JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

CONTENTS

	Page
Independent Auditor's Report	1
Statement of Financial Positions	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Green
Hasson
Janks

10990 Wilshire Boulevard
16th Floor
Los Angeles, CA 90024

310.873.1600 T
310.873.6600 F
www.greenhassonjanks.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jewish Federation and Family Services of Orange County

Report on the Financial Statements

We have audited the accompanying financial statements of Jewish Federation and Family Services of Orange County (JFFS) (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that 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 JFFS as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 19 to the financial statements, JFFS recently experienced a decline in unrestricted contribution revenue resulting in losses in unrestricted net assets, along with borrowings under the line of credit and borrowing funds from unspent temporarily restricted assets to continue to fund its operations. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also disclosed in Note 19. Our opinion is not modified with respect to this matter.

Green Hasson & Janks LLP

July 17, 2019
Los Angeles, California

JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY

STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS		
Cash and Cash Equivalents	$	1,275,961
Investments		5,936,508
Accounts and Other Receivables		498,100
Pledges Receivable (Net)		1,063,995
Bequest Receivable		212,855
Other Current Assets		111,137
TOTAL CURRENT ASSETS		9,098,556
Property and Equipment (Net)		1,787,739
Receivable - Chasin Micro Enterprise Loan Program		200,000
Beneficial Interest in Assets Held by Others		1,879,743
Other Assets		18,501
TOTAL OTHER ASSETS		2,098,244
TOTAL ASSETS	$	12,984,539
LIABILITIES AND NET ASSETS		
Accounts Payable	$	353,991
Accrued Liabilities		431,359
Line of Credit		600,000
TOTAL CURRENT LIABILITIES		1,385,350
NET ASSETS:		
Unrestricted		
Undesignated		199,963
Board-designated		244,619
Total Unrestricted		444,582
Temporarily Restricted		9,274,864
Permanently Restricted		1,879,743
TOTAL NET ASSETS		11,599,189
TOTAL LIABILITIES AND NET ASSETS	$	12,984,539

The Accompanying Notes are an Integral Part of These Financial Statements

JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
SUPPORT:				
Contributions	$ 4,088,486	$ 2,817,450	$ 9,542	$ 6,915,478
Government Grants	666,897	-	-	666,897
TOTAL SUPPORT	4,755,383	2,817,450	9,542	7,582,375
REVENUE:				
Special Events (Net of Direct Donor Benefits of $271,369)	105,169	-	-	105,169
Program Service Fees	199,491	-	-	199,491
Investment Income	303,515	-	-	303,515
Net Realized and Unrealized Gain on Investments	193,084	-	-	193,084
Change in Value of Beneficial Interest	-	-	127,069	127,069
Other Revenue	57,844	-	-	57,844
TOTAL REVENUE	859,103	-	127,069	986,172
Net Assets Released from Restrictions	1,230,224	(1,230,224)	-	-
TOTAL SUPPORT AND REVENUE	6,844,710	1,587,226	136,611	8,568,547
EXPENSES:				
Program Services				
Community Programs	4,461,514	-	-	4,461,514
Grants and Allocations	1,305,449	-	-	1,305,449
TOTAL PROGRAM SUPPORT	5,766,963	-	-	5,766,963
Management and General	916,904	-	-	916,904
Fundraising	956,464	-	-	956,464
TOTAL SUPPORTING SERVICES	1,873,368	-	-	1,873,368
TOTAL EXPENSES	7,640,331	-	-	7,640,331
CHANGE IN NET ASSETS	(795,621)	1,587,226	136,611	928,216
Net Assets - Beginning of Year	1,240,203	7,687,638	1,743,132	10,670,973
NET ASSETS - END OF YEAR	$ 444,582	$ 9,274,864	$ 1,879,743	$ 11,599,189

The Accompanying Notes are an Integral Part of These Financial Statements

JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Program Services	Supporting Services			
	Community Programs	Management and General	Fundraising	Total Supporting Services	Total Expenses
OPERATING EXPENSES:					
Payroll Expenses:					
Salaries	$ 2,334,935	$ 318,506	$ 553,508	$ 872,014	$ 3,206,949
Employee Benefits	256,612	35,004	60,832	95,836	352,448
Payroll Taxes	185,287	25,276	43,923	69,199	254,486
TOTAL PAYROLL EXPENSES	2,776,834	378,786	658,263	1,037,049	3,813,883
Bad Debt Expense	-	-	57,959	57,959	57,959
Catering	49,126	8,172	130,211	138,383	187,509
Client Service & Direct Assistance	815,618	-	-	-	815,618
Community Development and Outreach	105,035	4,960	9,431	14,391	119,426
Depreciation and Amortization	79,463	34,584	17,406	51,990	131,453
Dues and Subscriptions	8,253	1,924	2,670	4,594	12,847
Education and Professional Development	15,861	3,209	9,187	12,396	28,257
Equipment Rent & Maintenance	2,759	7,197		7,197	9,956
Events and Speakers	10,263	317	64,499	64,816	75,079
Information Technology	16,926	19,527	308	19,835	36,761
Insurance	66,333	6,920	7,444	14,364	80,697
Interest Expense	-	17,782	-	17,782	17,782
Licenses and Fees	27,514	69,104	25,393	94,497	122,011
Miscellaneous	40	(145)	9,063	8,918	8,958
Occupancy	89,202	77,813	53,351	131,164	220,366
Postage	4,188	3,121	20,166	23,287	27,475
Printing and Graphics	11,876	5,882	21,439	27,321	39,197
Professional Services	92,024	241,913	32,770	274,683	366,707
Supplies	74,896	14,978	5,590	20,568	95,464
Telephone	23,997	11,445	3,171	14,616	38,613
Transportation	103,458	333	-	333	103,791
Travel	139,478	9,082	35,371	44,453	183,931
TOTAL OPERATING EXPENSES	$ 4,513,144	$ 916,904	$ 1,163,692	$ 2,080,596	$ 6,593,740
Grants and Allocations	1,305,449	-	12,511	12,511	1,317,960
TOTAL EXPENSES	5,818,593	916,904	1,176,203	2,093,107	7,911,700
Less expenses included in the revenue section of the statement of activities	(51,630)	-	(219,739)	(219,739)	(271,369)
Total expenses included in expense section of the statement of activities	$ 5,766,963	$ 916,904	$ 956,464	$ 1,873,368	$ 7,640,331
PERCENTAGE OF TOTAL EXPENSES	75%	12%	13%	25%	100%

The Accompanying Notes are an Integral Part of These Financial Statements

JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY

STATEMENT OF CASH FLOWS
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$	928,216
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Depreciation and Amortization		131,453
Change in Value of Beneficial Interest		(127,069)
Net Realized and Unrealized (Gain) Loss on Investments		(193,084)
Provision for Uncollectible Pledges		(57,959)
Contributions Restricted for Investment in Perpetuity		(9,542)
Change in Assets and Liabilities		
(Increase) Decrease in Assets:		
Pledges Receivables		(281,432)
Bequest Receivable		508
Accounts and Other Receivable		(192,318)
Other Current Assets		340
Increase (Decrease) in Liabilities:		
Accounts Payable		(91,353)
Accrued Liabilities		204,130
NET CASH PROVIDED BY OPERATING ACTIVITIES		311,890
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments		(736,828)
Sale of Investments		726,134
Reinvested Investment Earnings		(303,699)
Purchases of Property and Equipment		(188,557)
NET CASH USED IN INVESTING ACTIVITIES		(502,950)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Advances from Line of Credit		500,000
NET CASH PROVIDED BY FINANCING ACTIVITIES		500,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		308,940
Cash and Cash Equivalents - Beginning of Year		967,021
CASH AND CASH EQUIVALENTS - END OF YEAR	$	1,275,961
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	$	17,782

The Accompanying Notes are an Integral Part of These Financial Statements

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Organization - Jewish Federation and Family Services of Orange County ("JFFS" or "the Organization") is a non-profit corporation created under the laws of California on July 6, 1965. The Organization cares for people in need, and strengthens Jewish community in Orange County, Israel, and around the world. Through its Family Services division, the Organization cares for people in need via programs, services, and direct financial assistance that benefited over 5,000 individuals in 2017. Guided by Jewish traditions of social responsibility, compassion, and respect for all, Family Services programs support and strengthen people of all ages, beliefs, and backgrounds. Through its Federation division, the Organization strengthens Jewish life in Orange County via programs, grants, and opportunities for philanthropic giving, and strengthens Jewish life in Israel and around the world through support of its national partner, Jewish Federations of North America. Annual fundraising campaigns are conducted by JFFS to fulfill its goals. The Organization's support consists primarily of contributions from Jewish residents of Southern California and from private and government grants.

Family Services

JFFS Counseling, by expert therapists, assists individuals, couples, and families in addressing issues of anxiety, depression, bereavement, and other life challenges.

JFFS Helpline is open to the community during business hours to assist community members with services, support, information, and referral.

JFFS Holocaust Survivor Program provides individual case management; compensation for home care and housekeeping services; assistance with restitution applications; emergency financial aid; Café Europa - a monthly series of social events; and Meal Partners, a volunteer companionship program matching survivors with community members.

JFFS Jewish Residential Homes for Adults with Special Needs are supportive, community-based group living homes that provide residents with enrichment, wellness, and Jewish cultural activities. The first, Mandel House, opened in 2014. The second, Horwitz Family House, opened in 2017.

JFFS Lifelines provides short-term, solution-focused emergency case management for OC residents in crisis; and Adopt a Family, a community partnership program to provide additional support to vulnerable community members during major holidays.

JFFS Senior Care Services help seniors live independently at home. JFFS provides geriatric care management, counseling, information and referral, bereavement groups and caregiver support groups.

JFFS Silver Streak Transportation provides transportation to seniors and adults with disabilities in Orange County. In 2017, over 20,000 Silver Streak rides were provided.

JFFS South County Outreach and Engagement focuses on seniors. JFFS services include engagement programming at low-income housing communities.

JFFS Wellness Communities use senior housing as a platform for services intended to inculcate healthy lifestyle practices and prevent, delay or manage chronic health conditions.

JFFS Women Forward provides women age 40+ with coaching and support to secure employment and attain long-term financial self-sufficiency. Women Forward also offers a series of workshops each year that are open to women of all ages and backgrounds in OC.

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (continued)

Philanthropy, Community Engagement and Grants/Loans

JFFS Chasin Micro-Enterprise interest-free loans assist qualified small businesses owned by Orange County residents of all faiths and ethnicities.

JFFS Community Calendar Online enables individuals to find information on all events in the Orange County Jewish community.

JFFS Core Grants underpin the essential operation of five core partners; Hebrew Academy, and Tarbut V' Torah Community Day School (K-12 education); Hillel Foundation (college student leadership and connection); the Merage Jewish Community Center (cultural, educational and social engagement programs for all ages); and Jewish Federations of North America, our national core partner.

JFFS Family Philanthropy is a giving circle that enables families with school-age children to participate in activities that build the next generation of community philanthropists.

JFFS Impact Grants support programs provided by OC's Jewish organizations and congregations. An annual request for proposals is sent to all Jewish OC organizations; grant decisions are made by the JFFS Planning and Funding Council.

JFFS Israel Initiative brings Orange County to Israel and Israel to Orange County. JFFS supports our Partnership2Gether Communities (Kiryat Malachi and Ashkelon Coast Region); promotes volunteer service; provides OC youth with Israel Experience Educational Grants; facilitates delegation visits to and from Israel; and makes grants to Israeli nonprofit organizations and to Israel-themed projects in Orange County.

JFFS Laguna Woods Region connects active older (55+) Jewish adults with the broader Orange County Jewish community and is a local rallying point for Jewish community activities, raising funds for the JFFS annual campaign and promoting legacy philanthropy.

JFFS Legacy Circle inspires community members, from young adults to seniors, to invest in the future of the OC Jewish community through planned giving.

JFFS NextGen encourages young Jewish adults, ages 21 to 45, to become committed lifelong participants in the Jewish community through volunteer, social, educational, leadership and philanthropic opportunities. Its Tikkun4Troops event engages hundreds of community members to provide thousands of care packages for US service members overseas. NextGen also manages Birthright Israel trips for post-college Jewish young adults.

JFFS Orange County Jewish Historical Society is dedicated to the discovery, preservation and promotion of public awareness of the history and contributions of the Jewish community in Orange County.

JFFS Passport to Jewish Life Grants support Jewish youth and young adults for participation in Jewish educational experiences (camp, religious school, and leadership training).

JFFS PJ Library provides gift of monthly Jewish-themed books and music CDs to registered families raising a Jewish child, ages 6 months to 8 years.

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (continued)

JFFS Planning and Funding Council reviews and determines JFFS Core Grants and Impact Grants; oversees all JFFS grant-making committees and donor-designated grants, and deliberates on emerging community needs.

JFFS Rose Project creates self-sufficient Jewish student leaders on our OC college and university campuses by informing, educating and engaging Jewish students on Jewish life and Israel issues; and facilitates informed and respectful dialogue.

JFFS Solomon Society is a fellowship of men who inspire each other through their values and commitment to community. Members of the society build community through networking, leadership, philanthropy and leveraging of collective power.

JFFS The Network provides a platform for Jewish professionals to build business relationships, foster leadership opportunities and engage with peers who share a similar commitment to Jewish values, collaboration and community building.

JFFS Women's Philanthropy creates opportunities for all women to develop and enhance leadership skills while responding to needs of the local and global Jewish community. The group sponsors innovative community service projects, creates networking opportunities, and engages women in Jewish life through cultural, educational and social programming.

JFFS Zechter Music Center supports Jewish youth in pursuing musical instrument studies and engaging in arts appreciation activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of JFFS are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted**. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **Temporarily Restricted**. JFFS reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Donor restricted contributions, whose restrictions have been met in the same reporting period, are reported as unrestricted support in the statement of activities. JFFS has $9,274,864 of temporarily restricted net assets at December 31, 2017.

- **Permanently Restricted**. These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit JFFS to expend all of the income (or other economic benefits) derived from the donated assets. JFFS has $1,879,743 of permanently restricted net assets at December 31, 2017.

(c) CASH AND CASH EQUIVALENTS

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit, repurchase agreements, and money market funds, with an original maturity of three months or less when purchased. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

(d) CONCENTRATION OF CREDIT RISK

The Organization maintains cash deposits with financial institutions, which are FDIC insured up to $250,000. At certain times of the year, the Organization may have monies deposited in excess of the FDIC insurance limit.

(e) PLEDGES RECEIVABLE

The Organization holds an annual fund drive to support its various programs and services. Unconditional pledges are recorded at their net realizable value and no discount has been recorded. An allowance for uncollectible pledges has been established by Organization's management based on past collection experience. Conditional promises to give are recognized only when the conditions are substantially met.

(f) INVESTMENTS

The Organization maintains its investments at the Jewish Community Foundation of Orange County which are invested in an investment pool. The investments in this pool are reported at fair value based on the fair value of the underlying assets as reported by the fund manager. Investment income, including realized and unrealized gains and losses from this investment pool, are reported in the statement of activities and changes in net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) PROPERTY & EQUIPMENT

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated and material. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

The cost of the property and equipment with a useful life of more than two years is capitalized. There is no dollar limitation for cost of capitalized property and equipment. Repairs, maintenance and minor acquisitions are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful-lives of the assets as follows:

Buildings	30 - Years
Improvements	15 - Years
Furniture and Equipment	5-7 - Years
Vehicles	5 - Years
Software	3 - Years

Leasehold improvements are depreciated over the lesser of the estimated useful-life or lease term.

(h) IMPAIRMENT OF LONG-LIVED ASSETS

The Organization reviews long-lived assets for impairment periodically or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered impaired, the impairment recognized is the difference between the asset's carrying amount and fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Organization has determined that there has not been any impairment of its long-lived assets as of December 31, 2017.

(i) CONTRIBUTED ASSETS, MATERIALS, & SERVICES

The Organization receives periodic donations of materials from local vendors, and from the community, which are recorded at estimated fair market value at the date of donation, if significant. Donated equipment or improvements are recorded at the estimated fair value at the date of donation. Donated securities are held until they can be sold.

A substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. The donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

(j) FUNCTIONAL EXPENSE ALLOCATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) INCOME TAXES

The Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and the corresponding provision of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

The Organization has adopted the accounting standards relating to accounting and reporting for uncertainty in income taxes. For the Organization, these standards could be applicable to the incurrence of any unrelated business income attributable to the Organization. Because of the Organization's general tax-exempt status, management believes there are no material uncertain tax positions that require recognition in the accompanying financial statements at December 31, 2017. The Organization is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2012. There were no tax years open to examination by major tax jurisdictions as of December 31, 2017.

(l) FAIR VALUE MEASUREMENTS

The Organization has implemented the accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards. The inputs are categorized in the following levels:

- Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

- Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset.

- Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Certain financial instruments are carried at cost on the statement of financial position and thus are not categorized. These instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) GRANTS TO OTHER ORGANIZATIONS

The budget for grants made to other organizations during the year is approved by the Organization's Board of Directors at the end of the previous calendar year. The organizations receiving the grants provide a broad range of services to the people of Orange County, across the United States, in Israel, and around the world.

Occasionally, a donor will contribute to the Organization and specify a recipient organization to which the donor would like to give their donation. The Organization's policy is to recognize the donation received and an offsetting liability until the donation is distributed to the ultimate beneficiary, at which time the liability is removed from the Organization's books.

(n) USE OF ESTIMATES

The preparation of 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 financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant items in these statements that are affected by management estimates include depreciation, net realizable value and associated discounts and allowances of receivables, bequests and pledges, and allocations of functional expenses.

(o) RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which improves and converges the revenue recognition requirements of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For the Organization, the ASU and subsequent amendments will be effective for the year ending December 31, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) RECENT ACCOUNTING PRONOUNCEMENTS (continued)

In February 2016, FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the consolidated statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the combined financial statements. For the Organization, the ASU will be effective for the year ending December 31, 2020.

In August 2016, FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For the Organization, the ASU will be effective for the year ending December 31, 2018.

In June 2018, FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in 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. For the Organization, the ASU will be effective for the year ending December 31, 2019.

(p) SUBSEQUENT EVENTS

The Organization evaluated subsequent events and transactions occurring subsequent to the statement of financial position date of December 31, 2017 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 17, 2019, the date these financial statements were available to be issued. There were no material subsequent events or transactions that required recognition or additional disclosure in these financial statements.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable at December 31, 2017, which represent unconditional promises to give, are expected to be collected as follows:

Within One Year	$ 969,524
In One to Five Years	208,000
TOTAL	1,177,524
Less: Allowance for Uncollectible Pledges	(113,529)
PLEDGES RECEIVABLE (NET)	$ 1,063,995

NOTE 3 - PLEDGES RECEIVABLE (continued)

Pledges outstanding from 2017 and prior campaign years are included in pledges due in less than one year. Pledges received for future campaign years are included in pledges due in one to five years.

Pledges receivable are stated at the amount management expects to collect. An allowance for uncollectible pledges is determined based upon management's experience, taking into consideration the age of the past due amounts.

NOTE 4 - BEQUEST RECEIVABLE

The Organization has been named as a beneficiary of a significant estate. At December 31, 2017 the Organization estimated its portion of the bequest at $7,418,189, net of legal fees. Distributions received from the estate as of December 31, 2017 totaled $7,205,334. The receivable balance of $212,855 is expected to be collected within one year.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2017 consisted of the following:

Grants	$ 446,382
Program Service Fees	40,798
Other Receivables	10,920
TOTAL	$ 498,100

Management has determined that the accounts receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

NOTE 6 - INVESTMENTS

Investments consist primarily of custodial funds held and invested by the Jewish Community Foundation of Orange County (JCFOC). Investments are intended to be set aside as an operating reserve and provide income to be used in Organization's programs. Several custodial funds are merged into JCFOC's pooled funds as permitted by participation agreement.

Investments consist of the following at December 31, 2017:

Domestic Equities Mutual Funds	$ 765,537
International Equities Mutual Funds	657,568
Fixed Income Mutual Funds	3,332,529
Certificates of Deposit	737,072
Pooled Investments	443,802
TOTAL	$ 5,936,508

NOTE 6 - INVESTMENTS (continued)

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of the investments will occur in the near term and that such changes could materially affect the investment balances.

Investment income for the year ended December 31, 2017 is comprised of the following:

Interest and Dividends	$	346,760
Net Realized and Unrealized Gains		193,084
Management Fees		(43,245)
TOTAL	$	496,599

The investment income includes distributions from endowment funds held in JCFOC (Note 10).

NOTE 7 - OTHER CURRENT ASSETS

Other current assets as of December 31, 2017 consisted of the following:

Prepaid Insurance	$	29,382
Deposits		68,350
Other Prepaid Expenses		13,405
TOTAL OTHER CURRENT ASSETS	$	111,137

NOTE 8 - CHASIN MICRO-ENTERPRISE LOAN PROGRAM

The Organization established the Chasin Micro-Enterprise Loan Program (“Chasin Loan”) in 2007 to provide interest-free loans for small business development to qualified candidates, of all faiths, from Orange County. The Chasin Loans are issued by Jewish Free Loan Association of Los Angeles (JFLA) through its partnerships with the Organization.

As of December 31, 2017, the Organization has transferred $200,000 to JFLA for the program, and the Organization has a balance of $100,623 in custodial fund at the JCFOC.

NOTE 9 - PROPERTY & EQUIPMENT

Property and equipment at December 31, 2017 is summarized as follows:

Land	$	749,621
Buildings and Improvements		802,090
Leasehold Improvements		44,250
Furniture, Fixtures and Equipment		215,492
Vehicles		239,812
Software Implementation		320,919
TOTAL		2,372,184
Less: Accumulated Depreciation		(584,445)
PROPERTY AND EQUIPMENT (NET)	$	1,787,739

Depreciation and amortization expense for the year ended December 31, 2017 was $131,453.

NOTE 10 - BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS

The Organization has transferred funds to the JCFOC to set up Perpetual Annual Campaign Endowment Funds (PACE). The PACE funds are maintained by JCFOC and were established for the benefit of the Organization to be used for charitable and educational purposes. Distributions are made annually to the Organization in the amount that approximates 5% of the funds' average balance for the three preceding years.

In 2006, the Organization established a Special Endowment Memorial Fund with JCFOC. Distributions are made annually to the Organization in the amount that approximates 5% of the funds' average balance for three preceding years.

In 2011, the Organization transferred $315,000 in funds received from the Zechter Family to JCFOC to set up the Zechter Music Center Special Endowment Fund. Distributions are made annually to the Organization in the amount that approximates 5% of the funds' average balance for three preceding years.

In addition, the Organization's Board of Directors established a Special Endowment Fund with JCFOC in 1998 whereby certain contributions would remain intact and serve as a permanent endowment. Distributions are made annually to the Organization in the amount that approximates 5% of the fund's average balance for three preceding years.

The Organization granted JCFOC variance power over the funds at the time of the transfers, but since the Organization is a nonprofit organization, who specified themselves as the beneficiary, the Organization may recognize the beneficial interest in the assets held by the JCFOC.

NOTE 10 - BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS (continued)

The value of the beneficial interests as of December 31, 2017 and distributions of which are included in the unrestricted investment income on the Statement of Activities, received during the year then ended are as follows:

	Fund Value	Distributions
Perpetual Annual Campaign Endowment Funds	$ 709,744	$ 33,424
Special Endowment Fund - LOJE	220,781	-
Special Endowment Fund - Feuerstein Memorial	-	37,205
Special Endowment Fund - JFFS	521,163	24,261
Special Endowment Fund - Zechter Music Center	428,055	16,183
TOTAL	$ 1,879,743	$ 111,073

In addition to the beneficial interests discussed above, the JCFOC maintains other funds that have been contributed by various donors to the JCFOC for the benefit of the Organization. These funds are not included as assets of the Organization because it does not have unconditional rights to distributions from these funds and has no remainder interest in these funds. The earnings from these funds typically are paid to the Organization each year in accordance with the JCFOC's spending policy, although the JCFOC has the right to withhold distributions or pay them to another organization. For the year ended December 31, 2017, the Organization received distributions of $9,542 which are recorded as contributions in the accompanying statement of activities and changes in net assets.

NOTE 11 - ACCRUED LIABILITIES

Accrued liabilities as of December 31, 2017 consisted of the following:

Salaries and Payroll Withholdings Payable	$ 194,599
Accrued Compensated Absences	162,413
Other Accrued Liabilities	74,347
TOTAL	$ 431,359

NOTE 12 - COMPENSATED ABSENCES

It is the Organization's policy to accrue vacation pay for its employees. Full-time staff may accrue up to a maximum of 240 hours, based on years of service and employee category, which may be paid out at the end of their employment period. Employees are also granted sick pay, which is not an earned benefit. No payment of unused sick leave will be made upon termination of employment.

NOTE 13 - LINE OF CREDIT

The Organization entered into an agreement to establish a working line of credit of $700,000 with a bank, to be drawn upon as needed. Interest accrues at the date of advance at the greater of a floating rate equal to the bank's Index Rate of interest or the Floor Rate of 3.50%. The interest rate as of December 31, 2017 was 4.5%. The agreement, which was established on June 27, 2016, is secured by the cash accounts of the Organization and expires October 10, 2019. At December 31, 2017 there was $600,000 outstanding on the line of credit.

NOTE 14 - RETIREMENT PLAN

The Organization has a defined contribution retirement plan under Internal Revenue Code Section 403(b) in which all eligible employees may participate. The benefits are based on years of service and the employee compensation during the year. The Organization contributes 5% of salary on behalf of eligible employees. Total plan expense for the year ended December 31, 2017 was $118,963.

NOTE 15 - RESTRICTED & BOARD-DESIGNATED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 are available for the following programs and initiatives:

Time Restrictions	$ 437,598
Purpose Restrictions:	
Israel Programs	5,968,986
Weissman Arts Fund	1,405,157
Imagining Our Future	662,693
Chasin Loan Program	287,733
Krause Memorial Scholarship	188,547
Rose Project	263,894
Learning Passport	2,536
Learning Posin College Loan	6,720
Learning Zechter Music	21,344
Caring Lifelines	29,656
TOTAL	$ 9,274,864

Permanently restricted net assets, in the amount of $1,879,743, represent the principal portion of donor restricted endowment funds held by JCFOC (Note 10).

The Board of Directors has set aside unrestricted funds to serve as endowments for the Organization. The endowments are held by JCFOC (Note 10). The Board-designated net assets were $244,619 as of December 31, 2017.

NOTE 16 - PAYMENTS TO AFFILIATES

JFFS is affiliated with Jewish Federations of North America (JFNA), the national umbrella organization of the Federation system. All Federations, including JFFS, are required to pay an annual Fair Share grant into the system; this grant is calculated by the JFNA Board as a percentage according to Federation size, which percentage is applied to an average of campaign revenue during the preceding three years. In addition, JFFS is required to make an annual Israel & Overseas grant into the system, which funds the collective Federation support, through JFNA, of the Jewish Agency for Israel, the Joint Distribution Committee, ORT, and the Ethiopian National Project.

The payments to JFNA for the year ended December 31, 2017 are as follows:

Fair Share Core Grant	$	162,739
Israel & Overseas Grants		199,000
Family Philanthropy Grants to Israeli Nonprofits		16,800
TOTAL ORGANIZATION PAYMENTS TO JFNA		378,539
Pass-through Grants to Israeli Nonprofits		246,000
TOTAL PAYMENTS TO JFNA	$	624,539

NOTE 17 - COMMITMENTS & CONTINGENCIES

Operating Leases - The Organization is committed under several operating leases for office space and equipment. The monthly rents on the aforementioned leases range from $59 to $11,162 expiring at various dates through February, 2021.

The future minimum lease payments required under lease agreements are as follows:

Years Ending December 31:		
2018	$	104,703
2019		23,676
2020		8,919
2021		955
TOTAL	$	138,253

The expense for equipment and vehicle lease totaled $5,697 for the year ended December 31, 2017.

The Organization leases office space from another nonprofit organization under an agreement that provides for an indefinite term, with termination requiring six months advance notice. Rental charges approximate the Organization's prorated share of the building's annual operating expenses allocated on a monthly basis and estimated to increase 3-4% per year.

Total occupancy expense for the year ended December 31, 2017 was $220,366. Included in this amount is office rent of $152,500, expense for event venues of $66,506 and security expense of $1,360.

NOTE 17 - COMMITMENTS & CONTINGENCIES (continued)

Lawsuits - Lawsuits and claims have been filed against the Organization in the ordinary course of business, including claims from former employees. Management believes it has adequate defenses and insurance coverage for these actions and, thus, has made no additional provision in the financial statements for any costs relating to the settlement of such claims.

The Organization has received funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes that any required reimbursements will not be material.

The Organization has elected not to pay state unemployment insurance taxes and, instead, reimburse the State of California for its share of unemployment benefits actually paid by the state to former employees. The charge to expense was $21,997 in 2017. Estimated accrued unemployment liability at December 31, 2017 is included in accrued payroll and related liabilities in the statement of financial position (Note 11).

NOTE 18 - FAIR VALUE MEASUREMENTS

The Organization had investments consisting of U.S. and international equities which are measured at fair value using quoted market prices. These are classified as level 1 investments and are traded in active markets for which closing stock prices are readily available.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Measure on a Recurring Basis:				
Mutual Funds:				
Equities Mutual Funds	$ 1,547,074	$ -	$ -	$ 1,547,074
Fixed Income Mutual Funds	3,241,772	-	-	3,241,772
Certificates of Deposits	-	737,072	-	737,072
Investment in JCFOC Pooled Fund	-	-	410,590	410,590
TOTAL	4,788,846	737,072	410,590	5,936,508
Beneficial Interest in Assets Held by JCFOC	-	-	1,879,743	1,879,743
TOTAL RECURRING FAIR VALUE MEASUREMENTS	$ 4,788,846	$ 737,072	$ 2,290,333	$ 7,816,251
Measured on a Nonrecurring Basis:				
Pledges and Bequest Receivable	$ -	$ -	$ 1,035,019	$ 1,035,019

NOTE 18 - FAIR VALUE MEASUREMENTS (continued)

Level 3 Gains and Losses - The beneficial interests in assets and investments held by JCFOC are valued using Level 3 measurements, as the Organization's interest is not redeemable in the near future. Fair value measurements are based on the fair value of the underlying assets as reported by the fund manager. The organization believes the fair value of the future cash flows to be received from its beneficial interest in assets held by the JCFOC approximates the fair value of the underlying assets held by the JCFOC.

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended December 31, 2017:

Beginning Balance	$ 2,167,310
Transfers from Level 3	(111,073)
Contributions	10,226
Investment Income, Gains and Losses	223,869
Allocations and Expenses	-
ENDING BALANCE	$ 2,290,332

NOTE 19 - LIQUIDITY

The total financial assets held by the Organization at December 31, 2017 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at December 31, 2017	
Cash and Cash Equivalents	$ 1,275,961
Investments	5,936,508
Accounts and Other Receivables	498,100
Pledge Receivables (Net)	1,063,995
Bequest Receivable	212,855
Beneficial Interest in Assets Held by Others	1,879,739
TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2017	10,867,162
Less Amounts Not Available to Be Used Within One Year, Due to:	
Donor-Imposed Restrictions:	
Cash Collateral for Line of Credit	(737,072)
Funds Held by Others for Perpetual Endowments	(1,879,739)
Funds Held with Purpose Restrictions	(8,837,266)
Funds Held with Time Restrictions	(437,598)
SHORTFALL IN FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	$ (1,024,513)

NOTE 19 -LIQUIDITY (continued)

The Organization currently has a shortfall in financial assets available to meet general expenditures within one year. The Organization has recently experienced a decline in unrestricted contribution revenue that resulted in a net loss of $795,622 in unrestricted net assets along with borrowings under the line of credit and borrowing funds from unspent temporarily restricted assets to continue to fund its operations. The Organization's continued operations are dependent upon it obtaining and expanding individual and corporate unrestricted giving and if required, additional borrowings under its line of credit. As of the date of this report, management is budgeting for future cost reductions and is in the process of implementing new strategies to increase unrestricted giving.