# JEWISH FAMILY AND CHILDREN'S SERVICES

Audited Financial Statements

Year Ended June 30, 2016

**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, 2016, 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 from 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



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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.

### *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, 2016, 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' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 14, 2016, 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.

Good & Fowler LLP

South San Francisco, California
November 14, 2016

**JEWISH FAMILY AND CHILDREN'S SERVICES**
Statement of Financial Position
June 30, 2016
(With Comparative Totals at June 30, 2015)

| | 2016 | 2015 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash | $ 531,663 | $ 541,254 |
| Accounts Receivable | | |
| (net of allowances of $486,000 and $486,000) | 2,750,498 | 2,804,232 |
| Grants and Contributions Receivable, Net | 3,455,722 | 4,417,228 |
| Promises to Give, Restricted to Occupancy Rights | 415,184 | 383,020 |
| Bequests Receivable | 587,293 | 311,545 |
| Notes Receivable | 174,903 | 172,918 |
| Prepaid Expenses and Deposits | 723,042 | 740,246 |
| Total Current Assets | 8,638,305 | 9,370,443 |
| **NONCURRENT ASSETS** | | |
| Grants and Contributions Receivable, Net | 229,369 | 178,200 |
| Promises to Give, Restricted to Occupancy Rights, Net | 1,512,306 | 1,927,490 |
| Notes Receivable, Net | 299,921 | 428,428 |
| Assets Held in Split-Interest Agreements | 7,373,582 | 7,983,862 |
| Investments | 27,298,880 | 28,053,570 |
| Property and Equipment, Net | 22,939,858 | 23,203,498 |
| Total Noncurrent Assets | 59,653,916 | 61,775,048 |
| Total Assets | $ 68,292,221 | $ 71,145,491 |

See Notes to Financial Statements

**JEWISH FAMILY AND CHILDREN'S SERVICES**
Statement of Financial Position
June 30, 2016
(With Comparative Totals at June 30, 2015)
(Continued)

| | 2016 | 2015 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts Payable | $ 724,842 | $ 648,982 |
| Accrued Expenses | 3,722,535 | 5,058,246 |
| Defined Benefit Plan - Frozen | - | 6,771,000 |
| Line of Credit | 1,400,000 | 2,244,212 |
| Capital Lease Obligation | 142,586 | - |
| Notes Payable | 643,228 | 176,774 |
| Total Current Liabilities | 6,633,191 | 14,899,214 |
| **NONCURRENT LIABILITIES** | | |
| Accrued Expenses | 1,988,476 | 2,007,844 |
| Notes Payable | 14,645,511 | 7,607,318 |
| Capital Lease Obligation | 112,906 | - |
| Liabilities Under Split-Interest Agreements | 5,264,335 | 5,418,768 |
| Total Noncurrent Liabilities | 22,011,228 | 15,033,930 |
| Total Liabilities | 28,644,419 | 29,933,144 |
| **NET ASSETS** | | |
| Unrestricted | (121,896) | 966,323 |
| Temporarily Restricted | 6,608,676 | 8,812,811 |
| Permanently Restricted | 33,161,022 | 31,433,213 |
| Total Net Assets | 39,647,802 | 41,212,347 |
| Total Liabilities and Net Assets | $ 68,292,221 | $ 71,145,491 |

**JEWISH FAMILY AND CHILDREN'S SERVICES**
Statement of Activities
Year Ended June 30, 2016
(With Comparative Totals at June 30, 2015)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2016 | Total 2015 |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| Public Support | | | | | |
| Grants and Contributions | $ 9,584,424 | $ 1,888,426 | $ 1,788,813 | $ 13,261,663 | $ 11,249,463 |
| Bequests | 209,857 | - | - | 209,857 | 801,226 |
| Special Events Revenue, Net | 310,455 | - | - | 310,455 | 525,546 |
| In-Kind Contributions | 733,502 | - | - | 733,502 | 202,581 |
| Income from Trusts | 62,863 | - | - | 62,863 | 62,717 |
| Change in Value of Split-Interest Agreements | (113,601) | 47,798 | (61,004) | (126,807) | (95,983) |
| Total Public Support | 10,787,500 | 1,936,224 | 1,727,809 | 14,451,533 | 12,745,550 |
| Other Revenue, Gains and (Losses) | | | | | |
| Program Service Fees | 17,370,450 | - | - | 17,370,450 | 16,032,984 |
| Gain on Sale of Investments | 73,102 | - | - | 73,102 | 1,023,915 |
| Dividends and Interest on Investments, Net | 570,449 | - | - | 570,449 | 423,894 |
| Miscellaneous Revenue | 36,812 | 526 | - | 37,338 | 30,613 |
| Interest Income on Loans | 1,193 | 10,347 | - | 11,540 | 14,403 |
| Loss on Disposal of Assets | (4,173) | - | - | (4,173) | - |
| Rental Income (Loss), Net | (144) | - | - | (144) | (30,546) |
| Market Value Adjustments - Investments | (815,656) | - | - | (815,656) | (1,208,213) |
| Total Other Revenue Gains and (Losses) | 17,232,033 | 10,873 | - | 17,242,906 | 16,287,050 |
| Total Revenue | 28,019,533 | 1,947,097 | 1,727,809 | 31,694,439 | 29,032,600 |
| **NET ASSETS RELEASED FROM RESTRICTION** | | | | | |
| Satisfaction of Program Restrictions | 4,151,232 | (4,151,232) | - | - | - |
| **EXPENSES** | | | | | |
| Program Services | 27,754,942 | - | - | 27,754,942 | 25,876,320 |
| Support Services | 5,251,279 | . | - | 5,251,279 | 4,563,386 |
| Total Expenses | 33,006,221 | - | - | 33,006,221 | 30,439,706 |
| **CHANGE IN NET ASSETS BEFORE OTHER ITEMS** | (835,456) | (2,204,135) | 1,727,809 | (1,311,782) | (1,407,106) |
| **OTHER ITEMS** | | | | | |
| Change in Defined Benefit Pension Plan Liability | (252,763) | - | - | (252,763) | (2,974,791) |
| **CHANGE IN NET ASSETS** | (1,088,219) | (2,204,135) | 1,727,809 | (1,564,545) | (4,381,897) |
| **NET ASSETS, Beginning of Year** | 966,323 | 8,812,811 | 31,433,213 | 41,212,347 | 45,594,244 |
| **NET ASSETS, End of Year** | $ (121,896) | $ 6,608,676 | $ 33,161,022 | $ 39,647,802 | $ 41,212,347 |

**JEWISH FAMILY AND CHILDREN'S SERVICES**
Statement of Functional Expenses
Year Ended June 30, 2016
(With Comparative Totals at June 30, 2015)

| | Program Services | | | | | | Support Services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Older Adults | Children and Families | Émigrés | Adults | Social Enterprise Center | Total | Management and General | Development and Publicity | Total | Total 2016 | Total 2015 |
| Personnel Costs | | | | | | | | | | | |
| Salaries and Wages | $ 9,247,688 | $ 3,570,267 | $ 1,824,777 | $ 766,521 | $ 920,224 | $ 16,329,477 | $ 1,627,834 | $ 1,296,736 | $ 2,924,570 | $ 19,254,047 | $ 17,314,784 |
| Employee Benefits | 765,518 | 338,225 | 187,726 | 78,396 | 127,688 | 1,497,553 | 74,455 | 129,964 | 204,419 | 1,701,972 | 2,136,284 |
| Payroll Taxes | 731,230 | 269,326 | 145,631 | 58,308 | 71,904 | 1,276,399 | 99,961 | 101,771 | 201,732 | 1,478,131 | 1,404,857 |
| Retirement Benefits | 289,943 | 246,185 | 175,752 | 53,622 | 6,064 | 771,566 | 169,634 | 84,645 | 254,279 | 1,025,845 | 827,874 |
| Workers' Compensation Insurance | 437,465 | 60,743 | 22,322 | 7,340 | 59,061 | 586,931 | 10,115 | 9,544 | 19,659 | 606,590 | 420,680 |
| Total Personnel Costs | 11,471,844 | 4,484,746 | 2,356,208 | 964,187 | 1,184,941 | 20,461,926 | 1,981,999 | 1,622,660 | 3,604,659 | 24,066,585 | 22,104,479 |
| Nonpersonnel Costs | | | | | | | | | | | |
| Professional Fees | 576,391 | 538,129 | 211,098 | 86,744 | 38,468 | 1,450,830 | 347,767 | 166,270 | 514,037 | 1,964,867 | 1,669,466 |
| Occupancy | 567,953 | 343,338 | 80,473 | 231,259 | 33,760 | 1,256,783 | 141,664 | 139,824 | 281,488 | 1,538,271 | 1,528,483 |
| Depreciation | 314,310 | 433,217 | 129,216 | 143,269 | 24,712 | 1,044,724 | 48,642 | 60,022 | 108,664 | 1,153,388 | 1,025,399 |
| Assistance to Individuals | 431,210 | 325,097 | 259,862 | 113,324 | 209 | 1,129,702 | - | - | - | 1,129,702 | 1,046,476 |
| Transportation | 175,034 | 41,669 | 314,428 | 7,734 | 52,611 | 591,476 | 8,229 | 4,860 | 13,089 | 604,565 | 522,887 |
| Supplies | 106,702 | 77,351 | 57,529 | 13,164 | 100,740 | 355,486 | 35,403 | 14,992 | 50,395 | 405,881 | 307,194 |
| Donor-Advised Grants | - | 260,330 | - | - | - | 260,330 | - | - | - | 260,330 | 396,235 |
| Publicity | 76,850 | 219,862 | 264 | 1,896 | - | 298,872 | 643 | 30,473 | 31,116 | 329,988 | 305,769 |
| Insurance | 78,383 | 49,232 | 43,685 | 17,761 | 34,658 | 223,719 | 62,587 | 10,080 | 72,667 | 296,386 | 290,197 |
| Telephone | 85,285 | 54,743 | 33,201 | 18,934 | 5,198 | 197,361 | 22,915 | 16,223 | 39,138 | 236,499 | 207,620 |
| Interest | - | - | - | - | - | - | 223,703 | - | 223,703 | 223,703 | 56,789 |
| Printing and Publications | 46,813 | 65,723 | 11,326 | 7,600 | 1,940 | 133,402 | 11,479 | 78,231 | 89,710 | 223,112 | 166,296 |
| Conferences and Meetings | 42,093 | 20,271 | 2,546 | 3,502 | 116 | 68,528 | 125,700 | 11,587 | 137,287 | 205,815 | 183,879 |
| Equipment Rental and Maintenance | 37,126 | 30,762 | 13,851 | 9,495 | 2,464 | 93,698 | 2,927 | 4,469 | 7,396 | 101,094 | 202,225 |
| Postage and Shipping | 18,590 | 25,020 | 6,441 | 3,118 | 956 | 54,125 | 6,311 | 21,267 | 27,578 | 81,703 | 89,398 |
| Bad Debts | 15,791 | 5,864 | - | 12,662 | 8,487 | 42,804 | 26,406 | - | 26,406 | 69,210 | 181,344 |
| Recruitment | 46,091 | 5,433 | 1,079 | 3,215 | 1,518 | 57,336 | 2,517 | 2,561 | 5,078 | 62,414 | 94,857 |
| Dues | 18,580 | 6,758 | 4,075 | 1,474 | 2,953 | 33,840 | 16,432 | 2,436 | 18,868 | 52,708 | 60,713 |
| Total Nonpersonnel Costs | 2,637,202 | 2,502,799 | 1,169,074 | 675,151 | 308,790 | 7,293,016 | 1,083,325 | 563,295 | 1,646,620 | 8,939,636 | 8,335,227 |
| Total Expenses | $ 14,109,046 | $ 6,987,545 | $ 3,525,282 | $ 1,639,338 | $ 1,493,731 | $ 27,754,942 | $ 3,065,324 | $ 2,185,955 | $ 5,251,279 | $ 33,006,221 | $ 30,439,706 |

**JEWISH FAMILY AND CHILDREN'S SERVICES**
Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals at June 30, 2015)

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ (1,564,545) | $ (4,381,897) |
| Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities | | |
| Depreciation | 1,212,018 | 1,083,714 |
| Loss on Sale of Assets | 11,318 | - |
| (Gain) on Sale of Investments | (33,726) | (1,023,915) |
| Market Value Adjustments - Investments | 812,377 | 1,208,213 |
| Permanently Restricted Contributions | (1,788,813) | (1,641,835) |
| Amortization of Discount | 383,020 | 353,349 |
| Actuarial Changes in Split-Interest Agreements | 455,847 | 126,524 |
| Pension Liability Adjustment | 252,763 | 2,974,791 |
| Donated Property and Equipment | (556,645) | - |
| (Increase) Decrease in Operating Assets | | |
| Accounts Receivable | 53,734 | (525,393) |
| Grants and Contributions Receivable | 910,337 | 12,532 |
| Bequests Receivable | (275,748) | 2,867,080 |
| Prepaid Expense and Deposits | 17,204 | (113,047) |
| Increase (Decrease) in Operating Liabilities | | |
| Accounts Payable | 75,860 | 229,371 |
| Accrued Expenses | (1,355,079) | 103,402 |
| Defined Benefit Plan - Frozen | (6,771,000) | (1,439,584) |
| Net Cash (Used) by Operating Activities | (8,161,078) | (166,695) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from Sale of Investments | 5,115,438 | 7,552,397 |
| Purchase of Investments | (5,139,399) | (10,452,494) |
| Purchase of Property and Equipment | (359,567) | (281,981) |
| Net Principal Received on Notes Receivable | 126,522 | 124,009 |
| Net Cash (Used) by Investing Activities | (257,006) | (3,058,069) |

**JEWISH FAMILY AND CHILDREN'S SERVICES**
Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals at June 30, 2015)
(Continued)

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Permanently Restricted Contributions | 1,788,813 | 1,641,835 |
| Net Borrowings on Line of Credit | (844,212) | 1,752,994 |
| Proceeds from Long Term Debt | 7,847,430 | - |
| Principal Paid on Debt | (383,538) | (171,709) |
| Net Cash Provided by Financing Activities | 8,408,493 | 3,223,120 |
| **NET INCREASE (DECREASE) IN CASH** | (9,591) | (1,644) |
| **CASH, Beginning of Year** | 541,254 | 542,898 |
| **CASH, End of Year** | $ 531,663 | $ 541,254 |
| **SUPPLEMENTAL DISCLOSURES** | | |
| Operating Activities include cash paid for interest of: | $ 537,266 | $ 373,800 |
| Capital Expenditures Funded by Capital Lease Borrowing: | $ 296,247 | $ - |

## 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. JFCS' 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)**

**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, 2016.

**Donated Facilities and Services** – The financial statements reflect $172,909 of donated occupancy rights for the year ended June 30, 2016. 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' 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.

## 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, 2015, 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, 2016, JFCS had uninsured cash and certificate of deposit balances of $102,914. JFCS does not believe that it is exposed to any significant risk in connection with these cash balances.

## 4. Grants and Contributions Receivable

| | |
|---|---|
| Receivable in less than one year | $ 3,520,722 |
| Receivable in one to four years | 233,692 |
| Total | 3,754,414 |
| Less: discount to present value | (4,323) |
| Less: reserve for uncollectible pledges | (65,000) |
| Net unconditional promises to give at June 30, 2016 | $ 3,685,091 |

Long-term promises to give are discounted at 4.25%. At June 30, 2016, 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, 2016, JFCS recorded occupancy costs of $555,930, an in-kind contribution of $172,909, and the amortization of the discount of the asset of $383,021. 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, $246,864 as of June 30, 2016. Amortization of this allowance of $49,370 for the year ended June 30, 2016 has been recorded as a credit against occupancy costs.

Promises to give restricted to occupancy rights at June 30, 2016 are due as follows:

| | |
|---|---|
| Receivable in one year | $ 415,184 |
| Receivable in one to five years | 1,714,117 |
| Total unconditional promises to give | 2,129,301 |
| Less: discounts to net present value | (201,811) |
| Total promises to give – restricted to occupancy rights, net | $ 1,927,490 |

6. **Investments**

| | |
|---|---|
| Cash and Cash Equivalents | $ 3,915,216 |
| Equity Securities | |
| Domestic | 12,398,880 |
| International – Developed | 4,990,402 |
| International – Emerging | 722,515 |
| Alternative Asset Class | 1,222,304 |
| Fixed Income | |
| Mutual Funds | 5,798,715 |
| U.S. Treasury Notes and Bonds | 354,980 |
| International Government Bonds | 1,500 |
| Federal Agencies | 658,258 |
| Municipal Bonds | 984,784 |
| Corporate Bonds | 834,569 |
| Hedge Fund | 2,790,339 |
| Total | $ 34,672,692 |

| | |
|---|---|
| Assets Held Under Split-Interest Agreements | $ 7,373,582 |
| Investments | 27,298,880 |
| Total | $ 34,672,462 |

Fees paid to investment managers for the year ended June 30, 2016 were $127,732.

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

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.

JFCS' Level 1 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 2 Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets; or obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 Fair value measurements based on valuation techniques that use significant inputs that are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

## 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, 2016.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Investments** | | | | |
| Money Market | $ 896,055 | $ - | $ - | $ 896,055 |
| Certificate of Deposit | - | 1,097,268 | - | 1,097,268 |
| Equity Securities | | | | |
| Domestic | 8,502,847 | - | - | 8,502,847 |
| International - Developed | 4,990,402 | - | - | 4,990,402 |
| International - Emerging | 722,515 | - | - | 722,515 |
| Alternative Assets Class | 1,222,304 | - | - | 1,222,304 |
| Fixed Income | | | | |
| Mutual Funds | 5,294,062 | - | - | 5,294,062 |
| International Government Bonds | - | 1,500 | - | 1,500 |
| Hedge Fund | - | - | 2,790,339 | 2,790,339 |
| Subtotal | 21,628,185 | 1,098,768 | 2,790,339 | 25,517,292 |
| **Assets Held in Split Interest Agreements** | | | | |
| Money Market | 177,786 | - | - | 177,786 |
| Equity Securities | | | | |
| Domestic | 3,858,553 | - | - | 3,858,553 |
| Fixed Income | | | | |
| Mutual Funds | 504,652 | - | - | 504,652 |
| U.S. Treasury Notes and Bonds | 354,980 | - | - | 354,980 |
| Federal Agencies | - | 658,258 | - | 658,258 |
| Municipal Bonds | - | 984,784 | - | 984,784 |
| Corporate Bonds | - | 834,569 | - | 834,569 |
| Subtotal | 4,895,971 | 2,477,611 | - | 7,373,582 |
| Total | $ 26,524,156 | $ 3,576,379 | $ 2,790,339 | $ 32,890,874 |

## 7. Fair Value Measurements (continued)

Other financial instruments:

Financial instruments included in JFCS' Statement of Financial Position as of June 30, 2016 which are not required to be measured at fair value on a recurring basis include cash and cash 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 three to seven years with interest rates ranging between 1.95% and 4.00%. 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, 2016 consist of the following:

| | |
|---|---|
| Notes Receivable | $ 759,025 |
| Allowance for Uncollectible Loans | (284,201) |
| Notes Receivable - Net | $ 474,824 |
| Notes Receivable – Current | $ 174,903 |
| Notes Receivable – Noncurrent | 299,921 |
| Notes Receivable – Net | $ 474,824 |

At June 30, 2016, the carrying value of JFCS' Notes Receivable, net of allowance, approximates the fair value of the assets.

## 9. Property and Equipment

| | |
|---|---|
| Buildings | $ 21,440,024 |
| Land | 7,988,113 |
| Furniture and Equipment | 3,011,129 |
| Leasehold Improvements | 2,401,762 |
| Computer Equipment | 1,846,468 |
| Vehicles | 1,109,888 |
| Web Site | 116,343 |
| Construction in Progress | 69,077 |
| | 37,982,804 |
| Less: Accumulated Depreciation | (15,042,946) |
| Property and Equipment, Net | $ 22,939,858 |

Depreciation expense for the year ended June 30, 2016 was $1,212,021; of which $1,153,388 is shown in the Statement of Functional Expenses and $58,633 is included in Rental Income (Loss), Net.

## 10. Accrued Expenses

| | |
|---|---|
| Current | |
| Accrued Compensation | $ 1,489,968 |
| Accrued Expenses – Other | 1,029,070 |
| Defined Contribution Plan | |
| Qualified and Non-Qualified Plans – Active | 941,721 |
| Employee Health Reimbursement Accounts | 166,264 |
| Relocation Costs | 49,368 |
| Software | 31,734 |
| Uninsured Obligation | 14,410 |
| Total Current | 3,722,535 |
| Noncurrent | |
| Accrued Expenses – Other | 950,000 |
| Defined Contribution Plan | |
| Qualified Plans - Active | 466,030 |
| Uninsured Obligation | 374,950 |
| Relocation Costs | 197,496 |
| Total Noncurrent | 1,988,476 |
| Total | $ 5,711,011 |

## 11. Lines of Credit

| | |
|---|---|
| First Republic Bank, a revolving line of credit, secured by real property, prime rate plus 0.25% per annum (4.25% at June 30, 2016), pay interest in full monthly and pay principle in full by the maturity date, January 2017 | $ 1,400,000 |
| Morgan Stanley, a revolving line of credit, secured by investments, amount variable based on a total of $10 million less outstanding term loan balances ($4,495,099 available at June 30, 2016, no balance outstanding at June 30, 2016), interest at the corresponding PLA index + 2.50%, matures December 2022 | - |
| Total | $ 1,400,000 |

## 12. Notes Payable

| | |
|---|---|
| Morgan Stanley, portfolio loan account, secured by collateral held in brokerage account, monthly payments of $43,566 including interest at 3.162%, matures December 2022 | $ 5,504,901 |
| First Republic Bank, secured by real property, monthly payments of $18,362 including interest at 4.05%, matures August 2023 | 3,608,719 |
| First Republic Bank, secured by real property, monthly payments of $11,367 including interest at 4.05%, matures August 2023 | 2,234,059 |
| Jewish Community Federation, unsecured, monthly payments of $16,750 including interest at 4.35%, matures January 2031 | 2,176,521 |
| First Republic Bank, secured by real property, monthly payments of $4,354 including interest at 4.05%, matures August 2023 | 855,597 |
| First Republic Bank, secured by real property, monthly payments of $4,320 including interest at 4.05%, matures August 2023 | 848,942 |

## 12. Notes Payable (continued)

| | |
|---|---|
| Successor Organization to the Conference on Material Claims, unsecured, no interest loan, principal yearly payments of $30,000, matures December 2017 | 60,000 |
| Total | 15,288,739 |
| Less: current portion | (643,228) |
| Long-term debt | $ 14,645,511 |

Maturities of long-term debt are as follows:

| Fiscal year ended June 30, | |
|---|---|
| 2017 | $ 643,228 |
| 2018 | 665,958 |
| 2019 | 659,544 |
| 2020 | 682,652 |
| 2021 | 709,379 |
| Thereafter | 11,927,978 |
| Total | $ 15,288,739 |

JFCS incurred interest expense of $537,267 for the year ended June 30, 2016. $66,284 is included in Rental Income (Loss), Net in the Statement of Activities. $247,280 is included with Occupancy and $223,703 as Interest in the Statement of Functional Expenses.

## 13. Capital Lease Obligations

JFCS leases equipment and vehicles under various capital leases with imputed interest rates ranging from 3.16% to 4.25%. Telephone equipment and vehicles under these leases were placed into service in September 2015 and October 2015, respectively.

## 13. Capital Lease Obligations (continued)

The following schedule by years of future minimum payments required under these leases together with their present value as of June 30, 2016 are as follows:

| | |
|---|---|
| Fiscal year ended June 30, | |
| 2017 | $ 60,970 |
| 2018 | 60,970 |
| 2019 | 60,970 |
| 2020 | 60,970 |
| 2021 | 35,918 |
| Total minimum lease payments | 279,798 |
| Less: Amounts representing interest | (24,306) |
| Present value of the minimum lease payments | $ 255,492 |

The assets under the lease are recorded as follows:

| | |
|---|---|
| Telephone Equipment | $ 171,663 |
| Vehicles | 124,584 |
| | 296,247 |
| Less: Accumulated Depreciation | (43,091) |
| Net Book Value | $ 253,156 |

## 14. Temporarily Restricted Net Assets

| | |
|---|---|
| Loan and Grant Funds | $ 2,015,603 |
| Facilities Use | 1,927,490 |
| Split Interest Agreements | 1,380,651 |
| Grants Receivable | 1,284,932 |
| Total | $ 6,608,676 |

## 15. Permanently Restricted Net Assets and Donor-Designated Endowment

JFCS' endowment consists of 356 donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

JFCS 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.

## 15. 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 adjusted for inflation and 30% of 4% of the fair value of endowment assets as of the measurement date.

In some years economic conditions lead to distributions from endowment in excess of the Board appropriation. It is the policy of the JFCS' Board of Directors to consider excess distributions as temporary withdrawals from endowment and to maintain an ongoing plan for repayment of excess distributions to endowment.

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 $6,611,336 as of June 30, 2016.

Endowment net asset composition by type of fund as of June 30, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ (6,611,336) | $ 1,802,391 | $ 33,161,022 | $ 28,352,077 |

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

Change in endowment net assets for the fiscal year ended June 30, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Beginning of year | $ (5,850,286) | $ 2,232,524 | $ 31,433,213 | $ 27,815,451 |
| Investment return | | | | |
| Investment income | - | 632,825 | - | 632,825 |
| Net depreciation | - | (781,942) | - | (781,942) |
| Investment expenses | - | (74,848) | - | (74,848) |
| Total investment return | - | (223,965) | - | (223,965) |
| Contributions | - | 614,367 | 1,788,813 | 2,403,180 |
| Appropriation of Endowment | | | | |
| Financial Aid Center | - | (101,179) | - | (101,179) |
| Agency Operations | - | (719,356) | - | (719,356) |
| Total | - | (820,535) | - | (820,535) |
| Other changes | | | | |
| Transfer for unrestricted net assets to unrestricted endowment net assets to cover deficiency | (761,050) | - | - | (761,050) |
| Change in value of net beneficial interest in CRT's dedicated to endowment | - | - | (61,004) | (61,004) |
| End of year | $ (6,611,336) | $ 1,802,391 | $ 33,161,022 | $ 28,352,077 |

## 16. Defined Benefit Pension Plan

JFCS was one of fourteen organizations that jointly contributed 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 (Plan). The assets and liabilities of the Plan were not attributed to participating employers on an actuarial basis and actuarial information for individual organizations was 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 had 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 was 20.32%. 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.

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

Plan officials elected to terminate the Plan as of December 31, 2015. JFCS' share of the unfunded liability of the Plan computed at the time of termination was $7,023,329, which included an increase in its share of the unfunded liability in the amount of $252,763 for the year ending June 30, 2016. The increase was due to plan expenses, investment losses and to a reduction in the discount rate used to compute the present value of the Plan liabilities.

JFCS borrowed funds, increasing its outstanding notes payable in order to pay its share of the unfunded liability into the Plan trust.

JFCS share of the unfunded liability is recorded in its Statement of Financial Position and was $0 and $6,771,000 as of June 30, 2016 and June 30, 2015, respectively. Notes payable used are recorded in the Statement of Financial Position and are detailed in Footnote 12.

## 17. 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 $1,019,032 for the year ended June 30, 2016.

JFCS also sponsored a supplemental retirement plan covering a select group of employees. The supplemental plan had been organized as a nonqualified plan under IRS section 457(f). As such the employees' deferred compensation was subject to substantial risk of forfeiture. JFCS recorded 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, 2016 totaled $30,000. In August 2015, JFCS made disbursements to reduce the remaining liability balance of the 457(f) plan to $0, and at June 30, 2016, the supplemental retirement plan has been terminated in its entirety.

## 18. Donor-Advised Funds

During the fiscal year ended June 30, 2016, donor-advised funds activity was as follows:

| | |
|---|---|
| Balance, beginning of year | $ 930,714 |
| Contributions to donor-advised funds | 784,857 |
| Grants from donor-advised funds | (260,330) |
| Balance, end of year | $ 1,455,241 |

Grant recommendations from donor-advised funds 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. Grants from donor-advised funds are included in Program Services expenses.

## 19. 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, 2016 was $247,801. Future minimum lease commitments are as follows:

| Fiscal year ended June 30, | |
|---|---|
| 2017 | $ 249,382 |
| 2018 | 251,010 |
| 2019 | 223,473 |
| 2020 | 195,110 |
| 2021 | 60,000 |
| Thereafter | 1,500,000 |
| Total | $ 2,478,975 |

## 20. 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.

## 20. Split-Interest Agreements (continued)

The following is a summary of assets held in split-interest agreements as of and for the year ended June 30, 2016:

| | |
|---|---|
| Beginning of year | $ 7,983,862 |
| Income, net of losses | 286,935 |
| Terminations | (437,070) |
| Payments to beneficiaries | (460,145) |
| End of year | $ 7,373,582 |

The liability for the present value of the estimated future payments is $5,264,335 as of June 30, 2016.

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.

## 21. Subsequent Events

Management has evaluated subsequent events through November 14, 2016, 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, 2016

| 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 | MS-1516-26 | $ 342,290 |
| Administration for Children and Families | Temporary Assistance for Needy Families | 93.556 | California Department of Social Services | 15-SUB-01226 | 123,826 |
| Administration on Aging | Special Programs for the Aging | 93.044 | County of Marin Division on Aging through California Department of Aging | 16-200 | 24,167 |
| Administration on Aging | Special Programs for the Aging | 93.044 | County of Marin Division on Aging through California Department of Aging | 16-202 | 6,576 |
| | EPSDT | 93.778 | City and County of San Francisco, Department of Public Health | DPHM1600019301 | 45,737 |
| | Case Management | 93.778 | City and County of SF, Human Services Agency | DPAG16000061 | 16,222 |
| | National Family Caregiver Support, Title III, Part E | 93.052 | Alzheimer's Association | N/A | 13,894 |
| | HDM Meals Assessments | 93.778 | City and County of SF, Human Services Agency | DPAG16000063 | 7,695 |
| | Head Start | 93.600 | Community Action Marin/Head Start | N/A | 9,250 |
| | Administratiton for Community Living (ACL) | 93.048 | The Jewish Federations of North America | L-24 | 45,000 |
| | | | | | 634,657 |
| **Department of Agriculture** | Child and Adult Care Food Program | 10.558 | California Department of Education - Nutrition Services Division | N/A | 133,796 |
| **Department of Education** | Adult Education State Grant Program | 84.002 | California Department of Education - Secondary, Postsecondary, and Adult Leadership Division | 38-V316 | 15,832 |
| *Total Expenditures of Federal Awards* | | | | | $ 784,285 |

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. JFCS has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Good & Fowler, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Partners
Daniel J. Harrington, CPA
Bruce J. Wright, CPA
Michael J. Ellingson, CPA
Principal
Mitchell Richstone, CPA

# 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 the 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, 2016, 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 14, 2016.

## 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 Jewish Family and Children's Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Jewish Family and Children's Services' 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.



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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)

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jewish Family and Children's Services' financial statements are free from 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 JFCS' 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 14, 2016

Good & Fowler, LLP
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 COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Jewish Family and Children's Services' compliance.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (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, 2016.

**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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

South San Francisco, California
November 14, 2016

Good & Fowler LLP

**Section I – Summary of Auditor's Results**

*Financial Statements*

| | | |
|---|---|---|
| Type of auditor's report issued on whether the financial statement audited were prepared in accordance to GAAP: | *unmodified* | |
| 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 statement 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: | *unmodified* | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | ___ yes | _X_ no |

Identification of major programs:

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

| | | |
|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $ 750,000 | |
| Audited qualified as low-risk auditee: | _X_ yes | ___ no |

**JEWISH FAMILY AND CHILDREN'S SERVICES**
Schedule of Findings and Questioned Costs
June 30, 2016
(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.