

**Jewish Family Service of the  
Lehigh Valley and Affiliate**

**Consolidated Financial Statements**

**June 30, 2017 and 2016**



# **Jewish Family Service of the Lehigh Valley and Affiliate**

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## **Independent Auditor's Report**

To the Board of Directors  
Jewish Family Service of the Lehigh Valley and Affiliate  
Allentown, Pennsylvania

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the Jewish Family Service of the Lehigh Valley and affiliate, which comprise the consolidated statement of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Family Service of the Lehigh Valley and affiliate as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RKL LLP

January 12, 2018  
Wyomissing, Pennsylvania

# Jewish Family Service of the Lehigh Valley and Affiliate

## Consolidated Statement of Financial Position

	June 30,	
	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 78,082	\$ 79,490
Loans to individuals	12,556	12,615
Accounts receivable	11,849	25,000
Prepaid expenses	6,559	6,615
<b>Total Current Assets</b>	<b>109,046</b>	<b>123,720</b>
<b>Investments</b>	<b>2,927,199</b>	<b>2,680,880</b>
<b>Land, Building, and Equipment, Net of Accumulated Depreciation 2017 \$321,556; 2016 \$304,310</b>	<b>223,012</b>	<b>218,663</b>
<b>Total Assets</b>	<b>\$ 3,259,257</b>	<b>\$ 3,023,263</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 41,068	\$ 37,314
<b>Total Current Liabilities</b>	<b>41,068</b>	<b>37,314</b>
<b>Net Assets</b>		
Unrestricted		
Operations	343,654	163,325
Board designated for long-term investment	2,819,535	2,498,274
	<b>3,163,189</b>	<b>2,661,599</b>
Temporarily restricted	5,000	274,350
Permanently restricted	50,000	50,000
<b>Total Net Assets</b>	<b>3,218,189</b>	<b>2,985,949</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,259,257</b>	<b>\$ 3,023,263</b>

## Jewish Family Service of the Lehigh Valley and Affiliate

### Consolidated Statement of Activities

	Year Ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenue and Other Support</b>				
Contributions	\$ 192,189	\$ 107,675	\$ -	\$ 299,864
Jewish Federation of the Lehigh Valley grants	82,643	11,849	-	94,492
Casework and service fees	4,119	-	-	4,119
In-kind donations	35,270	-	-	35,270
Third-party fees	37,684	-	-	37,684
Fund-raising event	62,756	-	-	62,756
Investment income (loss)	314,363	-	-	314,363
Miscellaneous	36	-	-	36
Net assets released from restrictions	388,874	(388,874)	-	-
	<b>1,117,934</b>	<b>(269,350)</b>	<b>-</b>	<b>848,584</b>
<b>Total Revenue and Other Support</b>				
<b>Functional Expenses</b>				
Program services				
Direct assistance	99,189	-	-	99,189
Volunteer	58,106	-	-	58,106
Therapeutic services	174,324	-	-	174,324
	<b>331,619</b>	<b>-</b>	<b>-</b>	<b>331,619</b>
Total program services				
Support services				
Administrative	180,131	-	-	180,131
Development	104,594	-	-	104,594
	<b>284,725</b>	<b>-</b>	<b>-</b>	<b>284,725</b>
Total support services				
	<b>616,344</b>	<b>-</b>	<b>-</b>	<b>616,344</b>
<b>Total Functional Expenses</b>				
<b>Change in Net Assets</b>	<b>501,590</b>	<b>(269,350)</b>	<b>-</b>	<b>232,240</b>
<b>Net Assets at Beginning of Year</b>	<b>2,661,599</b>	<b>274,350</b>	<b>50,000</b>	<b>2,985,949</b>
<b>Net Assets at End of Year</b>	<b>\$ 3,163,189</b>	<b>\$ 5,000</b>	<b>\$ 50,000</b>	<b>\$ 3,218,189</b>

See accompanying notes.

**Jewish Family Service of the Lehigh Valley and Affiliate**

Consolidated Statement of Activities (continued)

Year Ended June 30, 2016			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 161,786	\$ 113,356	\$ 50,000	\$ 325,142
91,506	20,707	-	112,213
21,761	-	-	21,761
43,345	-	-	43,345
47,238	-	-	47,238
27,667	-	-	27,667
(27,629)	693	-	(26,936)
3,250	-	-	3,250
<u>139,612</u>	<u>(139,612)</u>	<u>-</u>	<u>-</u>
<u>508,536</u>	<u>(4,856)</u>	<u>50,000</u>	<u>553,680</u>
94,276	-	-	94,276
57,426	-	-	57,426
<u>159,984</u>	<u>-</u>	<u>-</u>	<u>159,984</u>
<u>311,686</u>	<u>-</u>	<u>-</u>	<u>311,686</u>
172,164	-	-	172,164
<u>91,176</u>	<u>-</u>	<u>-</u>	<u>91,176</u>
<u>263,340</u>	<u>-</u>	<u>-</u>	<u>263,340</u>
<u>575,026</u>	<u>-</u>	<u>-</u>	<u>575,026</u>
(66,490)	(4,856)	50,000	(21,346)
<u>2,728,089</u>	<u>279,206</u>	<u>-</u>	<u>3,007,295</u>
<u>\$ 2,661,599</u>	<u>\$ 274,350</u>	<u>\$ 50,000</u>	<u>\$ 2,985,949</u>

See accompanying notes.

# Jewish Family Service of the Lehigh Valley and Affiliate

## Consolidated Statement of Cash Flows

	Years Ended June 30,	
	2017	2016
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 232,240	\$ (21,346)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	21,571	16,131
Contributions restricted for long-term purposes	-	(50,000)
Realized (gains) losses on investments	(74,121)	11,563
Unrealized (gains) losses on investments	(170,425)	75,318
(Increase) decrease in assets		
Loans to individuals	59	(998)
Accounts receivable	13,151	(13,706)
Prepaid expenses	56	(1,481)
Increase in liabilities		
Accounts payable and accrued expenses	3,754	10,430
<b>Net Cash Provided by Operating Activities</b>	<b>26,285</b>	<b>25,911</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	1,417,499	64,080
Purchase of investments	(1,419,272)	(109,004)
Purchase of land, building, and equipment	(25,920)	(48,750)
<b>Net Cash Used in Investing Activities</b>	<b>(27,693)</b>	<b>(93,674)</b>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for long-term purposes	-	50,000
<b>Net Cash Provided by Financing Activities</b>	<b>-</b>	<b>50,000</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,408)</b>	<b>(17,763)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>79,490</b>	<b>97,253</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 78,082</b>	<b>\$ 79,490</b>
<b>Supplemental Cash Flows Information</b>		
Noncash donations	\$ 35,270	\$ 43,345



## Jewish Family Service of the Lehigh Valley and Affiliate

Consolidated Statement of Functional Expenses

Year Ended June 30, 2017

	Program Services			Support Services		Total
	Direct Assistance	Volunteer	Therapeutic Services	Administrative	Development	
Salaries	\$ 34,843	\$ 31,675	\$ 95,025	\$ 98,192	\$ 57,015	\$ 316,750
Employee benefits	2,275	2,068	6,204	6,411	3,722	20,680
Pension	451	410	1,230	1,271	738	4,100
Payroll taxes	2,953	2,684	8,053	8,320	4,832	26,842
<b>Total Salaries and Related Expenses</b>	<b>40,522</b>	<b>36,837</b>	<b>110,512</b>	<b>114,194</b>	<b>66,307</b>	<b>368,372</b>
Office expenses	3,145	2,859	8,578	8,865	5,147	28,594
Printing service	397	361	1,084	1,120	650	3,612
Investment fees	1,817	1,651	4,954	5,120	2,973	16,515
Staff recruitment	2	2	6	6	4	20
Professional fees	1,414	1,285	3,856	3,984	2,313	12,852
Occupancy expenses	2,109	1,917	5,751	5,942	3,451	19,170
Public relations	3,538	3,217	9,650	9,973	5,790	32,168
Staff transportation	150	137	410	424	246	1,367
Dues and fees	436	396	1,189	1,228	713	3,962
Conferences and training	1,465	1,331	3,995	4,127	2,397	13,315
Assistance	39,775	4,095	12,286	12,695	7,371	76,222
Fund-raising event	2,005	1,823	5,469	5,651	3,281	18,229
Bad debt expense	-	-	-	-	-	-
Miscellaneous	41	38	113	115	68	375
<b>Total Other Expenses</b>	<b>56,294</b>	<b>19,112</b>	<b>57,341</b>	<b>59,250</b>	<b>34,404</b>	<b>226,401</b>
<b>Total Functional Expenses before Depreciation</b>	<b>96,816</b>	<b>55,949</b>	<b>167,853</b>	<b>173,444</b>	<b>100,711</b>	<b>594,773</b>
Depreciation	2,373	2,157	6,471	6,687	3,883	21,571
<b>Total Functional Expenses</b>	<b>\$ 99,189</b>	<b>\$ 58,106</b>	<b>\$ 174,324</b>	<b>\$ 180,131</b>	<b>\$ 104,594</b>	<b>\$ 616,344</b>

See accompanying notes.

## Jewish Family Service of the Lehigh Valley and Affiliate

Consolidated Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services			Support Services		Total
	Direct Assistance	Volunteer	Therapeutic Services	Administrative	Development	
Salaries	\$ 26,899	\$ 35,579	\$ 94,440	\$ 104,442	\$ 44,921	\$ 306,281
Employee benefits	2,847	2,588	7,765	8,024	4,659	25,883
Pension	738	671	2,013	2,080	1,208	6,710
Payroll taxes	2,665	2,422	7,267	7,510	4,360	24,224
<b>Total Salaries and Related Expenses</b>	<b>33,149</b>	<b>41,260</b>	<b>111,485</b>	<b>122,056</b>	<b>55,148</b>	<b>363,098</b>
Office expenses	2,307	2,097	6,291	6,500	3,775	20,970
Printing service	243	220	662	683	397	2,205
Investment fees	1,549	1,408	4,224	4,365	2,534	14,080
Staff recruitment	6	5	15	15	9	50
Professional fees	1,464	1,331	3,993	4,123	2,395	13,306
Occupancy expenses	2,311	2,101	6,304	6,512	3,782	21,010
Public relations	2,568	2,334	7,002	7,236	4,201	23,341
Staff transportation	130	118	354	366	213	1,181
Dues and fees	435	396	1,187	1,226	712	3,956
Conferences and training	320	291	873	902	524	2,910
Assistance	47,653	3,918	11,753	12,145	7,052	82,521
Fund-raising event	-	-	-	-	4,140	4,140
Bad debt expense	-	-	-	-	2,789	2,789
Miscellaneous	367	334	1,002	1,034	601	3,338
<b>Total Other Expenses</b>	<b>59,353</b>	<b>14,553</b>	<b>43,660</b>	<b>45,107</b>	<b>33,124</b>	<b>195,797</b>
<b>Total Functional Expenses before Depreciation</b>	<b>92,502</b>	<b>55,813</b>	<b>155,145</b>	<b>167,163</b>	<b>88,272</b>	<b>558,895</b>
Depreciation	1,774	1,613	4,839	5,001	2,904	16,131
<b>Total Functional Expenses</b>	<b>\$ 94,276</b>	<b>\$ 57,426</b>	<b>\$ 159,984</b>	<b>\$ 172,164</b>	<b>\$ 91,176</b>	<b>\$ 575,026</b>

See accompanying notes.

## **Jewish Family Service of the Lehigh Valley and Affiliate**

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### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

#### **Note 1 - Nature of Activities**

The Jewish Family Service of the Lehigh Valley (the Organization) is a not-for-profit corporation whose mission is to help meet the needs of children, adults, and families of all ages and from all walks of life who are trying to cope with life stress. Assistance and support are provided through a wide range of high-quality counseling and support services. The Organization provides the following services and programs:

**Direct Assistance** - provides concrete resources to clients to develop and sustain linkages to community agencies for those in need, operates a food pantry, and assists people through referral and advocacy so that they can access needed resources from other community and government agencies.

**Volunteer** - implements programs and workshops on issues relevant to the community and to address special needs.

**Therapeutic Services** - provides individual, marital, parent/child, family, and group counseling for problems encountered at all stages of life.

#### **Note 2 - Summary of Significant Accounting Policies**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

##### **Principles of Consolidation**

The Organization's consolidated financial statements include the accounts of the Jewish Family Service of the Lehigh Valley and its affiliate, the Lehigh Valley Jewish Foundation - Jewish Family Service Fund. The Lehigh Valley Jewish Foundation - Jewish Family Service Fund is also a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania exclusively for the benefit of, and to carry out the purposes of, the Jewish Family Service of the Lehigh Valley. Intercompany accounts and transactions have been eliminated.

##### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

##### **Basis of Accounting**

The accrual method of accounting is utilized.

##### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all cash in bank accounts and money market funds to be cash and cash equivalents. This excludes cash and cash equivalents held for long-term investment.

## **Jewish Family Service of the Lehigh Valley and Affiliate**

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### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met. When collected prior to satisfaction of donor restrictions, amounts are reported as refundable advances.

##### **Donated Services and Goods**

A substantial number of volunteers have donated significant hours to the Organization's program services and fund-raising campaigns during the year. However, these donated services are not reflected in the consolidated financial statements since the services do not require specialized skills.

Materials received as donations are recorded and reflected in the accompanying consolidated financial statements at their fair values at the date of receipt.

##### **Investments**

Investments are carried at fair value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the consolidated statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

## **Jewish Family Service of the Lehigh Valley and Affiliate**

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### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Property and Equipment**

Expenditures for the acquisition of property and equipment are capitalized at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

The Organization's policy is to capitalize property and equipment expenditures of \$500 or more.

##### **Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the assets are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and the discounted rates reflecting varying degrees of perceived risk. The management of the Organization concluded that no impairment adjustments were required during the years ended June 30, 2017 and 2016.

##### **Net Assets**

Net assets are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

###### **Unrestricted**

Net assets that are not subject to donor-imposed stipulations are classified as unrestricted. Unrestricted net assets may be designated for particular purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

###### **Temporarily Restricted**

Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time are classified as temporarily restricted. Such net assets include gifts received for specific purposes as stipulated by the donors and contributions to be used in future periods.

###### **Permanently Restricted**

Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization are classified as permanently restricted. Generally, the donors of these assets permit the Organization to use all or part of the earnings generated by the assets.

## **Jewish Family Service of the Lehigh Valley and Affiliate**

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### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Functional Allocation of Expenses**

The cost of providing the various programs, fund-raising, and other activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supportive services benefited.

##### **Income Taxes**

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to federal and state income taxes on unrelated business income.

The Organization recognizes penalties and interest accrued related to income tax liabilities in the provision (benefit) for income taxes in its consolidated statement of activities. At June 30, 2017 and 2016, there were no accruals for the payment of penalties and interest.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated statement of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Organization files tax returns in the U.S. Federal jurisdiction. The Organization's income tax returns are not subject to examination through the year ended June 30, 2013.

##### **Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018.

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 guidance is effective for fiscal years beginning after December 15, 2019.

## Jewish Family Service of the Lehigh Valley and Affiliate

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

#### Note 2 - Summary of Significant Accounting Policies (continued)

##### Recent Accounting Pronouncements (continued)

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profit entities. The standard improves current requirements related to net asset classifications, liquidity assessment, expense reporting consistency, and methods used to present cash flows from operations. This guidance is effective for fiscal years beginning after December 15, 2017.

The Organization is currently evaluating the impact of the pending adoption of the new standards on the consolidated financial statements.

#### Note 3 - Investments

The following is a summary of the Organization's investments as of June 30:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 22,499	\$ 69,849
Mutual funds	57,655	395,940
Preferred stocks	-	49,727
Debt securities		
International	50,000	50,000
U.S. Government agency	-	89,521
Exchange traded funds	1,554,719	858,207
Investments held by the Jewish Federation of the Lehigh Valley	<u>1,242,326</u>	<u>1,167,636</u>
	<u>2,904,700</u>	<u>2,611,031</u>
	<u>\$ 2,927,199</u>	<u>\$ 2,680,880</u>

Investment income (loss) was comprised of the following for the years ended June 30:

2017	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 69,817	\$ -	\$ 69,817
Net unrealized gains	170,425	-	170,425
Net realized gains	<u>74,121</u>	<u>-</u>	<u>74,121</u>
	<u>\$ 314,363</u>	<u>\$ -</u>	<u>\$ 314,363</u>

## Jewish Family Service of the Lehigh Valley and Affiliate

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

#### Note 3 - Investments (continued)

2016	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 59,926	\$ 19	\$ 59,945
Net unrealized gains (losses)	(75,992)	674	(75,318)
Net realized losses	(11,563)	-	(11,563)
	<u>\$ (27,629)</u>	<u>\$ 693</u>	<u>\$ (26,936)</u>

#### Note 4 - Fair Value of Financial Instruments

The Organization defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurement. Fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Fair value measurements are disclosed by level within that hierarchy. Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

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

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.



## Jewish Family Service of the Lehigh Valley and Affiliate

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

#### Note 4 - Fair Value of Financial Instruments (continued)

The following summary presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30:

	Fair Value Measurements at June 30, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Mutual Funds</b>				
Large Growth	\$ 57,655	\$ -	\$ -	\$ 57,655
<b>Exchange Traded Funds</b>				
Large Growth	273,263	-	-	273,263
Large Value	265,347	-	-	265,347
Small Growth	47,945	-	-	47,945
Small Value	46,460	-	-	46,460
Mid-Cap Growth	80,258	-	-	80,258
Mid-Cap Value	77,873	-	-	77,873
Foreign Large Blend	226,475	-	-	226,475
Diversified Emerging Markets	94,317	-	-	94,317
High Yield Bond	77,341	-	-	77,341
Short-Term Bond	91,748	-	-	91,748
Intermediate-Term Bond	76,838	-	-	76,838
Inflation-Protected Bond	196,854	-	-	196,854
<b>Debt Securities</b>				
International	-	50,000	-	50,000
<b>Investments Held by the Jewish Federation of the Lehigh Valley</b>	-	-	1,242,326	1,242,326
	<u>\$ 1,612,374</u>	<u>\$ 50,000</u>	<u>\$ 1,242,326</u>	<u>\$ 2,904,700</u>

# Jewish Family Service of the Lehigh Valley and Affiliate

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### Note 4 - Fair Value of Financial Instruments (continued)

Fair Value Measurements at June 30, 2016				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Mutual Funds</b>				
Nontraditional Bond	\$ 69,581	\$ -	\$ -	\$ 69,581
Emerging Markets Bond	17,974	-	-	17,974
Multisector Bond	41,178	-	-	41,178
Conservative Allocation Inflation-Protected Bond	39,948	-	-	39,948
	44,661	-	-	44,661
Short-Term Bond	84,148	-	-	84,148
Global Real Estate	47,398	-	-	47,398
Large Growth	51,052	-	-	51,052
<b>Exchange Traded Funds</b>				
Large Growth	132,977	-	-	132,977
Large Value	162,174	-	-	162,174
Small Growth	16,873	-	-	16,873
Small Value	17,220	-	-	17,220
Mid-Cap Growth	16,844	-	-	16,844
Mid-Cap Value	26,001	-	-	26,001
Foreign Large Blend	236,155	-	-	236,155
Diversified Emerging Markets	57,865	-	-	57,865
High Yield Bond	16,940	-	-	16,940
Japan Stock	23,782	-	-	23,782
Short-Term Bond	42,070	-	-	42,070
Intermediate-Term Bond	68,030	-	-	68,030
World Bond	8,522	-	-	8,522
Energy Limited Partnership	32,754	-	-	32,754
<b>Preferred Stocks</b>	49,727	-	-	49,727
<b>Debt Securities</b>				
International	-	50,000	-	50,000
U.S. Government agency	-	89,521	-	89,521
<b>Investments Held by the Jewish Federation of the Lehigh Valley</b>				
	-	-	1,167,636	1,167,636
	<u>\$ 1,303,874</u>	<u>\$ 139,521</u>	<u>\$ 1,167,636</u>	<u>\$ 2,611,031</u>

## **Jewish Family Service of the Lehigh Valley and Affiliate**

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

#### **Note 4 - Fair Value of Financial Instruments (continued)**

The following is a description of the valuation methodology used for Level 2 investments measured at fair value:

##### **Foreign Government and U.S. Government Bonds**

The custodian of the investments uses various market inputs to determine fair value of U.S. Government agency securities. These inputs include outside pricing services and computerized pricing models. The foreign government bond is valued at cost, which approximates fair value.

The following is a description of the valuation methodology used for Level 3 investments measured at fair value:

The Jewish Federation of the Lehigh Valley (the Federation) holds the investments of the Organization in the Federation's name. Investment income is allocated to the Organization based on its share of the Federation's investment portfolio. The fair value of this investment is based on the Organization's share of the investments held by the Federation.

##### **Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2017 and 2016, there were no transfers into or out of Level 3.

The following is a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30:

	<u>2017</u>	<u>2016</u>
<b>Investments Held by the Jewish Federation of the Lehigh Valley</b>		
Balance at beginning of year	\$ 1,167,636	\$ 1,185,384
Interest and dividends	35,767	29,792
Unrealized gains (losses)	96,115	(26,207)
Realized gains (losses)	3,168	(11,563)
Withdrawals	(50,000)	-
Fees and expenses	(10,360)	(9,770)
	<u>          </u>	<u>          </u>
Balance at end of year	<u>\$ 1,242,326</u>	<u>\$ 1,167,636</u>

## Jewish Family Service of the Lehigh Valley and Affiliate

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

#### Note 5 - Land, Building, and Equipment

A summary of land, building, and equipment is as follows at June 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 15,113	\$ 15,113
Building	136,018	136,018
Building improvements	330,172	310,243
Furniture and fixtures	<u>63,265</u>	<u>61,599</u>
	544,568	522,973
Accumulated depreciation	<u>(321,556)</u>	<u>(304,310)</u>
	<u>\$ 223,012</u>	<u>\$ 218,663</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$21,571 and \$16,131, respectively.

#### Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Benefit ambassador coordinator	\$ -	\$ 120,160
Client emergency	-	3,974
Food pantry	-	50,431
Human needs services	-	10,231
Capital needs	-	81,554
General operations, time restricted	-	8,000
Foundation grant, time restricted	<u>5,000</u>	<u>-</u>
	<u>\$ 5,000</u>	<u>\$ 274,350</u>

#### Note 7 - Permanently Restricted Net Assets

Permanently restricted net assets of \$50,000 at June 30, 2017 and 2016 represent endowment funds held in perpetuity, the income from which is expendable to support the Organization's programs and operations.

## **Jewish Family Service of the Lehigh Valley and Affiliate**

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

#### **Note 8 - Net Assets in Endowment Funds**

The Organization's endowment consists of funds designated by donors to be held in perpetuity. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with the donor's direction and the provisions of applicable Pennsylvania statute, all investment returns, including net appreciation (depreciation), are recorded as unrestricted net assets to the extent that such return has accumulated in excess of the original gift principal amount.

#### **Changes in Endowment Net Assets**

	<u>2017</u>	<u>2016</u>
<b>Endowment Net Assets at Beginning of Year</b>	<b>\$ 50,000</b>	<b>\$ -</b>
Contributions	-	50,000
<b>Endowment Net Assets at End of Year</b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 50,000</u></b>

The Organization has adopted investment and spending policies for its endowment assets. The primary investment objective is to achieve a steady and growing source of income to the Organization in perpetuity while preserving capital and growing it for future generations to support the mission of the Organization.

#### **Note 9 - Defined Contribution Plan**

The Organization has a tax deferred annuity retirement plan that covers all full-time employees who have attained 21 years of age and satisfied one year of employment or one year service requirement. Contributions to the plan are at the discretion of the Board of Directors. For the years ended June 30, 2017 and 2016, the Organization contributed 5% of eligible employees' salaries. The retirement plan expense for the years ended June 30, 2017 and 2016 was \$4,100 and \$6,710, respectively.

#### **Note 10 - Contingencies**

##### **Concentrations of Credit Risk**

##### **Cash and Cash Equivalents**

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

## **Jewish Family Service of the Lehigh Valley and Affiliate**

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Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### **Note 10 - Contingencies (continued)**

#### **Concentrations of Credit Risk (continued)**

##### **Investments**

The Organization's investments of \$2,927,199 at June 30, 2017 are subject to credit risk. The investments are managed by professional advisors and trustees. The degree and concentration of credit risk varies by type of investment, however, the Organization does not anticipate any accounting loss. The major classes of investments are summarized in Note 3.

### **Note 11 - Subsequent Events**

The Organization has evaluated subsequent events through January 12, 2018. This date is the date the consolidated financial statements were available to be issued. No material events subsequent to June 30, 2017 were noted.