

**JEWISH FAMILY AND
CHILDREN'S SERVICES**

FINANCIAL STATEMENTS

Year Ended June 30, 2014

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, 2014, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related Notes to the 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.

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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, 2014, 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.

Report on Summarized Comparative Information

We have previously audited the Jewish Family and Children's Services' 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, 2014, 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, 2014

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Financial Position
June 30, 2014
(With Comparative Totals at June 30, 2013)

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 978,145	\$ 373,235
Accounts Receivable (net of allowances of \$326,000 and \$196,000)	2,278,839	2,393,681
Grants and Contributions Receivable, Net	3,854,581	3,644,042
Promises to Give, Restricted to Occupancy Rights	353,348	325,335
Bequests Receivable	3,178,625	350,000
Notes Receivable	207,605	230,422
Prepaid Expenses and Deposits	627,199	544,198
Total Current Assets	11,478,342	7,860,913
NONCURRENT ASSETS		
Grants and Contributions Receivable, Net	753,379	502,000
Promises to Give, Restricted to Occupancy Rights, Net	2,310,511	2,663,859
Bequests Receivable	-	1,494,752
Notes Receivable, Net	517,750	650,057
Assets Held in Split-Interest Agreements	8,268,817	7,537,178
Investments	24,882,872	22,970,504
Property and Equipment, Net	24,005,231	24,728,642
Total Noncurrent Assets	60,738,560	60,546,992
Total Assets	\$ 72,216,902	\$ 68,407,905

JEWISH FAMILY & CHILDREN'S SERVICES

Statement of Financial Position

June 30, 2014

(With Comparative Totals at June 30, 2013)

(Continued)

	<u>2014</u>	<u>2013</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 419,611	\$ 482,045
Accrued Expenses	4,716,903	4,185,559
Defined Benefit Plan - Frozen	598,084	598,084
Line of Credit	491,218	150,000
Notes Payable	171,708	567,641
Total Current Liabilities	<u>6,397,524</u>	<u>5,983,329</u>
NONCURRENT LIABILITIES		
Accrued Expenses	2,226,133	2,328,258
Defined Benefit Plan - Frozen	4,637,709	5,208,970
Notes Payable	7,784,093	7,565,796
Liabilities Under Split-Interest Agreements	5,577,199	5,302,026
Total Noncurrent Liabilities	<u>20,225,134</u>	<u>20,405,050</u>
Total Liabilities	<u>26,622,658</u>	<u>26,388,379</u>
NET ASSETS		
Unrestricted	5,489,854	2,680,885
Temporarily Restricted	10,214,076	10,671,403
Permanently Restricted	29,890,314	28,667,238
Total Net Assets	<u>45,594,244</u>	<u>42,019,526</u>
 Total Liabilities and Net Assets	 <u>\$ 72,216,902</u>	 <u>\$ 68,407,905</u>

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Activities
Year Ended June 30, 2014
(With Comparative Totals at June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
REVENUE					
Public Support					
Grants and Contributions	\$ 9,394,555	\$ 188,694	\$ 1,132,903	\$ 10,716,152	\$ 10,737,779
Bequests	2,031,049	-	-	2,031,049	1,140,153
In-Kind Contributions	342,960	-	-	342,960	275,365
Special Events Revenue, Net	289,304	-	-	289,304	334,661
Change in Value of Split-Interest Agreements	(16,512)	-	82,339	65,827	(46,364)
Income from Trusts	56,583	-	-	56,583	205,913
Total Public Support	<u>12,097,939</u>	<u>188,694</u>	<u>1,215,242</u>	<u>13,501,875</u>	<u>12,647,507</u>
Other Revenue, Gains and (Losses)					
Program Service Fees	16,016,150	-	-	16,016,150	16,077,415
Market Value Adjustments - Investments	2,478,193	-	-	2,478,193	1,485,993
Gain on Sale of Investments	898,673	-	-	898,673	714,755
Dividends and Interest on Investments, Net	397,803	-	-	397,803	447,016
Miscellaneous Revenue	50,570	-	-	50,570	93,927
Interest Income on Loans	531	8,209	7,834	16,574	17,325
Gain (Loss) on Disposal of Assets	(25,949)	-	-	(25,949)	360,429
Rental Income (Loss), Net	(68,240)	-	-	(68,240)	(109,922)
Total Other Revenue Gains and (Losses)	<u>19,747,731</u>	<u>8,209</u>	<u>7,834</u>	<u>19,763,774</u>	<u>19,086,938</u>
Total Revenue	<u>31,845,670</u>	<u>196,903</u>	<u>1,223,076</u>	<u>33,265,649</u>	<u>31,734,445</u>
NET ASSETS RELEASED FROM RESTRICTION					
Satisfaction of Program Restrictions	<u>654,230</u>	<u>(654,230)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES					
Program Services	25,282,972	-	-	25,282,972	25,719,650
Support Services	4,381,136	-	-	4,381,136	4,058,460
Total Expenses	<u>29,664,108</u>	<u>-</u>	<u>-</u>	<u>29,664,108</u>	<u>29,778,110</u>
CHANGE IN NET ASSETS BEFORE OTHER ITEMS					
	2,835,792	(457,327)	1,223,076	3,601,541	1,956,335
OTHER ITEMS					
Change in Defined Benefit Pension Plan Liability	<u>(26,823)</u>	<u>-</u>	<u>-</u>	<u>(26,823)</u>	<u>(1,114,014)</u>
CHANGE IN NET ASSETS					
	2,808,969	(457,327)	1,223,076	3,574,718	842,321
NET ASSETS, Beginning of Year					
	<u>2,680,885</u>	<u>10,671,403</u>	<u>28,667,238</u>	<u>42,019,526</u>	<u>41,177,205</u>
NET ASSETS, End of Year					
	<u>\$ 5,489,854</u>	<u>\$ 10,214,076</u>	<u>\$ 29,890,314</u>	<u>\$ 45,594,244</u>	<u>\$ 42,019,526</u>

JEWISH FAMILY & CHILDREN'S SERVICES
Statement of Functional Expenses
Year Ended June 30, 2014
(With Comparative Totals at June 30, 2013)

	Program Services					Support Services			Total 2014	Total 2013
	Older Adults	Children and Families	Émigrés	Adults	Social Enterprise Center	Management and General	Development and Publicity	Total		
Personnel Costs	\$ 7,961,218	\$ 3,451,137	\$ 2,072,717	\$ 728,741	\$ 727,490	\$ 1,390,444	\$ 1,191,605	\$ 2,582,049	\$ 17,523,352	\$ 17,106,650
Salaries and Wages	970,138	213,106	177,114	46,710	131,423	55,867	67,476	123,343	1,661,834	2,249,189
Employee Benefits	627,271	263,458	152,879	50,205	59,320	102,318	88,560	190,878	1,344,011	1,328,125
Payroll Taxes	222,228	198,754	199,436	58,726	10,025	223,774	103,906	327,680	1,016,849	850,759
Retirement Benefits	373,717	34,354	32,505	8,084	64,278	13,115	10,160	23,275	536,213	778,706
Workers' Compensation Insurance	10,154,572	4,160,809	2,634,651	892,466	992,536	1,785,518	1,461,707	3,247,225	22,082,259	22,313,429
Total Personnel Costs										
Nonpersonnel Costs										
Occupancy	530,040	355,864	95,439	201,750	36,508	137,411	155,566	292,977	1,512,578	1,577,135
Professional Fees	354,490	444,195	131,138	28,113	38,167	193,079	79,323	272,402	1,268,505	960,805
Assistance to Individuals	257,148	461,317	221,908	116,197	125	-	-	-	1,056,695	1,093,248
Depreciation	251,843	353,248	98,297	144,925	13,868	32,964	36,627	69,591	931,772	991,205
Transportation	144,149	40,869	288,694	9,765	34,153	4,931	3,449	8,380	526,010	474,165
Supplies	91,151	93,187	47,422	16,499	82,130	30,389	9,635	39,903	370,292	380,256
Donor-Advised Grants	-	346,615	-	-	-	346,615	-	-	346,615	338,337
Insurance	70,327	54,266	49,031	22,711	23,773	52,596	11,027	63,623	283,731	275,765
Publicity	59,883	134,187	4,434	265	-	198,769	2,387	26,067	224,836	183,718
Conferences and Meetings	22,803	56,122	5,538	2,063	178	115,763	23,680	120,691	207,395	365,970
Printing and Publications	27,386	69,938	8,710	1,759	779	9,433	4,928	77,695	195,700	174,121
Telephone	65,711	49,290	24,670	13,324	3,302	18,115	12,112	30,227	186,524	180,730
Equipment Rental and Maintenance	55,292	62,510	19,548	14,158	3,922	10,418	10,864	21,282	176,712	173,657
Postage and Shipping	18,197	32,346	6,991	3,264	1,014	5,802	25,312	31,114	92,926	98,672
Bad Debts	58,459	7	-	5,070	1,228	(429)	-	(429)	64,335	32,642
Dues	12,195	4,893	3,476	437	1,953	36,777	1,335	38,112	61,066	44,278
Recruitment	33,838	4,347	781	1,286	3,062	1,486	601	2,087	45,401	39,524
Interest	-	-	-	-	-	30,756	-	30,756	30,756	80,453
Total Nonpersonnel Costs	2,052,912	2,563,201	1,006,077	581,586	244,162	681,757	452,154	1,133,911	7,581,849	7,464,681
Total Expenses	\$ 12,207,484	\$ 6,724,010	\$ 3,640,728	\$ 1,474,052	\$ 1,236,698	\$ 2,467,275	\$ 1,913,861	\$ 4,381,136	\$ 29,664,108	\$ 29,778,110

JEWISH FAMILY & CHILDREN'S SERVICES

Statement of Cash Flows
Year Ended June 30, 2014

(With Comparative Totals at June 30, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,574,718	\$ 842,321
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities		
Depreciation	989,674	1,049,069
(Gain) Loss on Sale of Property	25,949	(360,429)
(Gain) on Sale of Investments	(898,673)	(512,057)
Market Value Adjustments - Investments	(2,478,193)	(1,539,674)
Permanently Restricted Contributions	(1,132,903)	(1,369,643)
Amortization of Discount	325,335	300,773
Actuarial Changes in Split-Interest Agreements	(456,466)	(256,874)
Pension Liability Adjustment	26,823	1,114,014
Donated Property and Equipment	-	(20,206)
Donated Books	(112,365)	-
(Increase) Decrease in Operating Assets		
Accounts Receivable	114,842	85,995
Grants and Contributions Receivable	(461,918)	(230,947)
Bequests Receivable	(1,333,873)	(779,201)
Prepaid Expense and Deposits	29,364	40,610
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(62,434)	9,309
Accrued Expenses	429,219	84,552
Defined Benefit Plan - Frozen	(598,084)	(598,084)
Net Cash (Used) by Operating Activities	<u>(2,018,985)</u>	<u>(2,140,472)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	5,143,978	8,324,064
Purchase of Investments	(3,679,480)	(7,026,832)
Proceeds from Sale of Property	-	1,008,786
Purchase of Property and Equipment	(292,212)	(259,258)
Net Principal Received (Advanced) on Notes Receivable	155,124	10,168
Net Cash Provided by Investing Activities	<u>1,327,410</u>	<u>2,056,928</u>

JEWISH FAMILY & CHILDREN'S SERVICES

Statement of Cash Flows
Year Ended June 30, 2014
(With Comparative Totals at June 30, 2013)
(Continued)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently Restricted Contributions	1,132,903	1,369,643
Net Borrowings (Payments) on Line of Credit	341,218	(1,146,000)
Proceeds from Long-Term Debt	-	150,000
Principal Paid on Debt	(177,636)	(535,634)
Net Cash Provided (Used) by Financing Activities	<u>1,296,485</u>	<u>(161,991)</u>
NET INCREASE (DECREASE) IN CASH	604,910	(245,535)
CASH, Beginning of Year	<u>373,235</u>	<u>618,770</u>
CASH, End of Year	<u>\$ 978,145</u>	<u>\$ 373,235</u>
SUPPLEMENTAL DISCLOSURES		
Operating Activities include cash paid for interest of:	<u>\$ 377,206</u>	<u>\$ 568,356</u>
Non-Cash Financing Activities		
Proceeds from New Notes Payable	\$ 7,939,000	
Payoff of Old Notes Payable	(7,939,000)	
Net Cash Received	<u>\$ -</u>	

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

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.

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

2. Summary of Significant Accounting Policies (continued)

Grants and Contributions and Bequests Receivable – Grants, contributions, 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. 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, 2014.

Donated Facilities and Services – The financial statements reflect \$230,595 of donated occupancy rights for the year ended June 30, 2014. 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.

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

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 carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. The fair value of liabilities includes consideration of non-performance risk including JFCS' own credit risk.

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

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, 2013, 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, 2014, JFCS had uninsured cash balances of \$796,688. JFCS does not believe that it is exposed to any significant risk in connection with these cash balances.

During the year ended June 30, 2014, JFCS received several large grants and contributions. Four donors made up 69% of the total grants and contributions receivable. The Organization does not believe that this concentration represents a significant risk.

4. Grants and Contributions Receivable

Receivable in less than one year	\$ 3,954,581
Receivable in one to two years	<u>794,934</u>
Total	4,749,515
Less: discount to present value	(41,555)
Less: reserve for uncollectible pledges	<u>(100,000)</u>
Net unconditional promises to give at June 30, 2014	<u>\$ 4,607,960</u>

Long-term promises to give are discounted at 4.25%. At June 30, 2014, the carrying values of JFCS' promises to give net of discounts and reserves, approximates the fair value of the assets.

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

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, 2014, JFCS recorded occupancy costs of \$555,930, an in-kind contribution of \$230,595, and the amortization of the discount of the asset of \$325,335. 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, \$345,604 as of June 30, 2014. Amortization of this allowance of \$49,370 for the year ended June 30, 2014 has been recorded as a credit against occupancy costs.

Promises to give restricted to occupancy rights at June 30, 2014 are due as follows:

Receivable in one year	\$ 353,348
Receivable in one to five years	2,779,650
Receivable in more than five years	<u>46,328</u>
Total unconditional promises to give	3,179,326
Less: discounts to net present value	<u>(515,467)</u>
Total promises to give – restricted to occupancy rights, net	\$ <u>2,663,859</u>

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

6. Investments

Cash and Cash Equivalents	\$ 1,918,824
Equity Securities	
Domestic	15,946,580
International – Developed	5,106,761
International – Emerging	610,060
Alternative Asset Class	1,207,335
Fixed Income	
Mutual Funds	6,228,172
U.S. Treasury Notes and Bonds	397,718
International Government Bonds	1,500
Federal Agencies	1,116,484
Municipal Bonds	376,915
Corporate Bonds	<u>241,340</u>
Total	\$ <u>33,151,689</u>
Assets Held Under Split-Interest Agreements	\$ 8,268,817
Investments	<u>24,882,872</u>
Total	\$ <u>33,151,689</u>

Fees paid to investment managers for the year ended June 30, 2014 were \$138,291.

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

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

7. Fair Value Measurements

Fair value reporting standards define a hierarchy of valuation inputs used to establish the fair value of assets and liabilities on the measurement date. 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.

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.

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

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, 2014.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments			
Money Market	\$ 986,044	\$ -	\$ 986,044
Equity Securities			
Domestic	11,369,953	-	11,369,953
International – Developed	4,718,325	-	4,718,325
International – Emerging	610,060	-	610,060
Alternative Asset Class	1,207,335	-	1,207,335
Fixed Income			
Mutual Funds	-	5,745,434	5,745,434
International Government Bonds	-	1,500	1,500
Subtotal	<u>18,891,717</u>	<u>5,746,934</u>	<u>24,638,651</u>
Assets Held in			
 Split Interest Agreements			
Money Market	162,179	-	162,179
Equity Securities			
Domestic	4,576,627	-	4,576,627
International – Developed	388,436	-	388,436
Fixed Income			
Mutual Funds	-	482,738	482,738
U.S. Treasury Notes and Bonds	397,718	-	397,718
Federal Agencies	-	1,116,484	1,116,484
Municipal Bonds	-	376,915	376,915
Corporate Bonds	-	241,340	241,340
Subtotal	<u>5,524,960</u>	<u>2,217,477</u>	<u>7,742,437</u>
Total	\$ <u>24,416,677</u>	\$ <u>7,964,411</u>	\$ <u>32,381,088</u>

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

7. Fair Value Measurements (continued)

Other financial instruments:

Financial instruments included in JFCS' Statement of Financial Position as of June 30, 2014 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, 2014 consist of the following:

Notes Receivable	\$ 997,699
Allowance for Uncollectible Loans	<u>(272,344)</u>
Notes Receivable - net	\$ <u>725,355</u>
Notes Receivable – Current	\$ 207,605
Notes Receivable – Noncurrent	<u>517,750</u>
Notes Receivable – net	\$ <u>725,355</u>

At June 30, 2014, the carrying value of JFCS' Notes Receivable, net of allowance, approximates the fair value of the assets.

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

9. Property and Equipment

Buildings	\$ 21,395,777
Land	7,988,113
Furniture and Fixtures	3,210,913
Leasehold Improvements	2,401,762
Computer Equipment	1,243,415
Vehicles	1,021,702
Web Site	<u>271,900</u>
	37,533,582
Less: Accumulated Depreciation	<u>(13,528,351)</u>
Property and Equipment, Net	\$ <u>24,005,231</u>

Depreciation expense for the year ended June 30, 2014 was \$989,671; of which \$931,772 is shown in the Statement of Functional Expenses and \$57,899 is included in Rental Income (Loss), Net.

10. Accrued Expenses

Current

Pension Post-Retirement Benefits	
Qualified and Non-Qualified Plans – Active	\$ 1,989,209
Accrued Expenses – Other	1,223,894
Accrued Compensation	825,340
Employee Health Reimbursement Accounts	560,158
Software	54,396
Relocation Costs	49,368
Uninsured Obligation	<u>14,538</u>
Total Current	<u>4,716,903</u>

Noncurrent

Accrued Expenses – Other	950,000
Pension Post-Retirement Benefits	
Qualified Plans - Active	489,269
Uninsured Obligation	404,491
Relocation Costs	296,236
Software	<u>86,137</u>
Total Noncurrent	<u>2,226,133</u>

Total	\$ <u>6,943,036</u>
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JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

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 5.00%. The current interest rate is 5.00%. JFCS is obligated to pay interest in full on a monthly basis and to pay the principal in full by the maturity date, November 2014. At June 30, 2014, \$491,218 was outstanding on the line.

12. Notes Payable

First Republic Bank, secured by real property, monthly payments of \$18,362 including interest at 4.05%, due August 2023	\$ 3,746,656
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First Republic Bank, secured by real property, monthly Payments of \$11,367 including interest at 4.05%, due August 2023	2,319,452
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First Republic Bank, secured by real property, monthly payments of \$4,354 including interest at 4.05%, due August 2023	888,301
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First Republic Bank, secured by real property, monthly payments of \$4,320 including interest at 4.05%, due August 2023	881,392
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Successor Organization to the Conference on Material Claims, unsecured, no interest loan, principal yearly payments of \$30,000, matures December 2017	<u>120,000</u>
Total	7,955,801
Less: current portion	<u>(171,708)</u>

Long-term debt	\$ <u>7,784,093</u>
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JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

12. Notes Payable (continued)

Maturities of long-term debt are as follows:

<u>Fiscal year ended June 30,</u>	
2015	\$ 171,708
2016	176,774
2017	183,780
2018	190,214
2019	166,918
Thereafter	<u>7,066,407</u>
Total	\$ <u>7,955,801</u>

JFCS incurred interest expense of \$377,206 for the year ended June 30, 2014. \$73,545 is included in Rental Income (Loss), Net in the Statement of Activities. \$272,905 is included with Occupancy and \$30,756 as Interest in the Statement of Functional Expenses.

13. Temporarily Restricted Net Assets

Facilities Use	\$ 2,663,859
Pledges Receivable	2,413,650
Loan and Grant Funds	2,403,803
Grants Receivable	1,422,336
Split Interest Agreements	<u>1,310,428</u>
Total	\$ <u>10,214,076</u>

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

14. Permanently Restricted Net Assets and Donor-Designated Endowment

JFCS' endowment consists of approximately 340 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.

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.

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

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

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 \$4,762,888 as of June 30, 2014.

Endowment net asset composition by type of fund as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>(4,762,888)</u>	\$ <u>2,403,803</u>	\$ <u>29,890,314</u>	\$ <u>27,531,229</u>

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ (6,463,391)	\$ 3,041,958	\$ 28,667,238	\$ 25,245,805
Investment return				
Investment income	493,066	3,105	7,834	504,005
Net appreciation	3,044,673	-	-	3,044,673
Investment expenses	<u>(39,836)</u>	<u>-</u>	<u>-</u>	<u>(39,836)</u>
Total investment return	<u>3,497,903</u>	<u>3,105</u>	<u>7,834</u>	<u>3,508,842</u>
Contributions	<u>-</u>	<u>188,694</u>	<u>1,132,903</u>	<u>1,321,597</u>
Appropriation of Endowment				
Financial Aid Center	-	(198,311)	-	(198,311)
Agency Operations	<u>-</u>	<u>(631,643)</u>	<u>-</u>	<u>(631,643)</u>
Total	<u>-</u>	<u>(829,954)</u>	<u>-</u>	<u>(829,954)</u>
Other changes				
Transfer for unrestricted net assets to unrestricted endowment net assets to cover deficiency	(1,797,400)	-	-	(1,797,400)
Change in value of net beneficial interest in CRT's dedicated to endowment	<u>-</u>	<u>-</u>	<u>82,339</u>	<u>82,339</u>
End of year	\$ <u>(4,762,888)</u>	\$ <u>2,403,803</u>	\$ <u>29,890,314</u>	\$ <u>27,531,229</u>

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

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, 2014, JFCS' share of the unfunded liability of the plan had grown to \$5,235,793. The increase is due to investment losses and to a reduction in the discount rate used to compute the present value of the Plan liabilities. JFCS' share of the unfunded liability has been recorded in the Statement of Financial Position.

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

15. Defined Benefit Pension Plan (continued)

During the year ending June 30, 2014, JFCS incurred an increase in its share of the unfunded liability in the amount of \$26,823. 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, 2014, 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 \$919,148 for the year ended June 30, 2014.

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, 2014 totaled \$86,595.

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

17. Donor-Advised Funds

Unrestricted net assets include \$1,196,610 held in donor-advised funds at June 30, 2014. 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, 2014, donor-advised funds activity was as follows:

Balance, beginning of year	\$ 1,275,448
Contributions to donor-advised funds	267,777
Grants from donor-advised funds	<u>(346,615)</u>
Balance, end of year	\$ <u>1,196,610</u>

18. Lease Agreements

JFCS is obligated under various operating lease agreements for program facilities. The leases expire at various times through 2040. Rental expense under these leases for the fiscal year ended June 30, 2014 was \$247,017. Future minimum lease commitments are as follows:

<u>Fiscal year ended June 30,</u>	
2015	\$ 246,266
2016	247,801
2017	249,382
2018	251,010
2019	223,473
Thereafter	<u>1,755,110</u>
Total	\$ <u>2,973,042</u>

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

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.

The following is a summary of assets held in split-interest agreements as of and for the year ended June 30, 2014:

Beginning of year	\$ 7,537,178
Additions	140,000
Income net of losses	1,010,782
Terminations	(65,282)
Payments to beneficiaries	<u>(353,861)</u>
End of year	\$ <u>8,268,817</u>

The liability for the present value of the estimated future payments is \$5,577,199 as of June 30, 2014.

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.

JEWISH FAMILY AND CHILDREN'S SERVICES

Notes to Financial Statements

June 30, 2014

(Continued)

20. Subsequent Events

Management has evaluated subsequent events through November 7, 2014, the date which the financial statements were available to be issued, and determined no reportable events occurred.

**SUPPLEMENTARY
INFORMATION**

JEWISH FAMILY AND CHILDREN'S SERVICES
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2014

Federal Granting Agency	Program Title	Federal CFDA Number	Pass-Through Grantor	Pass-Through Number	Federal Expenditures
Department of Health and Human Services 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-1314-26	\$ 342,445
Administration for Children and Families	Temporary Assistance for Needy Families Naturalization	93.556 93.044	California Department of Social Services City and County of SF, Human Services Agency	13-3009 DPAG1400012001	162,120 87,696
Administration for Children and Families	Case Management	93.778	City and County of SF, Human Services Agency	DPAG1400003901	36,147
Administration for Children and Families	Temporary Assistance for Needy Families	93.044	County of Marin Division on Aging	14-205	24,167
Administration for Children and Families	ARRA - Temporary Assistance for Needy Families (TANF) Supplemental Grants	93.044 93.716	County of Marin Division on Aging City and County of San Francisco, Human Services Agency	14-208 DPSS1400089001	7,787 4,882
Office of Refugee Resettlement for Children and Families	U.S. Refugee Admissions Program / Reception and Placement	19.510	Hebrew Immigrant Aid Society	SPRMCO13CA1024	3,700
Office of Refugee Resettlement for Children and Families	U.S. Refugee Admissions Program / Reception and Placement	19.510	Hebrew Immigrant Aid Society	SPRMCO14CA1004	<u>3,850</u>
Department of Agriculture	Child and Adult Care Food Program	10.558	California Department of Education, Nutrition Services Division	N/A	652,794 125,982
Department of Education	Adult Education State Grant Program	84.002	California Department of Education - Secondary, Postsecondary, and Adult Leadership Division	38-V316	<u>32,662</u>
Total Expenditures of Federal Awards					\$ 811,438

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, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of JFCS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of JFCS.
2. Basis of Accounting - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
3. Pass-Through Numbers - Pass-through entity numbers are presented where available.



CERTIFIED PUBLIC ACCOUNTANTS

Partners

Daniel J. Harrington, CPA

Bruce J. Wright, CPA

Michael J. Ellingson, CPA

Principal

Mitchell Richstone, CPA

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, 2014, 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, 2014.

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.

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.



South San Francisco, California
November 7, 2014



CERTIFIED PUBLIC ACCOUNTANTS

Partners

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Bruce J. Wright, CPA

Michael J. Ellingson, CPA

Principal

Mitchell Richstone, CPA

**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, 2014. 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.

Auditors' 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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2014.

Report on Internal Control Over Compliance

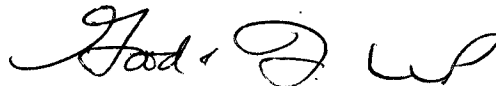
Management of Jewish Family and Children's Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jewish Family and Children's Services' 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.

South San Francisco, California
November 7, 2014



JEWISH FAMILY AND CHILDREN'S SERVICES
 Schedule of Findings and Questioned Costs
 June 30, 2014

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes 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 no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
#93.556	Department of Health and Human Services, Administration of Children and Families, Temporary Assistance for Need Families
#10.558	Department of Agriculture, Child and Adult Food Care Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Audited qualified as low-risk auditee: yes no

JEWISH FAMILY AND CHILDREN'S SERVICES
Schedule of Findings and Questioned Costs
June 30, 2014
(Continued)

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Status of Prior Year Findings

No prior year audit findings were reported.