,140,153	$ 4,183,526
Grants and Contributions	6,546,369	3,001,767	1,189,643	10,737,779	9,906,808
In-Kind Contributions	275,365	-	-	275,365	361,466
Special Events Revenue, Net	334,661	-	-	334,661	181,383
Change in Value of Split-Interest Agreements	(98,678)	-	52,314	(46,364)	(126,330)
Income from Trusts	205,913	-	-	205,913	119,761
Total Public Support	8,223,783	3,001,767	1,421,957	12,647,507	14,626,614
Other Revenue, Gains and (Losses)					
Program Service Fees	16,077,415	-	-	16,077,415	16,505,934
Dividends and Interest on Investments, Net	447,016	-	-	447,016	427,832
Gain on Sale of Investments	714,755	-	-	714,755	340,471
Market Value Adjustments - Investments	1,485,993	-	-	1,485,993	(1,419,342)
Interest Income on Loans	109	9,949	7,267	17,325	13,618
Gain on Disposal of Assets	360,429	-	-	360,429	-
Rental Income (Loss), Net	(109,922)	-	-	(109,922)	(99,467)
Miscellaneous Revenue	93,927	-	-	93,927	63,771
Total Other Revenue Gains and (Losses)	19,069,722	9,949	7,267	19,086,938	15,832,817
Total Revenue	27,293,505	3,011,716	1,429,224	31,734,445	30,459,431
NET ASSETS RELEASED FROM RESTRICTION					
Satisfaction of Program Restrictions	2,884,160	(2,884,160)	-	-	-
EXPENSES					
Program Services	25,719,650	-	-	25,719,650	26,656,235
Support Services	4,058,460	-	-	4,058,460	4,484,628
Total Expenses	29,778,110	-	-	29,778,110	31,140,863
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	399,555	127,556	1,429,224	1,956,335	(681,432)
OTHER ITEMS					
Change in Defined Benefit Pension Plan Liability	(1,114,014)	-	-	(1,114,014)	(2,229,293)
CHANGE IN NET ASSETS	(714,459)	127,556	1,429,224	842,321	(2,910,725)
NET ASSETS, Beginning of Year	3,395,344	10,543,847	27,238,014	41,177,205	44,087,930
NET ASSETS, End of Year	$ 2,680,885	$ 10,671,403	$ 28,667,238	$ 42,019,526	$ 41,177,205

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Functional Expenses
Year Ended June 30, 2013
(With Comparative Totals at June 30, 2012)

	Program Services						Support Services				
	Children and Families	Older Adults	Social Enterprise Center	Refugees	Adults	Total	Management and General	Development and Publicity	Total	Total 2013	Total 2012
Personnel Costs											
Salaries and Wages	$ 3,364,337	$ 7,830,299	$ 651,440	$ 2,051,717	$ 792,465	$ 14,690,258	$ 1,186,416	$ 1,229,976	$ 2,416,392	$ 17,106,650	$ 17,847,877
Employee Benefits	386,396	1,098,052	125,668	309,710	102,468	2,022,294	103,871	123,024	226,895	2,249,189	2,212,422
Payroll Taxes	250,720	625,889	53,778	155,616	57,952	1,143,955	86,196	97,974	184,170	1,328,125	1,436,838
Pension Plan	180,257	182,927	10,628	166,157	58,455	598,424	175,652	76,683	252,335	850,759	1,099,487
Workers' Compensation Insurance	50,710	546,046	84,102	49,043	16,024	745,925	16,701	16,080	32,781	778,706	666,537
Total Personnel Costs	4,232,420	10,283,213	925,616	2,732,243	1,027,364	19,200,856	1,568,836	1,543,737	3,112,573	22,313,429	23,263,161
Nonpersonnel Costs											
Occupancy	356,330	554,987	27,464	95,504	255,957	1,290,242	133,003	153,890	286,893	1,577,135	1,602,821
Assistance to Individuals	447,586	317,148	-	233,034	95,480	1,093,248	-	-	-	1,093,248	1,352,305
Depreciation	352,741	269,860	16,206	102,957	178,650	920,414	34,642	36,149	70,791	991,205	1,071,344
Professional Fees	396,850	241,993	23,348	112,783	40,590	815,564	49,052	96,189	145,241	960,805	1,094,731
Transportation	43,907	128,183	38,272	247,544	7,935	465,841	5,164	3,160	8,324	474,165	485,996
Supplies	82,073	89,280	66,228	47,698	61,483	346,762	22,957	10,537	33,494	380,256	326,383
Conferences and Meetings	193,489	73,664	231	7,661	11,415	286,460	72,263	7,247	79,510	365,970	233,877
Donor-Advised Grants	338,337	-	-	-	-	338,337	-	-	-	338,337	241,302
Insurance	53,353	69,325	19,047	49,727	29,852	221,304	42,978	11,483	54,461	275,765	248,394
Publicity	80,880	84,994	-	380	317	166,571	-	17,147	17,147	183,718	166,392
Telephone	51,727	57,885	3,565	23,814	14,023	151,014	17,771	11,945	29,716	180,730	174,233
Printing and Publications	53,281	39,263	814	2,851	3,117	99,326	901	73,894	74,795	174,121	269,099
Equipment Rental and Maintenance	52,557	54,617	4,724	24,321	18,509	154,728	9,160	9,769	18,929	173,657	154,201
Postage and Shipping	29,029	20,457	862	6,561	3,695	60,604	6,332	31,736	38,068	98,672	117,588
Interest	-	-	-	-	-	-	80,453	-	80,453	80,453	121,678
Dues	10,254	17,785	1,705	6,454	1,294	37,492	3,974	2,812	6,786	44,278	53,349
Recruitment	4,007	30,290	3,050	398	500	38,245	514	765	1,279	39,524	43,776
Bad Debts	2,895	12,729	11,612	620	4,786	32,642	-	-	-	32,642	120,233
Total Nonpersonnel Costs	2,549,296	2,062,460	217,128	962,307	727,603	6,518,794	479,164	466,723	945,887	7,464,681	7,877,702
Total Expenses	$ 6,781,716	$ 12,345,673	$ 1,142,744	$ 3,694,550	$ 1,754,967	$ 25,719,650	$ 2,048,000	$ 2,010,460	$ 4,058,460	$ 29,778,110	$ 31,140,863

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Cash Flows
Year Ended June 30, 2013
(With Comparative Totals at June 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 842,321	$ (2,910,725)
Adjustments to Reconcile Change in Net Assets to		
Net Cash (Used) by Operating Activities		
Depreciation	1,049,069	1,127,799
(Gain) on Sale of Property	(360,429)	-
(Gain) on Sale of Investments	(512,057)	(351,565)
Market Value Adjustments - Investments	(1,539,674)	1,413,352
Permanently Restricted Contributions	(1,369,643)	(4,662,840)
Amortization of Discount	300,773	277,472
Actuarial Changes in Split-Interest Agreements	(256,874)	(86,780)
Pension Liability Adjustment	1,114,014	2,229,293
Donated Property and Equipment	(20,206)	(83,000)
(Increase) Decrease in Operating Assets		
Accounts Receivable	85,995	62,731
Promises to Give	477,031	465,581
Grants Receivable	(707,978)	(216,371)
Bequests Receivable	(779,201)	2,283,087
Prepaid Expense and Deposits	40,610	(192,655)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	9,309	(60,663)
Accrued Expenses	84,552	591,729
Defined Benefit Plan - Frozen	(598,084)	(543,713)
Net Cash (Used) by Operating Activities	(2,140,472)	(657,268)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	8,324,064	12,863,825
Purchase of Investments	(7,026,832)	(16,423,146)
Proceeds from Sale of Property	1,008,786	-
Purchase of Property and Equipment	(259,258)	(735,099)
Net Principal Received (Advanced) on Notes Receivable	10,168	37,326
Net Cash Provided (Used) by Investing Activities	2,056,928	(4,257,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently Restricted Contributions	1,369,643	4,662,840
Net Borrowings (Payments) on Line of Credit	(1,146,000)	996,000
Proceeds from Long-Term Debt	150,000	-
Principal Paid on Debt	(535,634)	(541,055)
Net Cash Provided (Used) by Financing Activities	(161,991)	5,117,785
NET INCREASE (DECREASE) IN CASH	(245,535)	203,423
CASH, Beginning of Year	618,770	415,347
CASH, End of Year	$ 373,235	$ 618,770
SUPPLEMENTAL DISCLOSURES		
Operating Activities include cash paid for interest of:	$ 568,356	$ 592,635

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 $20,206 of donated property and equipment for the year ended June 30, 2013. 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, 2013.

Donated Facilities and Services – The financial statements reflect $255,158 of donated occupancy rights for the year ended June 30, 2013. 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, 2012, 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. Deposits up to $250,000 are insured by the FDIC. At June 30, 2013, 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	$ 1,339,523
Receivable in one to two years	150,000
Less: reserve for uncollectible pledges	(100,000)
Net unconditional promises to give at June 30, 2013	$ 1,389,523

At June 30, 2013, 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 Fund (MZHF) 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 MZHF.

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, 2013, JFCS recorded occupancy costs of $555,930, an in-kind contribution of $255,157, and the amortization of the discount of the asset of $300,773. 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, $394,474 as of June 30, 2013. Amortization of this allowance of $49,370 for the year ended June 30, 2013 has been recorded as a credit against occupancy costs.

Promises to give restricted to occupancy rights at June 30, 2013 are due as follows:

Receivable in one year	$ 325,335
Receivable in one to five years	2,779,650
Receivable in more than five years	602,257
Total unconditional promises to give	3,707,242
Less: discounts to net present value	(718,048)
Net unconditional promises to give at June 30, 2013	$ 2,989,194

6. Investments

Mutual Funds	$ 14,569,803
Equity Securities	11,248,123
Money Market Accounts	2,349,653
Government Securities	1,476,934
Real Property	650,000
Corporate Debt	201,050
Other	12,119
Total	$ 30,507,682
Assets Held Under Split-Interest Agreements	$ 7,537,178
Investments	22,970,504
Total	$ 30,507,682

Fees paid to investment managers for the year ended June 30, 2013 were $135,911.

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 $650,000. The value is derived from the subsequent sales price of the holdings. JFCS' Level 3 investments also include $11,819 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, 2013.

	Level 1	Level 2	Level 3	Total
Investments				
Cash and Money Market Funds	$ 1,168,824	$ -	$ -	$ 1,168,824
Equities	7,054,085	-	-	7,054,085
Fixed Income Mutual Funds	-	14,097,295	-	14,097,295
Real Property	-	-	650,000	650,000
Other	-	-	300	300
Assets Held in Split Interest Agreements				
Cash and Money Market Funds	1,180,829	-	-	1,180,829
Equities	4,194,038	-	-	4,194,038
Mutual Funds	-	2,150,492	-	2,150,492
Other	-	-	11,819	11,819
	$ 13,597,776	$ 16,247,787	$ 662,119	$ 30,507,682

Other financial instruments:

Financial instruments included in JFCS' Statement of Financial Position as of June 30, 2013 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, 2013 consist of the following:

Notes Receivable	$ 1,171,592
Allowance for Uncollectible Loans	(291,113)
Notes Receivable - net	$ 880,479
Notes Receivable – Current	$ 230,422
Notes Receivable – Noncurrent	650,057
Notes Receivable – net	$ 880,479

At June 30, 2013, the carrying values of JFCS' Notes Receivable net of allowances approximates the fair value of the assets.

9. Property and Equipment

Buildings	$ 21,395,777
Land	7,988,113
Furniture and Fixtures	3,147,080
Leasehold Improvements	2,401,762
Computer Equipment	1,533,869
Vehicles	1,074,579
Web Site	271,900
	37,813,080
Less: Accumulated Depreciation	(13,084,438)
Property and Equipment, Net	$ 24,728,642

Depreciation expense for the year ended June 30, 2013 was $1,049,069; $991,205 is shown in the Statement of Functional Expenses and $57,864 is included in Rental Income (Loss), Net.

10. Accrued Expenses

Current	
Pension Post-Retirement Benefits	
Qualified and Non-Qualified Plans - Active	$ 1,739,570
Accrued Expenses - Other	1,006,827
Accrued Compensation	821,201
Employee Health Reimbursement Accounts	500,228
Software	54,396
Relocation Costs	49,368
Uninsured Obligation	13,969
Total Current	4,185,559
Noncurrent	
Accrued Expenses - Other	950,000
Pension Post-Retirement Benefits	
Qualified Plans - Active	473,086
Uninsured Obligation	419,029
Relocation Costs	345,606
Software	140,537
Total Noncurrent	2,328,258
Total	$ 6,513,817

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 2013. At June 30, 2013, $150,000 was outstanding on the line.

12. Notes Payable

First Republic Bank, secured by real property, monthly payments of $25,668 including interest at 7.00%, due August 2016	$ 3,018,590

12. Notes Payable (continued)

First Republic Bank, secured by real property, interest variable at the 11th District COFI plus 2.35% (3.90% at June 30, 2013), principal payments of $14,893 plus interest calculated monthly, due October 2014	2,157,380
First Republic Bank, secured by real property, monthly payments of $12,316 including interest at 6.90%, due September 2014	1,511,150
First Republic Bank, secured by real property, monthly payments of $6,001 including interest at 4.30%, due May 2016	895,602
First Republic Bank, secured by personal property, interest fixed at 6.40%, principal payments of $22,262 plus interest calculated monthly, due November 2014	400,715
Successor Organization to the Conference on Material Claims, unsecured, no interest loan, principal yearly payments of $30,000, matures December 2017	150,000
Total	8,133,437
Less: current portion	(567,641)
Long-term debt	$ 7,565,796

Maturities of long-term debt are as follows:

Fiscal year ended June 30,	
2014	$ 567,641
2015	3,831,485
2016	968,162
2017	2,736,149
2018	30,000
Total	$ 8,133,437

JFCS incurred interest expense of $565,959 for the year ended June 30, 2013. $124,938 is included in Rental Income (Loss), Net in the Statement of Activities. $360,689 is included with Occupancy and $80,382 as Interest in the Statement of Functional Expenses.

13. Temporarily Restricted Net Assets

Loan and Grant Funds	$ 3,041,958
Grants Receivable	2,108,567
Pledges Receivable	838,342
Split Interest Agreements	1,693,342
Facilities Use	2,989,194
Total	$ 10,671,403

14. Permanently Restricted Net Assets and Donor-Designated Endowment

JFCS' endowment consists of approximately 337 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 $6,463,391 as of June 30, 2013.

Endowment net asset composition by type of fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (6,463,391)	$ 3,041,958	$ 28,667,238	$ 25,245,805

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

Change in endowment net assets for the fiscal year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	$ (4,299,013)	$ 3,508,381	$ 27,238,014	$ 26,447,382
Investment return				
Investment income	532,630	9,949	7,267	549,846
Net appreciation	2,029,944	-	-	2,029,944
Investment expenses	(80,974)	-	-	(80,974)
Total investment return	2,481,600	9,949	7,267	2,498,816
Contributions	-	54,859	1,369,643	1,424,502
Appropriation of endowment assets for expenditure				
Appropriation for Financial Aid Center Awards and Operations	-	(158,214)	-	(158,214)
Appropriation for Agency Operations	-	(373,017)	-	(373,017)
Total	-	(531,231)	-	(531,231)
Other changes				
Transfer for unrestricted net assets to unrestricted endowment net assets to cover deficiency	(4,645,978)	-	-	(4,645,978)
Change in value of net beneficial interest in CRT's dedicated to endowment	-	-	52,314	52,314
End of year	$ (6,463,391)	$ 3,041,958	$ 28,667,238	$ 25,245,805

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, 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, 2013, JFCS' share of the unfunded liability of the plan had grown to $5,807,054. 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.

15. Defined Benefit Pension Plan (continued)

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.

During the year ending June 30, 2013, JFCS incurred an increase in its share of the unfunded liability in the amount of $1,114,014. 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, 2013, JFCS paid $598,084 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 $796,504 for the year ended June 30, 2013.

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) plan made during the fiscal year ended June 30, 2013 totaled $43,297.

17. Donor-Advised Funds

Unrestricted net assets include $1,334,657 held in donor-advised funds at June 30, 2013. 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, 2013, donor-advised funds activity was as follows:

Balance, beginning of year	$ 1,334,657
Contributions to donor-advised funds	279,128
Grants from donor-advised funds	(338,337)
Balance, end of year	$ 1,275,448

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, 2013 was $187,719. Future minimum lease commitments are as follows:

Fiscal year ended June 30,	
2014	$ 222,743
2015	195,110
2016	195,110
2017	195,110
2018	195,110
Thereafter	1,590,221
Total	$ 2,593,404

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, 2013 was $2,196,841.

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, 2013:

Beginning of year	$ 6,988,423
Additions	218,077
Income net of losses	714,709
Terminations	(47,807)
Payments to beneficiaries	(336,224)
End of year	$ 7,537,178

The liability for the present value of the estimated future payments is $5,302,026 as of June 30, 2013.

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.

22. Subsequent Events

Management has evaluated subsequent events through November 7, 2013, and determined the following reportable events occurred:

- On July 12, 2013, JFCS refinanced $7,939,000 in outstanding notes payable at an interest rate of 4.05%. The new notes mature August 1, 2023. The debt was secured by various buildings.
- On September 3, 2013, JFCS sold a donated property that had been held for investment purposes. The sales price was $650,000, which was the same as the holding value at June 30, 2013. The net proceeds from the sale totaled $614,798.
- The line of credit will renew on November 30th. The outstanding balance as of November 7, 2013 was $500,000.

JEWISH FAMILY AND CHILDREN'S SERVICES
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Granting Agency	Program Title	Federal CFDA Number	Pass-Through Grantor	Pass-Through Number	Federal Expenditures	
Department of Health and Human Services						
Other Programs						
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	$ 342,069	
Administration for Children and Families	Promoting Safe and Stable Families	93.556	California Department of Social Services	10-3010-A-1	163,698	
Administration for Children and Families	Special Programs for the Aging_Title III, Part B_Grans for Supportive Services and Senior Centers	93.044	Marin Division on Aging Transportation-Van Program	13-230	24,167	
	Head Start	93.600	Community Action Marin/Head Start	n/a	9,250	
Administration for Children and Families	ARRA - Temporary Assistance for Needy Families (TANF) Supplemental Grants	93.716	City and County of San Francisco, Human Services Agencey		8,513	
Administration for Children and Families	Special Programs for the Aging_Title III, Part B_Grans for Supportive Services and Senior Centers	93.044	County of Marin Division on Aging	13-262	7,646	
			Total Other Programs			555,343
Department of Agriculture	Child and Adult Care Food Program	10.558	California Department of Education, Nutrition Services Division	5183-IN/V316-00		121,832
Department of Education	Adult Education State_Grant Program	84.002	California Department of Education - Secondary, Postsecondary, and Adult Leadership Division	38-V316		47,090
Department of State	Refugee and Entrant Assistance_Voluntary Agency Programs	19.510	Hebrew Immigrant Aid Society	SPRMCO12CA009		6,494
Total Expenditures of Federal Awards						$ 730,759

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, 2013. 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

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Bruce J. Wright, CPA
Michael J. Ellingson, CPA
Principal
Mitchell Richstone, CPA

INDEPENDENT AUDITOR'S 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, 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, the financial statements of Jewish Family and Children's Services (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2013, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jewish Family and Children's Services' internal control over financial reporting internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jewish Family and Children's Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jewish Family and Children's Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Good & Fowler LLP

South San Francisco, California
November 7, 2013

Good & Fowler, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Principal
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. Jewish Family and Children's Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jewish Family and Children's Services' major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Family and Children's Services' compliance.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)

Opinion on Each Major Federal Program

In our opinion, Jewish Family and Children's Services complied, in all material respects, with the types of 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, 2013.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jewish Family and Children's Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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 control 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Good & Fowler LLP

South San Francisco, California
November 7, 2013

JEWISH FAMILY AND CHILDREN'S SERVICES
Schedule of Findings and Questioned Costs
June 30, 2013

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
#93.778	Department of Health and Human Services, Medical Assistance Program, Multipurpose Senior Services Program

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

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Status of Prior Year Findings

No prior year audit findings were reported.