JEWISH FAMILY AND CHILDREN'S SERVICES

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

JEWISH FAMILY AND CHILDREN'S SERVICES
CONTENTS
June 30, 2018

Good&Fowler

A Division of SingerLewak

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 29, 2018, 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.

Singer Lewak LLP

December 7, 2018

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(Comparative Information at June 30, 2017)

ASSETS

	2018	2017
Current assets		
Cash and cash equivalents	$ 601,067	$ 56,283
Accounts receivable		
(net of allowances of $421,070 and $541,000)	2,003,023	2,753,867
Grants and contributions receivable, current portion	5,013,822	4,768,567
Promises to give, restricted to occupancy rights, current portion	487,812	449,708
Notes receivable, current portion	100,229	111,853
Prepaid expenses and deposits	451,057	581,773
Total current assets	8,657,010	8,722,051
Noncurrent assets		
Grants and contributions receivable, noncurrent portion, net	415,055	743,012
Promises to give, restricted to occupancy rights, noncurrent portion, net	574,786	1,062,598
Notes receivable, noncurrent portion, net	283,329	238,871
Assets held in split-interest agreements	7,042,315	7,379,307
Investments	36,430,549	32,892,971
Property and equipment, net	18,903,542	19,603,397
Total noncurrent assets	63,649,576	61,920,156
Total assets	**$ 72,306,586**	**$ 70,642,207**

(Continued)

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

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(Comparative Information at June 30, 2017)

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities		
Accounts payable	$ 675,509	$ 509,084
Line of credit	2,423,938	1,142,839
Accrued expenses, current portion	3,531,154	3,539,634
Capital lease obligation, current portion	60,979	53,820
Notes payable, current portion	640,622	647,793
Total current liabilities	7,332,202	5,893,170
Noncurrent liabilities		
Accrued expenses, noncurrent portion	1,923,634	1,978,808
Capital lease obligation, noncurrent portion	132,328	149,977
Notes payable, noncurrent portion	12,518,942	13,159,567
Liabilities under split-interest agreements, net	5,120,564	5,372,492
Total noncurrent liabilities	19,695,468	20,660,844
Total liabilities	27,027,670	26,554,014
Net assets		
Unrestricted	2,639,161	2,404,943
Temporarily restricted	6,290,235	6,826,837
Permanently restricted	36,349,520	34,856,413
Total net assets	45,278,916	44,088,193
Total liabilities and net assets	**$ 72,306,586**	**$ 70,642,207**

(Concluded)

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

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

(Summarized Comparative Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Revenue					
Public support					
Grants and contributions	$ 11,291,451	$ 2,790,791	$ 1,577,330	$ 15,659,572	$ 15,934,328
Bequests	373,998	-	-	373,998	1,396,125
Special events revenue, net	336,520	-	-	336,520	710,972
In-kind contributions	154,068	-	-	154,068	243,690
Income from trusts	59,672	-	-	59,672	62,863
Change in value of split-interest agreements	42,472	-	(84,223)	(41,751)	(146,530)
Total public support	12,258,181	2,790,791	1,493,107	16,542,079	18,201,448
Other revenue, gains and losses					
Program service fees	18,382,677	-	-	18,382,677	17,830,884
Market value adjustments - investments	1,654,404	-	-	1,654,404	2,281,963
Dividends and interest on investments, net	598,550	-	-	598,550	561,367
Gain on sale of investments	138,986	-	-	138,986	534,667
Gain (loss) on sale of fixed assets	(68,836)	-	-	(68,836)	743,460
Miscellaneous revenue	48,592	(1,566)	-	47,026	51,659
Interest income on loans	988	6,105	-	7,093	9,175
Rental income (loss), net	10,115	-	-	10,115	(18,474)
Total other revenue gains and losses	20,765,476	4,539	-	20,770,015	21,994,701
Total revenue	33,023,657	2,795,330	1,493,107	37,312,094	40,196,149
Net assets released from restriction					
Satisfaction of program restrictions	3,331,932	(3,331,932)	-	-	-
Expenses					
Program services	31,011,059	-	-	31,011,059	30,374,703
Support services	5,110,312	.	-	5,110,312	5,381,055
Total expenses	36,121,371	-	-	36,121,371	35,755,758
Change in net assets	234,218	(536,602)	1,493,107	1,190,723	4,440,391
Net assets, beginning of year	2,404,943	6,826,837	34,856,413	44,088,193	39,647,802
Net assets, end of year	**$ 2,639,161**	**$ 6,290,235**	**$ 36,349,520**	**$ 45,278,916**	**$ 44,088,193**

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

JEWISH FAMILY AND CHILDREN'S SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018
(Summarized Comparative Information for the Year Ended June 30, 2017)

	Program Services						Support Services				
	Older Adults	Children and Families	Émigrés	Adults	Social Enterprise Center	Total	Management and General	Development and Publicity	Total	Total 2018	Total 2017
Personnel costs											
Salaries and wages	$ 10,381,149	$ 3,437,936	$ 1,500,107	$ 1,047,310	$ 971,690	$ 17,338,192	$ 1,370,038	$ 1,413,419	$ 2,783,457	$ 20,121,649	$ 20,253,305
Employee benefits	1,435,160	351,620	175,304	102,222	150,693	2,214,999	(12,772)	155,378	142,606	2,357,605	2,235,384
Payroll taxes	845,071	259,483	115,983	77,948	76,182	1,374,667	84,248	108,959	193,207	1,567,874	1,568,802
Retirement benefits	337,986	188,444	144,673	62,978	13,450	747,531	107,936	121,830	229,766	977,297	865,759
Workers' compensation insurance	599,983	229,758	24,975	7,871	110,512	973,099	9,981	9,687	19,668	992,767	659,230
Total personnel costs	13,599,349	4,467,241	1,961,042	1,298,329	1,322,527	22,648,488	1,559,431	1,809,273	3,368,704	26,017,192	25,582,480
Nonpersonnel costs											
Professional fees	521,251	619,340	158,619	106,458	45,486	1,451,154	297,890	229,581	527,471	1,978,625	1,834,091
Occupancy	668,171	421,021	88,457	122,747	18,016	1,318,412	136,301	158,975	295,276	1,613,688	1,510,802
Assistance to individuals	956,149	311,053	296,148	150,413	-	1,713,763	-	-	-	1,713,763	1,405,622
Depreciation	346,122	423,357	116,757	98,120	25,470	1,009,826	46,795	65,158	111,953	1,121,779	1,161,825
Donor-advised grants	-	381,474	-	-	-	381,474	-	-	-	381,474	893,831
Transportation	162,083	35,821	415,044	10,494	30,610	654,052	6,769	3,057	9,826	663,878	591,485
Supplies	126,515	94,782	73,374	23,839	119,554	438,064	24,618	20,834	45,452	483,516	518,298
Publicity	251,386	226,821	198	-	1,519	479,924	-	12,841	12,841	492,765	449,526
Interest	-	-	-	-	-	-	342,730	-	342,730	342,730	362,943
Insurance	89,847	47,825	28,717	14,092	27,680	208,161	69,883	13,193	83,076	291,237	312,907
Bad debts	39,111	681	-	8,089	5,240	53,121	-	-	-	53,121	243,526
Telephone	91,735	52,973	25,898	15,703	3,238	189,547	18,065	20,554	38,619	228,166	218,918
Printing and publications	57,111	42,524	8,159	4,905	1,417	114,116	14,231	80,964	95,195	209,311	187,763
Conferences and meetings	32,911	32,314	2,778	10,138	256	78,397	103,349	26,249	129,598	207,995	165,133
Equipment rental and maintenance	45,802	48,741	15,966	8,892	6,101	125,502	2,753	5,718	8,471	133,973	131,340
Postage and shipping	17,072	22,543	5,037	3,355	462	48,469	5,817	23,549	29,366	77,835	89,503
Recruitment	40,347	13,210	4,634	3,334	986	62,511	2,614	3,454	6,068	68,579	56,836
Dues	19,385	8,667	4,218	1,544	2,264	36,078	3,132	2,534	5,666	41,744	38,929
Total nonpersonnel costs	3,464,998	2,783,147	1,244,004	582,123	288,299	8,362,571	1,074,947	666,661	1,741,608	10,104,179	10,173,278
Total expenses	**$ 17,064,347**	**$ 7,250,388**	**$ 3,205,046**	**$ 1,880,452**	**$ 1,610,826**	**$ 31,011,059**	**$ 2,634,378**	**$ 2,475,934**	**$ 5,110,312**	**$ 36,121,371**	**$ 35,755,758**

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

(Comparative Information for the Year Ended June 30, 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 1,190,723	$ 4,440,391
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,180,399	1,220,458
(Gain) Loss on sale of assets	68,836	(743,460)
(Gain) on sale of investments	(138,986)	(368,913)
Market value adjustments - investments	(1,654,404)	(2,281,963)
Permanently restricted contributions	(1,577,330)	(1,668,695)
Amortization of discount - occupancy rights	449,708	415,184
Actuarial changes in split-interest agreements	85,064	102,432
Donated securities	(773,302)	(1,120,622)
Change in operating assets and liabilities		
Accounts receivable	750,844	(3,369)
Grants and contributions receivable	82,702	(1,826,488)
Bequests receivable	-	587,293
Prepaid expense and deposits	130,716	141,269
Accounts payable	166,425	(215,758)
Accrued expenses	(63,654)	(192,569)
Net cash used in operating activities	(102,259)	(1,514,810)
Cash flows from investing activities		
Proceeds from sale of investments	907,425	5,037,211
Purchases of investments	(1,884,689)	(6,866,010)
Purchases of property and equipment	(510,330)	(197,735)
Net proceeds from sales of property and equipment	43,189	2,220,899
Net principal received on notes receivable	(32,834)	124,100
Net cash (used in) provided by investing activities	(1,477,239)	318,465

(Continued)

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

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF CASH FLOWS
Year Ended June 30, 2018
(Comparative Information for the Year Ended June 30, 2017)

	2018	2017
Cash flows from financing activities		
Permanently restricted contributions	1,577,330	1,668,695
Borrowings on line of credit	7,486,127	3,754,706
Payments on line of credit	(6,205,028)	(4,011,867)
Principal paid on long term debt	(734,147)	(690,569)
Net cash provided by financing activities	2,124,282	720,965
Net change in cash and cash equivalents	544,784	(475,380)
Cash and cash equivalents, beginning of year	56,283	531,663
Cash and cash equivalents, end of year	**$ 601,067**	**$ 56,283**
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest:	$ 608,723	$ 655,033
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
Extinguishment of capital lease obligation via trade-in	$ 30,125	
Capital expenditures funded by capital lease borrowing:	$ 75,863	

(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 program, 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.

Grants and Contributions Receivable

Grants and contributions receivable include grants from foundations and corporations, individual gifts and bequests. Grants and contributions receivable are recorded when the gifts become unconditional. Such receivables are recorded at the present value of their estimated future cash flows. The discount on these receivables are computed using risk-adjusted rates applicable in the year in which those grants and contributions were made. Amortization of the discounts is included in contributed income. An allowance for uncollectible grants and contributions receivable 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 2018, 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, 2018.

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, 2018, JFCS recognized $106,222 of donated occupancy rights and $47,845 of donated advertising.

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, 2017, from which the summarized information was derived.

Recent Accounting Pronouncements
In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 should be applied on a modified prospective basis and retrospective application is permitted. ASU 2018-08 will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. JFCS is in the process of assessing the effect that the guidance will have on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)
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.

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 its financial statements.

NOTE 3 – FINANCIAL INSTRUMENTS AND CREDIT RISK

JFCS manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, JFCS has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and donors supportive of JFCS' mission. Investments are made by diversified investment managers whose performance is monitored by JFCS and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, JFCS believes that the investment policies and guidelines are prudent for the long-term welfare of JFCS.

Approximately 55% of grants and contribution receivable is from four donors and 20% of grants and contribution revenue is from two donors as of and for the year ended June 30, 2018.

NOTE 4 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Receivable in less than one year	$ 5,078,822
Receivable in one to four years	427,863
Total	5,506,685
Less: discount to present value	(12,808)
Less: reserve for uncollectible pledges	(65,000)
Total grants and contributions receivable, net at June 30, 2018	**$ 5,428,877**

Long-term grants and contributions receivable are discounted with rates ranging from 0.85% to 2.44%.

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, 2018, JFCS recorded occupancy costs of $555,930, an in-kind contribution of $106,222, and the amortization of the discount of the asset of $449,708.

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, $148,124 as of June 30, 2018. Amortization of this allowance of $49,370 for the year ended June 30, 2018 has been recorded as a credit against occupancy costs.

Promises to give restricted to occupancy rights at June 30, 2018 are due as follows:

Receivable in one year	$ 487,812
Receivable in one to five years	602,257
Total unconditional promises to give	1,090,069
Less: discounts to net present value	(27,471)
Total promises to give – restricted to occupancy rights, net	**$ 1,062,598**

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The table below summarizes JFCS' investments by the fair value hierarchy at June 30, 2018:

	Total	Level 1	Level 2
Investments			
Cash and Cash Equivalents [(a)]	$ 349,087	$ -	$ -
Money Market	2,500	2,500	-
Certificates of Deposit	1,108,296	-	1,108,296
Equity Securities			
Domestic	11,526,205	11,526,205	-
International - Developed	7,239,574	7,239,574	-
International - Emerging	1,409,990	1,409,990	-
Real Assets	1,695,329	1,695,329	-
Fixed Income			
Mutual Funds	6,669,782	6,669,782	-
Fund of Funds [(a)]	6,429,786	-	-
Subtotal	36,430,549	28,543,380	1,108,296
Assets Held in Split Interest Agreements			
Money Market	266,806	266,806	-
U.S. Treasury Bills	246,394	246,394	
Certificates of Deposit	24,523	-	24,523
Equity Securities			
Domestic	3,712,237	3,712,237	-
International – Mutual Funds	416,825	416,825	-
Fixed Income			
Mutual Funds	327,898	327,898	-
U.S. Treasury Notes and Bonds	421,077	421,077	-
Federal Agencies	294,598	-	294,598
Municipal Bonds	757,725	-	757,725
Corporate Bonds	574,232	-	574,232
Subtotal	7,042,315	5,391,237	1,651,078
Total	$ 43,472,864	$ 33,934,617	$ 2,759,374

(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 6 – 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, 2018 were $167,733.

At June 30, 2018, JFCS held a total of $6,429,786 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, 2018 are as follows:

	Fund of Funds
Fair value	$ 6,429,786
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 7 – NOTES RECEIVABLE

Notes receivable	$ 450,999
Allowance for uncollectible loans	(67,441)
Total notes receivable, net at June 30, 2018	**$ 383,558**

NOTE 8 – PROPERTY AND EQUIPMENT

Buildings	$ 19,971,975
Land	6,751,355
Furniture and equipment	3,154,953
Leasehold improvements	2,407,967
Computer equipment	1,849,723
Vehicles	781,541
Website	113,943
Construction in progress	164,325
	35,195,782
Accumulated depreciation	(16,292,240)
Total property and equipment, net at June 30, 2018	**$ 18,903,542**

Depreciation expense for the year ended June 30, 2018 was $1,180,399; of which $1,121,779 is shown in the Statement of Functional Expenses and $58,620 is included in Rental (Loss), Net on the Statement of Activities.

NOTE 9 – ACCRUED EXPENSES

Current	
Accrued compensation	$ 1,559,071
Accrued expenses – other	822,742
Defined contribution plan	
qualified and non-qualified plans – active	969,636
Relocation costs	49,370
Uninsured obligation	130,335
Total current	3,531,154
Noncurrent	
Accrued expenses – other	950,000
Defined contribution plan	
qualified plans - active	534,649
Uninsured obligation	340,231
Relocation costs	98,754
Total noncurrent	1,923,634
Total accrued expenses at June 30, 2018	**$ 5,454,788**

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 ($3,023,086 available at June 30, 2018), matures December 2022. Interest at the corresponding PLA index + 2.50% (3.35% at June 30, 2018).	$ 2,073,938
First Republic Bank, a revolving line of credit, secured by real property, prime rate plus 0.25% per annum (5.25% at June 30, 2018), pay interest in full monthly and pay principle in full by the maturity date, April 2019. ($1,150,000 available at June 30, 2018)	350,000
Total lines of credit at June 30, 2018	**$ 2,423,938**

NOTE 11 – 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 2023.

The following schedule by years of future minimum payments required under these leases together with their present value as of June 30, 2018 are as follows:

Fiscal years ending June 30,	
2019	$ 67,213
2020	67,213
2021	40,195
2022	13,779
2023	17,201
Total minimum lease payments	205,601
Less: Amounts representing interest	(12,294)
Present value of the minimum lease payments	**$ 193,307**

NOTE 11 – CAPITAL LEASE OBLIGATIONS (Continued)

The assets under the lease are recorded as follows:

Telephone equipment	$ 171,663
Vehicles	158,666
	330,329
Accumulated depreciation	(145,040)
Net book value at June 30, 2018	**$ 185,289**

NOTE 12 – NOTES PAYABLE

First Republic Bank, secured by real property, monthly payments of $34,049 including interest at 4.05%, matures August 2023	$ 6,413,323
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	4,790,582
Jewish Community Federation, unsecured, monthly payments of $16,750 including interest at 4.35%, matures January 2031	1,955,659
Total notes payable at June 30, 2018	**$ 13,159,564**

Maturities of long-term debt are as follows:

Years ending June 30,	
2019	$ 640,622
2020	663,027
2021	688,843
2022	714,354
2023	3,532,480
Thereafter	6,920,238
Total	**$ 13,159,564**

JFCS incurred interest expense of $610,466 for the year ended June 30, 2018. $70,392 is included in Rental Income (Loss), Net in the Statement of Activities. $197,344 is included with Occupancy and $342,730 as Interest in the Statement of Functional Expenses.

NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS

	July 1, 2017	Additions	Releases	June 30, 2018
Restricted for:				
Older adults	$ 2,095,056	$ 1,418,374	$ (2,095,056)	$ 1,418,374
Facilities use	1,512,306	-	(449,708)	1,062,598
Split interest agreements	1,371,269	-	(17,797)	1,353,472
Loan and grant funds	1,194,595	45,355	(115,760)	1,124,190
Time restricted	493,012	415,055	(493,012)	415,055
Children and families	136,149	282,001	(136,149)	282,001
Émigrés	22,500	-	(22,500)	-
Adults	1,950	634,545	(1,950)	634,545
Total	**$ 6,826,837**	**$ 2,795,330**	**$ (3,331,932)**	**$ 6,290,235**

NOTE 14 – ENDOWMENT

JFCS' endowment consists of 377 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)

Endowment Spending Policy (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. There are no deficiencies of this nature reported in unrestricted net assets as of June 30, 2018.

NOTE 14 – ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2018 and change in endowment net assets for the fiscal year ended June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year, donor restricted endowment fund	$ (1,885,564)	$ 981,479	$ 34,856,413	$ 33,952,328
Investment return				
Investment income	-	709,476	-	709,476
Net appreciation	-	1,682,499	-	1,682,499
Investment expenses	-	(101,697)	-	(101,697)
Total investment return	-	2,290,278	-	2,290,278
Contributions	-	40,815	1,577,330	1,618,145
Appropriation of endowment				
Financial Aid Center	-	(115,760)	-	(115,760)
Agency operations	-	(1,111,536)	-	(1,111,536)
Total	-	(1,227,296)	-	(1,227,296)
Other changes				
Transfer for unrestricted net assets to unrestricted endowment net assets to cover deficiency	1,885,564	(1,885,564)	-	-
Change in value of net beneficial interest in CRT's dedicated to endowment	-	-	(84,223)	(84,223)
End of year, donor restricted endowment fund	**$ -**	**$ 199,712**	**$ 36,349,520**	**$ 36,549,232**

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 $977,297 for the year ended June 30, 2018.

NOTE 16 – DONOR-ADVISED FUNDS

During the fiscal year ended June 30, 2018, donor-advised funds activity was as follows:

Balance, beginning of year	$ 1,239,880
Contributions to donor-advised funds	1,015,812
Grants from donor-advised funds	(641,082)
Balance, end of year	**$ 1,614,610**

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, 2018 was $251,010. Future minimum lease commitments are as follows:

Years ending June 30,	
2019	$ 223,473
2020	195,110
2021	60,000
2022	60,000
2023	60,000
Thereafter	1,380,000
Total	**$ 1,978,583**

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, 2018:

Beginning of year	$ 7,379,307
Additions	25,000
Income, net of losses	407,182
Terminations	(355,690)
Payments to beneficiaries	(413,484)
End of year	**$ 7,042,315**

The liability for the present value of the estimated future payments is $5,120,564 as of June 30, 2018.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 7, 2018, 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-1718-26	$ 340,392
Administration for Children and Families	Temporary Assistance for Needy Families	93.556	California Department of Social Services	16-SUB-00547	118,707
Administration on Aging	Special Programs for the Aging	93.044	County of Marin Division on Aging through California Department of Aging	18-116	25,000
	EPSDT	93.778	City and County of San Francisco, Department of Public Health	1000003027	8,707
	EPSDT	93.778	City and County of San Francisco, Department of Public Health	1000007004	17,757
	Case Management	93.778	City and County of SF, Human Services Agency	1000007586	13,331
	National Family Caregiver Support, Title III, Part E	93.052	Alzheimer's Association	N/A	15,300
	HDM Meals Assessments	93.778	City and County of SF, Human Services Agency	1000007594	8,739
	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	66,667
	Administration for Community Living (ACL)	93.048	The Jewish Federations of North America	C-14	33,333
					657,183
Department of Agriculture	Child and Adult Care Food Program	10.558	California Department of Education - Nutrition Services Division	N/A	141,728
Department of Transportation					
Federal Transit Administration	Capital Assistance Program for Elderly Persons and Persons with Disabilities	84.002	State of CA - Department of Transportation	SA 64ACC16-00135	183,600
Total Expenditures of Federal Awards					**$ 982,511**

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 Jewish Family and Children's Services (JFCS) under programs of the federal government for the year ended June 30, 2018. 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, 2018, 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 December 7, 2018.

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.

Singer Lewak LLP

December 7, 2018

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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, 2018. 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, 2018.

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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.

Singer Lewak LLP

December 7 2018

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

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Summary Schedule of Prior Year Audit Findings

No prior year audit findings were reported.