JEWISH FAMILY AND CHILDREN'S SERVICES

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

JEWISH FAMILY AND CHILDREN'S SERVICES
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June 30, 2017

INDEPENDENT AUDITOR'S REPORT

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 (the "Organization"), which comprise the statement of financial position as of June 30, 2017, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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 Organization'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 Organization'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 the Organization as of June 30, 2017, 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 Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 19, 2017, on our consideration of the Organization's 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 the Organization's internal control over financial reporting and compliance.

SingerLewak, LLP

November 19, 2017

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF FINANCIAL POSITION

June 30, 2017

(Comparative Information at June 30, 2016)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 56,283	$ 531,663
Accounts receivable		
(net of allowances of $541,000 and $486,000)	2,753,867	2,750,498
Grants and contributions receivable, current portion	4,768,567	3,455,722
Promises to give restricted to occupancy rights, current portion	449,708	415,184
Bequests receivable	-	587,293
Notes receivable, current portion	111,853	174,903
Prepaid expenses and deposits	581,773	723,042
Total current assets	8,722,051	8,638,305
Noncurrent assets		
Grants and contributions receivable, noncurrent portion, net	743,012	229,369
Promises to give, restricted to occupancy rights, noncurrent portion, net	1,062,598	1,512,306
Notes receivable, noncurrent portion, net	238,871	299,921
Assets held in split-interest agreements	7,379,307	7,373,582
Investments	32,892,971	27,298,880
Property and equipment, net	19,603,397	22,939,858
Total noncurrent assets	61,920,156	59,653,916
Total assets	**$ 70,642,207**	**$ 68,292,221**

(Continued)

The accompanying notes are an integral part of these financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF FINANCIAL POSITION

June 30, 2017

(Comparative Information at June 30, 2016)

	2017	2016
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 509,084	$ 724,842
Line of credit	1,142,839	1,400,000
Accrued expenses, current portion	3,539,634	3,722,535
Capital lease obligation, current portion	53,820	142,586
Notes payable, current portion	647,793	643,228
Total current liabilities	5,893,170	6,633,191
Noncurrent liabilities		
Accrued expenses, noncurrent portion	1,978,808	1,988,476
Capital lease obligation, noncurrent portion	149,977	112,906
Notes payable, noncurrent portion	13,159,567	14,645,511
Liabilities under split-interest agreements, net	5,372,492	5,264,335
Total noncurrent liabilities	20,660,844	22,011,228
Total liabilities	26,554,014	28,644,419
Net assets		
Unrestricted	2,404,943	(121,896)
Temporarily restricted	6,826,837	6,608,676
Permanently restricted	34,856,413	33,161,022
Total net assets	44,088,193	39,647,802
Total liabilities and net assets	**$ 70,642,207**	**$ 68,292,221**

(Concluded)

The accompanying notes are an integral part of these financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

(Summarized Comparative Information for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Revenue					
Public support					
Grants and contributions	$ 11,434,276	$ 2,831,357	$ 1,668,695	$ 15,934,328	$ 13,261,663
Bequests	1,396,125	-	-	1,396,125	209,857
Special events revenue, net	710,972	-	-	710,972	310,455
In-kind contributions	243,690	-	-	243,690	733,502
Income from trusts	62,863	-	-	62,863	62,863
Change in value of split-interest agreements	(173,226)	-	26,696	(146,530)	(126,807)
Total public support	13,674,700	2,831,357	1,695,391	18,201,448	14,451,533
Other revenue, gains and losses					
Program service fees	17,830,884	-	-	17,830,884	17,370,450
Market value adjustments - investments	2,281,963	-	-	2,281,963	(815,656)
Dividends and interest on investments, net	561,367	-	-	561,367	570,449
Gain on sale of investments	534,667	-	-	534,667	73,102
Gain (loss) on sale of fixed assets	743,460	-	-	743,460	(4,173)
Miscellaneous revenue	51,364	295	-	51,659	37,338
Interest income on loans	991	8,184	-	9,175	11,540
Rental (loss), net	(18,474)	-	-	(18,474)	(144)
Total other revenue gains and losses	21,986,222	8,479	-	21,994,701	17,242,906
Total revenue	35,660,922	2,839,836	1,695,391	40,196,149	31,694,439
Net assets released from restriction					
Satisfaction of program restrictions	2,621,675	(2,621,675)	-	-	-
Expenses					
Program services	30,374,703	-	-	30,374,703	27,754,942
Support services	5,381,055	.	-	5,381,055	5,251,279
Total expenses	35,755,758	-	-	35,755,758	33,006,221
Change in net assets before other items	2,526,839	218,161	1,695,391	4,440,391	(1,311,782)
Other items					
Change in defined benefit pension plan liability	-	-	-	-	(252,763)
Change in net assets	2,526,839	218,161	1,695,391	4,440,391	(1,564,545)
Net assets, beginning of year	(121,896)	6,608,676	33,161,022	39,647,802	41,212,347
Net assets, end of year	**$ 2,404,943**	**$ 6,826,837**	**$ 34,856,413**	**$ 44,088,193**	**$ 39,647,802**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

(Summarized Comparative Information for the Year Ended June 30, 2016)

	Program Services						Support Services				
	Older Adults	Children and Families	Émigrés	Adults	Social Enterprise Center	Total	Management and General	Development and Publicity	Total	Total 2017	Total 2016
Personnel costs											
Salaries and wages	$ 10,361,499	$ 3,574,072	$ 1,437,406	$ 958,710	$ 908,493	$ 17,240,180	$ 1,525,059	$ 1,488,066	$ 3,013,125	$ 20,253,305	$ 19,254,047
Employee benefits	1,227,738	339,708	168,724	100,833	159,870	1,996,873	92,171	146,340	238,511	2,235,384	1,701,972
Payroll taxes	824,304	275,203	113,749	72,914	74,203	1,360,373	93,848	114,581	208,429	1,568,802	1,478,131
Retirement benefits	277,155	163,623	107,124	57,741	7,976	613,619	149,661	102,479	252,140	865,759	1,025,845
Workers' compensation insurance	429,610	109,679	19,862	9,084	72,565	640,800	9,095	9,335	18,430	659,230	606,590
Total personnel costs	13,120,306	4,462,285	1,846,865	1,199,282	1,223,107	21,851,845	1,869,834	1,860,801	3,730,635	25,582,480	24,066,585
Nonpersonnel costs											
Professional fees	614,500	476,501	174,386	89,388	37,086	1,391,861	264,163	178,067	442,230	1,834,091	1,964,868
Occupancy	600,906	350,278	82,476	158,236	35,723	1,227,619	129,746	153,127	282,873	1,510,492	1,535,101
Assistance to individuals	393,744	544,501	264,268	202,924	185	1,405,622	-	-	-	1,405,622	1,132,600
Depreciation	346,295	433,483	116,558	133,099	24,808	1,054,243	47,013	60,569	107,582	1,161,825	1,153,388
Donor-advised grants	-	893,831	-	-	-	893,831	-	-	-	893,831	260,330
Transportation	167,271	41,993	320,185	9,837	32,110	571,396	13,511	6,578	20,089	591,485	604,565
Supplies	100,428	176,254	58,714	17,574	113,743	466,713	35,663	15,922	51,585	518,298	405,934
Publicity	214,022	219,851	-	72	-	433,945	-	15,581	15,581	449,526	329,988
Interest	-	-	-	-	-	-	363,253	-	363,253	363,253	223,922
Insurance	86,883	49,064	44,358	17,702	34,202	232,209	68,230	12,468	80,698	312,907	296,386
Bad debts	222,268	2,925	-	20,281	1,689	247,163	(3,637)	-	(3,637)	243,526	69,210
Telephone	90,451	50,095	21,873	17,165	3,006	182,590	17,777	18,551	36,328	218,918	236,499
Printing and publications	42,297	40,298	7,932	5,666	1,540	97,733	15,275	74,755	90,030	187,763	223,112
Conferences and meetings	31,168	14,163	3,787	7,153	147	56,418	96,035	12,680	108,715	165,133	205,815
Equipment rental and maintenance	44,507	33,412	19,772	9,949	8,393	116,033	7,446	7,861	15,307	131,340	101,094
Postage and shipping	27,728	23,585	6,510	3,667	645	62,135	6,225	21,143	27,368	89,503	81,703
Recruitment	40,512	6,457	1,072	2,116	1,216	51,373	3,896	1,567	5,463	56,836	62,414
Dues	17,271	6,227	4,325	1,820	2,331	31,974	4,367	2,588	6,955	38,929	52,708
Total nonpersonnel costs	3,040,251	3,362,918	1,126,216	696,649	296,824	8,522,858	1,068,963	581,457	1,650,420	10,173,278	8,939,637
Total expenses	**$ 16,160,557**	**$ 7,825,203**	**$ 2,973,081**	**$ 1,895,931**	**$ 1,519,931**	**$ 30,374,703**	**$ 2,938,797**	**$ 2,442,258**	**$ 5,381,055**	**$ 35,755,758**	**$ 33,006,222**

The accompanying notes are an integral part of these financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

(Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 4,440,391	$ (1,564,545)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,220,458	1,212,018
(Gain) Loss on sale of assets	(743,460)	11,318
(Gain) on sale of investments	(368,913)	(33,726)
Market value adjustments - investments	(2,281,963)	812,377
Permanently restricted contributions	(1,668,695)	(1,788,813)
Amortization of discount	415,184	383,020
Actuarial changes in split-interest agreements	102,432	455,847
Pension liability adjustment	-	252,763
Donated securities	(1,120,622)	(651,850)
Donated property and equipment	-	(556,645)
Change in operating assets and liabilities		
Accounts receivable	(3,369)	53,734
Grants and contributions receivable	(1,826,488)	910,337
Bequests receivable	587,293	(275,748)
Prepaid expense and deposits	141,269	17,204
Accounts payable	(215,758)	75,860
Accrued expenses	(192,569)	(1,355,079)
Defined benefit plan - frozen	-	(6,771,000)
Net cash used in operating activities	(1,514,810)	(8,812,928)
Cash flows from investing activities		
Proceeds from sale of investments	5,037,211	5,767,288
Purchases of investments	(6,866,010)	(5,139,399)
Purchases of property and equipment	(197,735)	(359,567)
Net proceeds from sales of property and equipment	2,220,899	-
Net principal received on notes receivable	124,100	126,522
Net cash provided by investing activities	318,465	394,844

(Continued)

The accompanying notes are an integral part of these financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017
(Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Cash flows from financing activities		
Permanently restricted contributions	1,668,695	1,788,813
Borrowings on line of credit	3,754,706	3,202,824
Payments on line of credit	(4,011,867)	(4,047,036)
Proceeds from long term debt	-	7,847,430
Principal paid on long term debt	(690,569)	(383,538)
Net cash provided by financing activities	720,965	8,408,493
Net change in cash and cash equivalents	(475,380)	(9,591)
Cash and cash equivalents, beginning of year	531,663	541,254
Cash and cash equivalents, end of year	**$ 56,283**	**$ 531,663**
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest:	$ 655,033	$ 547,731
Non-cash financing activities:		
Net proceeds from sales of property and equipment	$ 3,063,418	
Payoff of note payable	(842,519)	
Net cash received	$ 2,220,899	
Capital expenditures funded by capital lease borrowing:		$ 296,247

(Concluded)

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP), which reflects revenue when earned and expenses as incurred.

Basis of Presentation

Financial presentation follows U.S. GAAP 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.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of asset and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, JFCS considers all highly liquid investments available for current use with a maturity of three months or less at the purchase date to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Promises to Give

Promises to give include grants from foundations and corporations, individual gifts and bequests. Promises to give are recorded when the gifts become unconditional. Such promises are recorded at the present value of their estimated future cash flows. The discount on these promises to give are computed using risk-adjusted rates applicable in the year in which those promises were made. Amortization of the discounts is included in contributed income. An allowance for uncollectible promises to give is established based upon estimated losses related to specific accounts and is recorded through a provision for bad debt.

Notes Receivable

Notes receivable are primarily low interest student financial aid loans. The loans can be repaid at any time before graduation without interest. The loan period is typically three years with interest rates ranging between 1.95% to 6.75%. In fiscal year 2017, JFCS made student loans with interest rate at 4%. JFCS also makes emergency assistance loans at 0% interest. The allowance is estimated from historical performance and projections of trends.

Split-interest Agreements

JFCS is a residual beneficiary of a number of split-interest agreements. These include charitable remainder trusts (CRT), charitable gift annuities (CGA), and pooled income funds (PIF). JFCS' net beneficial interest in the split-interest agreements is the difference between the assets and the liabilities. Assets held in split-interest agreements are recognized at estimated fair value and corresponding liability for each split interest agreement is the present value of the amount payable to the income beneficiary under terms of the agreement. In determining the present value, JFCS utilizes the 2012 Individual Annuity Reserve table, the estimated return on the invested assets, the contractual payment obligations under the agreements, and a discount rate reflective of current market conditions. The discount rate used for CRT and PIF was 6% and 4.5% for the CGAs.

Investments

Investments are stated at their fair value. 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. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Dividend and interest income are recognized when earned. Investments also include cash and equivalents, money market funds and certificates of deposits designated for non-current purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

JFCS capitalizes expenditures for property and equipment in excess of $2,000. 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, which ranges from 3 to 40 years. 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, 2017.

Revenue Recognition

Grants, contributions and bequests are recognized when received or unconditionally promised. Conditional promises to give are not recorded as revenue until the conditions have been substantially met. Investments received through gifts are recorded at fair value at the date of donation. Program service fees are recognized when services have been substantially performed.

Donated Facilities and Services

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. For the year ended June 30, 2017, JFCS recognized $140,746 of donated occupancy rights and $102,945 of donated professional fees.

Functional 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. Expenses applicable to more than one activity, such as personnel, depreciation, and occupancy costs, are allocated among program services and support services based on usage and management 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. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)
These levels are:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities. The types of instruments included in Level 1 included listed equity securities, exchange traded securities and mutual funds.

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 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant judgment or estimation by the reporting entity.

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.

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 the JFCS' financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Change in Accounting Principle
In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for fiscal years beginning after December 15, 2018. Management elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)
In May 2015, FASB issued ASU 2015-07, *Fair Value Measurement (Topic 850): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also limits certain disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. This ASU will be effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. Management elected to early adopt the provisions of this new standard. Accordingly, the amendment was retrospectively applied resulting in investments previously included in Level 3 of the fair value hierarchy no longer categorized within the hierarchy.

Recent Accounting Pronouncements
In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Organization beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The adoption of ASU 2016-18 is not expected to have a material impact on the financial statements.]

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. JFCS is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. JFCS is currently evaluating the impact of the pending adoption of the new standard on the financial statements. JFCS currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the balance sheet in amounts that will be material.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)
In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. JFCS has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

NOTE 3 – CONCENTRATION OF CREDIT RISK

JFCS maintains cash balances at several financial institutions. Accounts at these institutions are insured up to $250,000. At June 30, 2017, JFCS had uninsured cash and certificate of deposit balances of $1,079,799. JFCS does not believe that it is exposed to any significant risk in connection with these cash balances.

Approximately 66% of grants and contribution receivable is from three donors and 25% of grants and contribution revenue is from one donor as of and for the year ended June 30, 2017.

NOTE 4 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Receivable in less than one year	$ 4,833,567
Receivable in one to four years	754,152
Total	5,587,719
Less: discount to present value	(11,140)
Less: reserve for uncollectible pledges	(65,000)
Total grants and contributions receivable, net at June 30, 2017	**$ 5,511,579**

Long-term grants and contributions receivable are discounted with rates ranging from 0.5% to 4.25%.

NOTE 5 – PROMISES TO GIVE – RESTRICTED TO OCCUPANCY RIGHTS

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, 2017, JFCS recorded occupancy costs of $555,930, an in-kind contribution of $140,746, and the amortization of the discount of the asset of $415,184.

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 an accrued expense in the Statement of Financial Position, $197,494 as of June 30, 2017. Amortization of this allowance of $49,370 for the year ended June 30, 2017 has been recorded as a credit against occupancy costs.

Promises to give restricted to occupancy rights at June 30, 2017 are due as follows:

Receivable in one year	$ 449,708
Receivable in one to five years	1,158,187
Total unconditional promises to give	1,607,895
Less: discounts to net present value	(95,589)
Total promises to give – restricted to occupancy rights, net	**$ 1,512,306**

NOTE 6 – NOTES RECEIVABLE

Notes receivable	$ 416,193
Allowance for uncollectible loans	(65,469)
Total notes receivable, net at June 30, 2017	**$ 350,724**

NOTE 7 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The table below summarizes JFCS' investments by the fair value hierarchy at June 30, 2017:

	Total	Level 1	Level 2
Investments			
Cash and Cash Equivalents [(a)]	$ 447,412	$ -	$ -
Money Market	2,500	2,500	-
Certificates of Deposit	1,102,768	-	1,102,768
Equity Securities			
Domestic	9,956,548	9,956,548	-
International - Developed	6,635,771	6,635,771	-
International - Emerging	1,343,347	1,343,347	-
Real Assets	1,402,854	1,402,854	-
Fixed Income			
Mutual Funds	5,928,439	5,928,439	-
Fund of Funds [(a)]	6,073,332	-	-
Subtotal	32,892,971	25,269,459	1,102,768
Assets Held in Split Interest Agreements			
Money Market	256,852	256,852	-
Certificates of Deposit	24,871	-	24,871
Equity Securities			
Domestic	3,700,830	3,700,830	-
International – Mutual Funds	395,308	395,308	-
Fixed Income			
Mutual Funds	437,937	437,937	-
U.S. Treasury Notes and Bonds	404,860	404,860	-
Federal Agencies	502,531	-	502,531
Municipal Bonds	847,318	-	847,318
Corporate Bonds	808,800	-	808,800
Subtotal	7,379,307	5,195,787	2,183,520
Total	**$ 40,272,278**	**$ 30,465,246**	**$ 3,286,288**

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position.

NOTE 7 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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. 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.

Fees paid to investment managers for the year ended June 30, 2017 were $143,256.

At June 30, 2017, JFCS held a total of $6,073,332 in a fund of funds which is referred to as "alternative investments", whose values have been estimated by JFCS in the absence of readily ascertainable market values. The estimate of fair value is based on the net asset value (NAV) provided to JFCS by the alternative investment fund, supported by independently audited financial statements of the alternative investment fund, when available.

Alternative Investment Strategy and Redemption Information
The investment strategy, commitments to additional capital contributions, and various features of the alternative investments as of June 30, 2017 are as follows:

	Fund of Funds
Fair value	$ 6,073,332
Unfunded commitments	$ -
Redemption frequency	June 30th and December 30th
Redemption notice period	95 days' prior written consent
Holdback	5% holdback for full redemption request

Fund of Funds **–** This category includes one investment fund with an objective, through its investment in the Master Fund, to produce long-term risk-adjusted returns with low volatility and downside protection qualities, by allocating and reallocating assets among a select group of non-traditional portfolio managers that invest or trade in a wide range of securities and other instruments. It employs various investment strategies to achieve its objective. The top five strategies employed by this Fund include equities-fundamental, multi-strategy, residential mortgages, special situations, and quantitative strategies.

NOTE 8 – PROPERTY AND EQUIPMENT

Buildings	$ 19,963,507
Land	6,751,355
Furniture and equipment	3,004,635
Leasehold improvements	2,401,762
Computer equipment	1,849,724
Vehicles	600,317
Website	113,943
Construction in progress	124,351
	34,809,594
Accumulated depreciation	(15,206,197)
Total property and equipment, net at June 30, 2017	**$ 19,603,397**

Depreciation expense for the year ended June 30, 2017 was $1,220,458; of which $1,161,825 is shown in the Statement of Functional Expenses and $58,633 is included in Rental (Loss), Net on the Statement of Activities.

NOTE 9 – ACCRUED EXPENSES

Current	
Accrued compensation	$ 1,440,224
Accrued expenses – other	991,844
Defined contribution plan	
Qualified and non-qualified plans – active	959,296
Employee health reimbursement accounts	82,512
Relocation costs	49,370
Uninsured obligation	16,388
Total current	3,539,634
Noncurrent	
Accrued expenses – other	950,000
Defined Contribution Plan	
Qualified Plans - Active	523,458
Uninsured Obligation	357,226
Relocation Costs	148,124
Total Noncurrent	1,978,808
Total accrued expenses at June 30, 2017	**$ 5,518,442**

NOTE 10 – LINES OF CREDIT

Morgan Stanley, a revolving line of credit, secured by investments, amount variable based on a total of $10 million less outstanding term loan balances ($3,694,179 available at June 30, 2017), matures December 2022. Interest at the corresponding PLA index + 2.50% (2.47% at June 30, 2017).	$ 1,142,839
First Republic Bank, a revolving line of credit, secured by real property, prime rate plus 0.25% per annum (4.50% at June 30, 2017), pay interest in full monthly and pay principle in full by the maturity date, January 2017. ($2,000,000 available at June 30, 2017, no balance outstanding at June 30, 2017).	-
Total lines of credit at June 30, 2017	**$ 1,142,839**

NOTE 11 – NOTES PAYABLE

First Republic Bank, secured by real property, monthly payments of $34,049 including interest at 4.05%, matures August 2023	$ 6,555,375
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	5,153,464
Jewish Community Federation, unsecured, monthly payments of $16,750 including interest at 4.35%, matures January 2031	2,068,521
Successor Organization to the Conference on Material Claims, unsecured, no interest loan, principal yearly payments of $30,000, matures December 2017	30,000
Total notes payable at June 30, 2017	**$ 13,807,360**

NOTE 11 – NOTES PAYABLE (Continued)

Maturities of long-term debt are as follows:

Years ending June 30,	
2018	$ 647,793
2019	640,621
2020	663,028
2021	688,844
2022	714,355
Thereafter	10,452,719
Total	**$ 13,807,360**

JFCS incurred interest expense of $653,493 for the year ended June 30, 2017. $67,158 is included in Rental Income (Loss), Net in the Statement of Activities. $223,081 is included with Occupancy and $363,253 as Interest in the Statement of Functional Expenses.

NOTE 12 – CAPITAL LEASE OBLIGATIONS

JFCS leases equipment and vehicles under various capital leases with imputed interest rates ranging from 3.16% to 4.25% and maturity dates at various times through 2021.

The following schedule by years of future minimum payments required under these leases together with their present value as of June 30, 2017 are as follows:

Fiscal years ending June 30,	
2018	$ 60,970
2019	60,970
2020	60,970
2021	35,917
Total minimum lease payments	218,827
Less: Amounts representing interest	(15,030)
Present value of the minimum lease payments	**$ 203,797**

The assets under the lease are recorded as follows:

Telephone equipment	$ 171,663
Vehicles	124,584
	296,247
Accumulated depreciation	(97,792)
Net book value at June 30, 2017	**$ 198,455**

NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS

	July 1, 2016	Additions	Releases	June 30, 2017
Restricted for:				
Older adults	$ 1,039,950	$ 2,095,056	$ (1,039,950)	$ 2,095,056
Facilities use	1,927,490	-	(415,184)	1,512,306
Split interest agreements	1,380,651	-	(9,382)	1,371,269
Loan and grant funds	2,015,603	91,169	(912,177)	1,194,595
Time restricted	-	493,012	-	493,012
Children and families	178,222	136,149	(178,222)	136,149
Émigrés	45,834	22,500	(45,834)	22,500
Adults	20,926	1,950	(20,926)	1,950
Total	**$ 6,608,676**	**$ 2,839,836**	**$ (2,621,675)**	**$ 6,826,837**

NOTE 14 – ENDOWMENT

JFCS' endowment consists of 366 donor-restricted funds established for a variety of purposes.

JFCS manages its endowment funds in accordance with the California Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). JFCS' Board of Directors (the Board) 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.

Endowment Spending Policy
In accordance with UPMIFA, JFCS' Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of JFCS and the 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 JFCS
7. The investment policies of JFCS

NOTE 14 – ENDOWMENT (CONTINUED)

JFCS' Board of Directors has 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.

Investment Policy, Strategies, and Objectives

The Board has adopted investment and spending policies for endowment assets that are intended to provide a predictable stream of funding to programs supported by its endowment funds. 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 cash equivalents, fixed income securities, equity securities, mutual funds, exchange traded funds and fund of funds. 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.

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA, as interpreted by the JFCS' Board, requires the Agency to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $1,885,564 as of June 30, 2017.

NOTE 14 – ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2017 and change in endowment net assets for the fiscal year ended June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year, Donor restricted endowment fund	$ (6,611,336)	$ 1,802,391	$ 33,161,022	$ 28,352,077
Investment return				
Investment income	646,979	-	-	646,979
Net appreciation	2,628,189	-	-	2,628,189
Investment expenses	(84,330)	-	-	(84,330)
Total investment return	3,190,838	-	-	3,190,838
Contributions	-	91,169	1,668,695	1,759,864
Appropriation of Endowment				
Financial Aid Center	-	(124,540)	-	(124,540)
Agency Operations	-	(787,541)	-	(787,541)
Total	-	(912,081)	-	(912,081)
Other changes				
Transfer for unrestricted net assets to unrestricted endowment net assets to cover deficiency	1,534,934	-	-	1,534,934
Change in value of net beneficial interest in CRT's dedicated to endowment	-	-	26,696	26,696
End of year, Donor restricted endowment fund	**$ (1,885,564)**	**$ 981,479**	**$ 34,856,413**	**$ 33,952,328**

NOTE 15 – DEFINED CONTRIBUTION RETIREMENT PLAN

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 retirement benefits in the Statement of Functional Expenses. Pension expense for the 403(b) defined contribution plan was $995,395 for the year ended June 30, 2017.

NOTE 16 – DONOR-ADVISED FUNDS

During the fiscal year ended June 30, 2017, donor-advised funds activity was as follows:

Balance, beginning of year	$ 1,455,241
Contributions to donor-advised funds	678,470
Grants from donor-advised funds	(893,831)
Balance, end of year	**$ 1,239,880**

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.

NOTE 17 – LEASE COMMITMENTS

JFCS is obligated under various operating lease agreements for program facilities, which expire at various times through 2040. Rental expense under these leases for the fiscal year ended June 30, 2017 was $247,801. Future minimum lease commitments are as follows:

Years ending June 30,	
2018	$ 251,010
2019	223,473
2020	195,110
2021	60,000
2022	60,000
Thereafter	1,440,000
Total	**$ 2,229,593**

NOTE 18 – SPLIT-INTEREST AGREEMENTS

The following is a summary of assets held in split-interest agreements as of and for the year ended June 30, 2017:

Beginning of year	$ 7,373,582
Additions	25,604
Income, net of losses	592,378
Terminations	(190,298)
Payments to beneficiaries	(421,959)
End of year	**$ 7,379,307**

The liability for the present value of the estimated future payments is $5,372,492 as of June 30, 2017.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 19, 2017, the date which the financial statements were available to be issued, and determined no reportable events occurred.

SUPPLEMENTARY INFORMATION

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-1617-26	$ 341,816
Administration for Children and Families	Temporary Assistance for Needy Families	93.556	California Department of Social Services	16-SUB-00547	120,829
Administration on Aging	Special Programs for the Aging	93.044	County of Marin Division on Aging through California Department of Aging	17-058	25,000
	EPSDT	93.778	City and County of San Francisco, Department of Public Health	DPHM17000078	45,737
	Case Management	93.778	City and County of SF, Human Services Agency	DPAG17000057	15,049
	National Family Caregiver Support, Title III, Part E	93.052	Alzheimer's Association	N/A	15,750
	National Family Caregiver Support, Title III, Part E	93.052	Alzheimer's Association	N/A	4,893
	HDM Meals Assessments	93.778	City and County of SF, Human Services Agency	DPAG17000076	7,954
	Head Start	93.600	Community Action Marin/Head Start	N/A	9,250
	Administration for Community Living (ACL)	93.048	The Jewish Federations of North America	L-24	188,334
					774,612
Department of Agriculture	Child and Adult Care Food Program	10.558	California Department of Education - Nutrition Services Division	N/A	135,087
Department of Education	Adult Education State Grant Program	84.002	California Department of Education - Secondary, Postsecondary, and Adult Leadership Division	38-V316	8,079
Total Expenditures of Federal Awards					**$ 917,778**

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, 2017. 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.

3. JFCS has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

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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*

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 (the "Organization"), which comprise the statement of financial position as of June 30, 2017, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements"), and have issued our report thereon dated November 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 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.

November 19, 2017

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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

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' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's 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 the Organization's 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 the Organization's 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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2017.

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Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's 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 the Organization's 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.

November 19, 2017

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

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Audited qualified as low-risk auditee: _X_ yes ___ no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Status of Prior Year Findings

No prior year audit findings were reported.