

JEWISH FAMILY AND
COMMUNITY SERVICES EAST BAY

JUNE 30, 2018

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Jewish Family and Community Services East Bay

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Independent Auditors' Report

THE BOARD OF DIRECTORS
JEWISH FAMILY AND
COMMUNITY SERVICES EAST BAY
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **JEWISH FAMILY AND COMMUNITY SERVICES EAST BAY**, 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.

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.

Auditors' 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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family and Community Services East Bay 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.

Hood & Strong LLP

San Jose, California
December 13, 2018

Jewish Family and Community Services East Bay

Statement of Financial Position

June 30, 2018

Assets

Cash and cash equivalents	\$	262,193
Marketable securities		1,258,831
Grants and pledges receivable		776,320
Contracts and program fees receivable, net		1,079,777
Beneficial interest in the endowment fund of Jewish Federation of the Greater East Bay		125,618
Prepaid expenses		92,225
Property and equipment		12,888
Deposits		9,195
Total Assets	\$	3,617,047

Liabilities and Net Assets

Accounts payable	\$	792,100
Salaries payable		126,415
Compensated absences		308,794

Total liabilities 1,227,309

Net Assets:

Unrestricted		
Board-designated endowment		95,618
Other		1,010,873

Total unrestricted 1,106,491

Temporarily restricted		1,253,247
Permanently restricted		30,000

Total net assets 2,389,738

Total Liabilities and Net Assets \$ **3,617,047**

See accompanying notes to financial statements.

Jewish Family and Community Services East Bay

Statement of Activities

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Alameda County contract	\$ 1,618,541			\$ 1,618,541
Other government contracts	1,785,122			1,785,122
Other contract revenue	57,647			57,647
Client fees	155,119			155,119
Homecare fees	1,519,619			1,519,619
Individual contributions	317,796	\$ 755,119		1,072,915
Foundation and corporate grants	29,491	1,305,290		1,334,781
Special events, net	159,890			159,890
Investment income, net	25,129			25,129
Net assets released from restriction	1,843,758	(1,843,758)		
Total revenue and support	7,512,112	216,651		7,728,763
Expenses:				
Program services				
Parenting and youth services	2,106,761			2,106,761
Refugee and immigrant services	1,133,999			1,133,999
Adult services	1,294,255			1,294,255
Home care services	1,495,717			1,495,717
Volunteer services	226,537			226,537
Total program services	6,257,269			6,257,269
Supporting services				
General and administrative	823,598			823,598
Fundraising	436,133			436,133
Total supporting services	1,259,731			1,259,731
Total expenses	7,517,000			7,517,000
Change in Net Assets	(4,888)	216,651		211,763
Net Assets, beginning of year	1,111,379	1,036,596	\$ 30,000	2,177,975
Net Assets, end of year	\$ 1,106,491	\$ 1,253,247	\$ 30,000	\$ 2,389,738

See accompanying notes to financial statements.

Jewish Family and Community Services East Bay

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services						Supporting Services			Total	
	Parenting and Youth Services	Refugee and Immigrant Services	Adult Services	Home Care Services	Volunteer Services	Total Programs	Shared	General and Administrative	Fundraising		Total Support Services
Salaries	\$ 1,531,421	\$ 637,696	\$ 421,623	\$ 82,096	\$ 118,455	\$ 2,791,291	\$ 16,308	\$ 532,437	\$ 230,157	\$ 762,594	\$ 3,570,193
Payroll taxes and fringe benefits	309,192	129,317	85,135	17,410	23,913	564,967	3,238	106,934	46,479	153,413	721,618
Total personnel costs	1,840,613	767,013	506,758	99,506	142,368	3,356,258	19,546	639,371	276,636	916,007	4,291,811
Professional fees and outside services	12,286	35,727	17,784	5,599	2,204	73,600	82,769	82,272	62,436	144,708	301,077
Homecare fees				1,299,169		1,299,169					1,299,169
Client assistance	6,450	162,327	634,374	8,980		812,131					812,131
Occupancy	97,385	61,252	61,596	13,820	11,506	245,559	6,946	33,085	14,318	47,403	299,908
Office expenses	22,985	19,021	14,237	3,610	52,136	111,989	111,773	10,475	44,734	55,209	278,971
Depreciation							3,046				3,046
Advertising	498	430		7,000		7,928			1,946	1,946	9,874
Dues, membership and subscriptions	1,719	4,776				6,495	730	33,758	7,831	41,589	48,814
Transportation and conferences	41,598	13,762	11,339	1,507	1,241	69,447	3,425	15,108	3,540	18,648	91,520
Miscellaneous	583	1,832	999	38,614		42,028	15,498	8,059	7,778	15,837	73,363
Bad debt				7,316		7,316					7,316
Shared cost allocations	82,644	67,859	47,168	10,596	17,082	225,349	(243,733)	1,470	16,914	18,384	
Total Expenses	\$ 2,106,761	\$ 1,133,999	\$ 1,294,255	\$ 1,495,717	\$ 226,537	\$ 6,257,269	\$ -	\$ 823,598	\$ 436,133	\$ 1,259,731	\$ 7,517,000

See accompanying notes to financial statements.

Jewish Family and Community Services East Bay

Statement of Cash Flows

Year Ended June 30, 2018

Operating Activities:

Change in net assets	\$ 211,763
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	3,045
Net realized and unrealized loss on investments	(19,776)
Change in value of beneficial interest	3,461
Changes in operating assets and liabilities	
Grants and pledges receivable	(143,853)
Contracts and program fee receivable	(168,926)
Prepaid expenses	(24,370)
Accounts payable	44,818
Salaries payable	4,095
Compensated absences	43,944
Refundable advances	(107,791)

Net cash used by operating activities	(153,590)
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Investing Activities:

Purchase of marketable securities	(1,785,076)
Sales and maturities of marketable securities	1,717,641
Proceeds from beneficial interest	(16,282)

Net cash used by investing activities	(83,717)
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Net Change in Cash and Cash Equivalents	(237,307)
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Cash and Cash Equivalents, beginning of year	499,500
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Cash and Cash Equivalents, end of year	\$ 262,193
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See accompanying notes to financial statements.

Jewish Family and Community Services East Bay

Notes to Financial Statement

Note 1 - Organization:

Established in 1877, Jewish Family and Community Services East Bay (JFCS East Bay) promotes the well-being of individuals and families by providing essential mental health and social services through every stage of life, serving people of all races, religions and cultures throughout Alameda and Contra Costa counties. Agency services are grouped into five principal areas:

Programs:

Parenting & Youth Services provides mental health assessment and support to underserved children and their families, including home-based intervention and ongoing case management for children ages 0-8 who have experienced trauma and violence. Most of the children served are African American and Latinx. The agency provides mental health consultation services to numerous low-income preschool sites, helping teachers, administrators, and parents to effectively support children and families. The agency's early childhood staff has expertise in responding to children exposed to domestic and community violence, trauma, and neglect.

Refugee & Immigrant Services includes multilingual services to refugees and immigrants from Afghanistan, Iran, Iraq, Syria, Uganda, the former Soviet Union, and countries throughout Central and South America. These services include initial and ongoing resettlement, immigration legal services, mental health services, family support and child abuse prevention, and assistance with navigating health care and other systems. Mental health services include a variety of individual, family, group, and community interventions, often addressing post-traumatic stress due to war, violence, persecution, and relocation.

Adult Services encompasses an array of services for older adults and their families, geared toward preserving elders' dignity and independence, enabling people to age safely in their own homes while remaining connected with the community around them. Services include home care, geriatric care consultation, counseling, support groups, and a free Senior Information Line providing resources and referrals. The agency also provides specialized services to Holocaust survivors. In addition, JFCS East Bay offers mental health and other supportive services to adults of all ages, including people with developmental disabilities and those who are dealing with bereavement.

Home Care program provides compassionate, professional, reliable, and personalized home care services. JFCS East Bay's geriatric social workers partner with caregivers and provide an extra level of oversight and advocacy, including home visits. JFCS East Bay provides culturally sensitive care that incorporates knowledge of Jewish traditions.

Volunteer Services engages more than 400 volunteers in a variety of client support services, especially for newly arrived refugees and for seniors needing contact and support in order to remain safely at home.

Jewish Family and Community Services East Bay

Notes to Financial Statement

Note 2 - Summary of Significant Accounting Policies:

a. Accounting and Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States of America (U. S. GAAP).

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted Net Assets - the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board for general operations or as designated by the Board.

Temporarily Restricted Net Assets - the portion of net assets the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of JFCS East Bay.

Permanently Restricted Net Assets - the portion of net assets the use of which is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of JFCS East Bay.

b. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, JFCS East Bay considers all unrestricted highly liquid investments with a maturity of three months or less at the date of acquisition, to be cash equivalents.

c. Marketable Securities and Fair Value Measurements

JFCS East Bay carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Marketable securities primarily consist of shares in publicly traded companies and are valued at fair value. Unrealized gains and losses are included in the changes in net assets in the accompanying Statement of Activities.

JFCS East Bay reports its investments in marketable securities at their 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 date. JFCS East Bay classifies its financial assets and liabilities based on a valuation method using three levels:

Level 1 Quoted market prices unadjusted in active markets for identical assets or liabilities.

Jewish Family and Community Services East Bay

Notes to Financial Statement

Level 2 Indirect market based inputs or observable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, JFCS East Bay performs an analysis of the assets and liabilities that are subject to fair value measurement.

d. Grants and Pledges Receivable

Grants and pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Grants and pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Grants and pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible grants and pledges receivable is determined based on management's evaluation of the collectability of the individual promises.

e. Property and Equipment

Expenditures for property and equipment and leasehold improvements are capitalized at cost and depreciated over their estimated useful lives of four to five years using the straight-line method. Assets valued at \$5,000 or more are capitalized at cost.

f. Revenue Recognition

Grants and pledges, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years that have an implied restriction to be used in the year the payment is due, are reported as temporarily restricted until the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Jewish Family and Community Services East Bay

Notes to Financial Statement

Contract revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit and review by grantor agencies. The review could result in the disallowance of expenditure under the terms of the grant or reductions of future grant funds. Based on prior experience, the organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the organization.

JFCS East Bay recognizes services and other fee revenue in the period when the service has been provided.

JFCS East Bay receives a significant portion of its revenue, 26% in the current fiscal year, from governmental sources.

g. Expense Recognition and Allocation

The costs of providing various programs and other activities are summarized on a functional basis in the Statement of Functional Expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of JFCS East Bay.

h. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

i. Income Tax Status

JFCS East Bay is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code. In addition, JFCS East Bay has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

JFCS East Bay follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, to account for uncertain tax positions. Management has concluded that JFCS East Bay has taken no uncertain tax positions that would require adjustment to the financial statements to comply with provisions of this guidance.

Jewish Family and Community Services East Bay

Notes to Financial Statement

k. Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance requires the recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the statement of financial position. The standard is effective for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact this will have on JFCS East Bay's future 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*. The amendments in this ASU are designed to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The ASU sets forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in the update is permitted. Management is currently evaluating the impact this will have on JFCS East Bay's future financial statements

Note 3 - **Endowment Funds:**

The Board of Directors of JFCS East Bay complies with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

a. Endowment Funds

Endowment funds contributed to the Jewish Community Foundation (the Foundation) for the benefit of JFCS East Bay, will be retained in the Foundation. The Foundation maintains ownership and variance power over these funds. The contributed funds were considered to be donor contributions to the Foundation and, accordingly, the value of the assets is not presented on the Statement of Financial Position of JFCS East Bay. The two endowments are valued at approximately \$154,000 as of June 30, 2018.

b. Endowment Funds – Beneficial Interest

Under four separate Memorandums of Understanding, endowment funds transferred in the fiscal years ending June 30, 2010, 2011, and 2014 by JFCS East Bay to the Foundation for the benefit of JFCS East Bay, will be retained in the Foundation. The four endowments are valued at \$125,618 as of June 30, 2018.

JFCS East Bay's endowment includes both donor-restricted endowment funds and funds designated by the board of directors of JFCS East Bay (quasi-endowments) to function as endowments. The endowment funds are considered Level 3 measurements.

Jewish Family and Community Services East Bay

Notes to Financial Statement

Available distribution from all of the endowment funds is determined in accordance with the Foundation's distribution policy as currently exists and as may be amended from time to time. Any residual net investment income earned is retained for capital growth. \$7,518 of distributions were made in fiscal year 2018 from the Foundation to JFCS East Bay.

Note 4 - Investments:

Investments at June 30, 2018 are stated at fair value and consist of the following:

	Cost	Fair Value
Money market account	\$ 38,062	\$ 38,062
Market securities	251,021	241,324
Mutual funds	686,724	683,956
Fixed income	242,079	241,191
Alternative investments	56,266	54,298
Total	\$ 1,274,152	\$ 1,258,831

The above investments, with the exception of the alternative investments are all considered Level 1 measurements. The alternative investments are measured at net asset value in accordance with U. S. GAAP.

The following schedule summarizes the investment income in the Statement of Activities for the year ended June 30, 2018:

Interest and dividend income	\$ 23,214
Net realized gain on investments	35,970
Net unrealized loss on investments	(18,112)
Changes in beneficial interest and endowment fund	(3,459)
Investment expenses	(12,484)
Total investment income	\$ 25,129

Jewish Family and Community Services East Bay

Notes to Financial Statement

Note 5 - Grants and Pledges Receivable:

Grants and individual pledges receivable are deemed by management to be fully collectible and are composed of the following amounts at June 30, 2017:

Foundation grants	\$ 42,833
Conference on Jewish Material Claims Against Germany	733,487
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Total	\$ 776,320

Note 6 - Contracts and Program Fees Receivable:

Contracts and program fees receivable at June 30, 2018, consist of the following:

Homecare and other client service fees	\$ 284,299
First Five Alameda County Every Child Counts	30,490
Contra Costa County	77,461
City of Oakland	27,162
Alameda County	443,023
Hebrew Immigrant Aid Society	48,892
Other contracts receivable	182,168
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Subtotal	1,093,495
Less: Allowance for bad debt	(13,718)
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Total	\$ 1,079,777

Note 7 - Concentrations of Risk:

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The organization deposits its cash with high quality financial institutions and has never experienced a loss. Management believes the organization is not exposed to significant credit risk on those amounts.

JFCS East Bay's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Jewish Family and Community Services East Bay

Notes to Financial Statement

Note 8 - Line of Credit:

At June 30, 2018, JFCS East Bay had a line of credit with no outstanding balance. The amount of credit available at June 30, 2018 was \$703,739, and this amount varies according to the amount of collateral on hand. Cash and investments, valued at \$1,258,831 at June 30, 2018, are pledged as collateral for any draws on the line of credit. There was no activity during the fiscal year nor interest expense for the year ended June 30, 2018. The line of credit carries an interest rate of LIBOR plus 1.5%.

Note 9 - Temporarily Restricted Net Assets:

Net assets were temporarily restricted for the following purposes at June 30, 2018:

Adult services	\$ 658,707
Refugee and immigrant services	384,169
Parenting and youth services	64,199
Other program activities	39,991
Art of Living event	86,181
Time restricted	20,000
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Total temporarily restricted net assets	\$ 1,253,247

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended June 30, 2018, as follows:

Adult services	\$ 1,022,837
Refugee and immigrant services	421,176
Parenting and youth services	51,962
Other program activities	119,889
Art of Living event	207,894
Time restricted	20,000
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Total temporarily restricted net assets	\$ 1,843,758

Jewish Family and Community Services East Bay

Notes to Financial Statement

Note 10 - Retirement Plans:

JFCS East Bay has a defined contribution plan covering employees who have attained age 21 and have at least 1,000 hours of service in the initial 12 months of employment or in any subsequent plan year. Participants can contribute before-tax contributions up to the IRS indexed maximum for a calendar year. Each year, JFCS East Bay provides a matching contribution at its discretion that is allocated in proportion to the employee salary deferrals made during the plan year. The total fiscal year 2018 employer's contribution was \$71,953.

Note 11 - Operating Leases:

JFCS East Bay has entered into several long-term operating leases for office space and equipment with monthly payments ranging from \$162 to \$15,678. Rent expense totaled \$299,908 for the year ended June 30, 2018. The future minimum rental payments required under these long-term non-cancelable leases at June 30, 2018 are as follows:

2019	\$ 339,102
2020	339,670
2021	248,681
2022	12,744
2023	6,372
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Total	\$ 946,569

Note 12 - Noncompliance with Grantor or Donor Restrictions:

Financial awards from federal, state, and local governmental entities in the form of grants or loans are subject to special audits. Such audits could result in claims against JFCS East Bay for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Note 13 - Subsequent Events:

JFCS East Bay has evaluated subsequent events from June 30, 2018 through December 13, 2018, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.