

**JEWISH FEDERATION
AND FAMILY SERVICES
OF ORANGE COUNTY**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 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.

Emphasis of Matters

As disclosed in Note 17 to the financial statements, the financial statements as of and for the year ended December 31, 2017 have been restated for the correction of a material misstatement related to an omission of a beneficial interest in assets held by others. Our opinion is not modified with respect to this matter.

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

As disclosed in Notes 13 and 18 to the financial statements, JFFS experienced a decline in contribution revenue without donor restrictions resulting in losses in net assets without donor restrictions, along with borrowings under the line of credit and borrowing funds from unspent net assets with donor restrictions to continue to fund its operations. Management's evaluation of the events and conditions and management's plans to mitigate these matters are disclosed in Note 18. Our opinion is not modified with respect to this matter.

As disclosed in Note 19 to the financial statements, the recent COVID-19 pandemic in the United States and worldwide has resulted in reduced economic activity and market declines. As the extent and duration of the future impact to JFFS is uncertain, no adjustments were necessary to the financial statements, and our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited JFFS' 2017 financial statements, and we expressed an unmodified auditor's opinion on those financial statements in our auditor's report dated July 17, 2019. In our opinion, the summarized restated comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited restated financial statements from which it has been derived.

Green Hasson & Janks LLP

September 10, 2020
Los Angeles, California

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY**

STATEMENT OF FINANCIAL POSITION
December 31, 2018
With Summarized Totals at December 31, 2017, As Restated

ASSETS	<u>2018</u>	<u>2017 As Restated, See Note 17</u>
Cash and Cash Equivalents	\$ 683,967	\$ 1,275,961
Investments	5,357,246	5,936,508
Accounts and Other Receivables	479,652	498,100
Pledges Receivable (Net)	607,775	1,063,995
Bequest Receivable	-	212,855
Receivable - Chasin Micro Enterprise Loan Program	100,000	200,000
Other Current Assets	<u>69,704</u>	<u>111,137</u>
TOTAL CURRENT ASSETS	7,298,344	9,298,556
PROPERTY AND EQUIPMENT (NET)	1,708,435	1,787,739
Beneficial Interests in Assets Held by Others	4,521,720	3,793,214
Other Assets	<u>18,501</u>	<u>18,501</u>
TOTAL OTHER ASSETS	<u>4,540,221</u>	<u>3,811,715</u>
TOTAL ASSETS	<u>\$ 13,547,000</u>	<u>\$ 14,898,010</u>
LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 794,096	\$ 353,991
Accrued Liabilities	737,100	431,359
Line of Credit	700,000	600,000
Note Payable	<u>250,000</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	2,481,196	1,385,350
NET ASSETS (DEFICIT):		
Without Donor Restrictions	(1,282,849)	444,582
With Donor Restrictions	<u>12,348,653</u>	<u>13,068,078</u>
TOTAL NET ASSETS	<u>11,065,804</u>	<u>13,512,660</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,547,000</u>	<u>\$ 14,898,010</u>

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, 2018

With Summarized Totals for the Year Ended December 31, 2017, As Restated

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 As Restated, See Note 17 Total
SUPPORT AND REVENUES:				
SUPPORT:				
Contributions	\$ 3,766,943	\$ 2,694,681	\$ 6,461,624	\$ 7,019,440
Government Grants	428,170	-	428,170	666,897
TOTAL SUPPORT	4,195,113	2,694,681	6,889,794	7,686,337
REVENUE:				
Special Events (Net of Direct Donor Benefits of \$305,026)	158,725	-	158,725	105,169
Program Service Fees	117,722	-	117,722	199,491
Investment Return (Net)	78,641	-	78,641	496,599
Change in Value of Beneficial Interests in Assets Held by Others	-	(579,124)	(579,124)	254,020
Other Revenue	19,923	-	19,923	57,844
Loss on Uncollectible Pledges Receivable	-	(274,867)	(274,867)	(103,962)
TOTAL REVENUE	375,011	(853,991)	(478,980)	1,009,161
Net Assets Released from Restrictions	2,560,115	(2,560,115)	-	-
TOTAL SUPPORT AND REVENUE	7,130,239	(719,425)	6,410,814	8,695,498
EXPENSES:				
Program Services				
Community Programs	4,398,872	-	4,398,872	4,461,514
Grants and Allocations	1,645,945	-	1,645,945	1,305,449
TOTAL PROGRAM SUPPORT	6,044,817	-	6,044,817	5,766,963
Management and General	1,768,397	-	1,768,397	916,904
Fundraising	1,044,456	-	1,044,456	956,464
TOTAL SUPPORTING SERVICES	2,812,853	-	2,812,853	1,873,368
TOTAL EXPENSES	8,857,670	-	8,857,670	7,640,331
CHANGE IN NET ASSETS	(1,727,431)	(719,425)	(2,446,856)	1,055,167
Net Assets - Beginning of Year (As Restated)	444,582	13,068,078	13,512,660	12,457,493
NET ASSETS (DEFICIT) - END OF YEAR	\$ (1,282,849)	\$ 12,348,653	\$ 11,065,804	\$ 13,512,660

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, 2018
With Summarized Totals for the Year Ended December 31, 2017

	Program Services	Supporting Services		Total Supporting Services	Total Expenses	
	Community Programs	Management and General	Fundraising		2018	2017
OPERATING EXPENSES:						
Payroll Expenses:						
Salaries	\$ 1,948,565	\$ 743,466	\$ 772,381	\$ 1,515,847	\$ 3,464,412	\$ 3,206,949
Employee Benefits	203,480	77,637	80,656	158,293	361,773	352,448
Payroll Taxes	141,769	54,092	56,195	110,287	252,056	254,486
TOTAL PAYROLL EXPENSES	2,293,814	875,195	909,232	1,784,427	4,078,241	3,813,883
Bad Debt Expense	-	-	3,273	3,273	3,273	57,959
Catering	76,263	9,724	68,945	78,669	154,932	187,509
Client Service & Direct Assistance	864,945	-	-	-	864,945	815,618
Community Development and Outreach	70,267	30,039	10,483	40,522	110,789	119,426
Depreciation and Amortization	70,208	36,566	17,412	53,978	124,186	131,453
Dues and Subscriptions	6,065	10,490	-	10,490	16,555	12,847
Education and Professional Development	22,318	6,013	-	6,013	28,331	28,257
Equipment Rent & Maintenance	3,693	651	-	651	4,344	9,956
Events and Speakers	70,684	24	63,534	63,558	134,242	75,079
Information Technology	40,313	29,582	-	29,582	69,895	36,761
Insurance	54,042	14,103	14,652	28,755	82,797	80,697
Interest Expense	-	33,140	-	33,140	33,140	17,782
Licenses and Fees	34,908	48,362	35,170	83,532	118,440	122,011
Miscellaneous	1,063	8,697	-	8,697	9,760	8,958
Occupancy	105,465	53,122	125,644	178,766	284,231	220,366
Postage	1,279	11,237	8,235	19,472	20,751	27,475
Printing and Graphics	9,225	14,620	21,773	36,393	45,618	39,197
Professional Services	99,363	527,767	31,153	558,920	658,283	366,707
Supplies	32,604	12,194	3,998	16,192	48,796	95,464
Telephone	23,515	13,681	1,016	14,697	38,212	38,613
Transportation	98,485	430	-	430	98,915	103,791
Travel	449,289	32,760	6,026	38,786	488,075	183,931
TOTAL OPERATING EXPENSES	\$ 4,427,808	\$ 1,768,397	\$ 1,320,546	\$ 3,088,943	\$ 7,516,751	\$ 6,593,740
Grants and Allocations	1,645,945	-	-	-	1,645,945	1,317,960
TOTAL 2018 EXPENSES	6,073,753	1,768,397	1,320,546	3,088,943	9,162,696	7,911,700
Less 2018 expenses included in the revenue section of the statement of activities	(28,936)	-	(276,090)	(276,090)	(305,026)	(271,369)
Total 2018 expenses included in expense section of the statement of activities	\$ 6,044,817	\$ 1,768,397	\$ 1,044,456	\$ 2,812,853	\$ 8,857,670	
PERCENTAGE OF TOTAL EXPENSES	68%	20%	12%	32%	100%	
Total 2017 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%		

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, 2018

With Summarized Totals for the Year Ended December 31, 2017, As Restated

	2018	2017 As Restated, See Note 17
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (2,446,856)	\$ 1,055,167
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	124,186	131,453
Change in Value of Beneficial Interests in Assets Held by Others	579,124	(254,020)
Net Realized and Unrealized (Gain) Loss on Investments	368,263	(193,084)
Loss on Uncollectible Pledges Receivable	278,140	161,921
Contributions Restricted for Investment in Perpetuity	(1,307,630)	(9,542)
Change in Assets and Liabilities		
(Increase) Decrease in Assets:		
Accounts and Other Receivable	18,448	(192,318)
Pledges Receivable	178,080	(501,312)
Bequest Receivable	212,855	508
Other Current Assets	41,433	340
Increase (Decrease) in Liabilities:		
Accounts Payable	440,105	(91,353)
Accrued Liabilities	305,741	204,130
	(1,208,111)	311,890
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(529,882)	(736,828)
Reinvested Interest and Dividends (Net)	(206,426)	(303,699)
Proceeds from Sale of Investments	947,307	726,134
Proceeds from Receivable - Chasin Micro Enterprise Loan Program	100,000	-
Purchases of Property and Equipment	(44,882)	(188,557)
	266,117	(502,950)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Proceeds from Line of Credit	100,000	500,000
Proceeds from Note Payable	250,000	-
	350,000	500,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(591,994)	308,940
Cash and Cash Equivalents - Beginning of Year	1,275,961	967,021
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 683,967	\$ 1,275,961
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 33,140	\$ 17,782

The Accompanying Notes are an Integral Part of These Financial Statements

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

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 some 3,500 individuals in 2018. 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 and financial assistance for OC residents in crisis.

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 2018, over 13,000 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. The program was discontinued in April 2018.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

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 six core partners; Hebrew Academy, and Tarbut V' Torah Community Day School (K-12 education); Irvine Hebrew Day School (K-4 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.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (continued)

JFFS Community & Israel Grants Committee (formerly 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 Collaboration supports Jewish youth in pursuing musical instrument studies and arts appreciation through a partnership with Orange County Music & Dance.

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) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors (the Board) has designated, from net assets without donor restrictions, net assets for a Board-designated custodial fund (See Note 13).
- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions (See Note 14).

**JEWISH FEDERATION AND FAMILY SERVICES
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 federally 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. Pledges receivable at December 31, 2018 are expected to be collected within the next fiscal year, and, as a result, no discount on pledges receivable has been recorded. An allowance for uncollectible pledges has been established by Organization's management based on past collection experience. Allowance for uncollectible pledges receivable totaled \$100,000 at December 31, 2018. Conditional promises to give are recognized only when the conditions are substantially met.

(f) INVESTMENTS

The Organization maintains the majority of its investments at the Jewish Community Foundation of Orange County (JCFOC), a portion of which are invested in an investment pool. The investments held at JCFOC are reported at fair value based on the fair value of the underlying assets as reported by the fund managers. The Organization's investment in certificates of deposit is reported at fair value based on the estimated rates currently offered for deposits of similar remaining maturities.

Investment purchases and sales are accounted for on a trade-date basis. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**JEWISH FEDERATION AND FAMILY SERVICES
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

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, 2018 and 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 by a method that best measures the relative degree of benefit, such as staff time or the purpose of the expenditures.

**JEWISH FEDERATION AND FAMILY SERVICES
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

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.

In accordance with the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification (ASC) Topic No. 740, *Uncertainty in Income Taxes*, JFFS recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended December 31, 2018, JFFS performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(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 and other receivables, accounts payable, and accrued liabilities.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

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 the valuation of beneficial interest in assets held by others and investments, depreciation, net realizable value and associated allowances of accounts receivable and pledges, and allocations of functional expenses.

(o) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with JFFS' financial statements for the year ended December 31, 2017, from which the summarized information was derived.

(p) RECLASSIFICATION

For comparability, certain December 31, 2017 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2018.

(q) RECENT ACCOUNTING PRONOUNCEMENTS

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce the complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in the financial statements that is useful in assessing a nonprofit's liquidity, financial performance and cash flows. JFFS has implemented this ASU during the year ended December 31, 2018. There was no impact to the beginning net assets at January 1, 2018 or changes in net assets for the year ended December 31, 2018 as a result of this implementation.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) RECENT ACCOUNTING PRONOUNCEMENTS (continued)

In May 2014, FASB issued 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 2018 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 JFFS, the ASU and subsequent amendments will be effective for the year ending December 31, 2019.

In February 2016, FASB issued ASU No. 2017-02, *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 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 financial statements. For the Organization, the ASU will be effective for the year ending December 31, 2021.

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 JFFS, the ASU will be effective for the year ending December 31, 2019.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 3 - INVESTMENTS

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

Investments consisted of the following at December 31, 2018:

Domestic Equities Mutual Funds	\$ 603,381
International Equities Mutual Funds	580,436
Fixed Income Mutual Funds	3,246,713
Certificates of Deposit	737,626
Pooled Investments	<u>189,090</u>
TOTAL	<u>\$ 5,357,246</u>

NOTE 4 - ACCOUNTS AND OTHER RECEIVABLES

Accounts receivable consisted of the following at December 31, 2018:

Grants Receivable	\$ 401,882
Other Receivables	<u>77,770</u>
TOTAL	<u>\$ 479,652</u>

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

NOTE 5 - Receivable – CHASIN MICRO ENTERPRISE LOAN PROGRAM

JFFS 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 JFFS. The Chasin Loan Program was discontinued effective in 2019.

As of December 31, 2018, JFFS had a \$100,000 balance remaining at JFLA for the program, and the balance of \$98,251 was maintained in a custodial fund at the JCFOC.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY**

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 6 - PROPERTY & EQUIPMENT

Property and equipment is summarized as follows at December 31, 2018:

Land	\$	749,621
Buildings and Improvements		812,090
Leasehold Improvements		44,250
Furniture, Fixtures and Equipment		215,492
Vehicles		267,152
Software Implementation		320,919
Construction in Progress		7,540
		2,417,064
TOTAL		2,417,064
Less: Accumulated Depreciation		708,629
		1,708,435
PROPERTY AND EQUIPMENT (NET)	\$	1,708,435

Depreciation and amortization expense totaled \$124,186 for the year ended December 31, 2018.

NOTE 7 - 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.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 7 - BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS (continued)

The value of the beneficial interests as of December 31, 2018 and distributions received, which are included in the investment return (net) without donor restrictions on the accompanying statement of activities, are as follows as of and for the year ended December 31, 2018:

	Fund Value	Distributions
Perpetual Annual Campaign Endowment Funds	\$ 1,748,637	\$ 92,721
Special Endowment Fund - LOJE	67,950	3,619
Special Endowment Fund - JFFS	464,578	24,106
Special Endowment Fund - Zechter Music Center	380,852	15,947
Special Endowment Fund - Other	157,728	8,412
Sid Friedman Perpetual Trust	1,701,975	95,673
TOTAL	\$ 4,521,720	\$ 240,478

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, 2018, the Organization received distributions of \$85,834 which are recorded as contributions in the accompanying statement of activities.

NOTE 8 - FAIR VALUE MEASUREMENTS

The following table presents information about JFFS' assets that are measured at fair value on a recurring basis at December 31, 2018 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Measured on a Recurring Basis				
Mutual Funds				
Domestic Equities	\$ 603,381	\$ 603,381	\$ -	\$ -
International Equities	580,436	580,436	-	-
Fixed Income	3,246,713	3,246,713	-	-
Certificates of Deposit	737,626	-	737,626	-
Investment in JCFOC Pooled Fund	189,090	-	-	189,090
TOTAL INVESTMENTS	5,357,246	4,430,530	737,626	189,090
Beneficial Interest in Assets Held by Others	4,521,720	-	-	4,521,720
TOTAL RECURRING FAIR VALUE MEASUREMENTS	\$ 9,878,966	\$ 4,430,530	\$ 737,626	\$ 4,710,810
Measured on a Nonrecurring Basis				
Pledges Receivable	\$ 607,775	\$ -	\$ -	\$ 607,775

**JEWISH FEDERATION AND FAMILY SERVICES
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NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - FAIR VALUE MEASUREMENTS (continued)

The fair values of investments within Level 1 were obtained based on quoted market prices at the closing of the last business day of the year.

The fair values of the certificates of deposit within Level 2 were determined as described in Note 2(f).

The investments in JCFOC Pooled Fund and beneficial interests in assets held by others are valued using Level 3 measurements and are based on the fair value of the underlying assets as reported by the fund managers. 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 fair value of pledges receivable is based on the expected cash flows from such pledges. The Organization believes the fair value of the future cash flows to be received from pledges receivable approximates the fair value.

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, 2018:

	Investment in JCFOC Pool	Beneficial Interest in Assets Held by Others	Total
Beginning Balance	\$ 443,802	\$ 3,793,214	\$ 4,237,016
Purchases / Contributions	-	1,307,630	1,307,630
Withdrawals	(238,777)	-	(238,777)
Investment Return (Net)	(15,935)	(579,124)	(595,059)
<i>ENDING BALANCE</i>	<i>\$ 189,090</i>	<i>\$ 4,521,720</i>	<i>\$ 4,710,810</i>

NOTE 9 - ACCRUED LIABILITIES

Accrued liabilities consisted of the following as of December 31, 2018:

Salaries and Payroll Withholdings Payable	\$ 130,078
Accrued Compensated Absences	157,465
Other Accrued Liabilities	449,557
<i>TOTAL</i>	<i>\$ 737,100</i>

**JEWISH FEDERATION AND FAMILY SERVICES
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 10 - LINE OF CREDIT

The Organization has 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, 2018 was 5.5%. The agreement, which was established on June 27, 2016, is secured by a certificate of deposit of the Organization and expires October 10, 2019. At December 31, 2018 there was \$700,000 outstanding on the line of credit and no additional amount available for borrowing. Subsequent to year-end, the line of credit was paid in full prior to its maturity date of June 24, 2020.

NOTE 11 - NOTE PAYABLE

The Organization has a \$250,000 note payable to an individual donor. The note matures on December 31, 2019 and is a non-interest bearing. The note is secured by certain accounts receivable. Subsequent to year-end, the note was paid in full upon maturity.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Organization is committed under several operating leases for office space and equipment. The monthly rents on the aforementioned leases range from \$55 to \$12,858 expiring at various dates through February 2021.

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

Years Ending December 31:

2019	\$ 89,261
2020	9,458
2021	<u>1,015</u>
TOTAL	<u><u>\$ 99,734</u></u>

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, 2018 was \$284,231.

**JEWISH FEDERATION AND FAMILY SERVICES
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 12 - COMMITMENTS AND CONTINGENCIES (continued)

(b) LEGAL PROCEEDINGS

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.

(c) OTHER CONTINGENCIES

The Organization has received funds for specific purposes that are subject to review and audits by the grantor agencies. Although such audits could generate expenditure disallowances under the 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 \$10,091 in 2018. Estimated accrued unemployment liability at December 31, 2018 is included in accrued liabilities in the statement of financial position (Refer to Note 9).

NOTE 13 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes at December 31, 2018:

Undesignated	\$ (1,317,233)
Board Designated Lifelines and Emergency Custodial Fund	<u>34,384</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ (1,282,849)</u>

The Board of Directors set aside certain funds without donor restrictions to serve as a custodial fund for the Organization. The custodial fund is held by JCFOC and the spending of the fund is subject to approval by the Board of Directors. Distributions from the Board designated funds totaled \$210,235 for the year ended December 31, 2018.

The Organization has a \$1,282,849 deficit in its net assets without donor restrictions. The Board of Directors and management are aware of the deficit and are closely monitoring the Organization's financial performance (Refer to Note 18).

**JEWISH FEDERATION AND FAMILY SERVICES
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NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions and related releases from net assets with donor restrictions consisted of the following as of and for the year ended December 31, 2018:

	Net Assets with Donor Restrictions at December 31, 2018	Net Assets Released from Donor Restrictions
Subject to the Passage of Time:	\$ 273,873	\$ 435,598
Subject to Expenditure for Specified Purpose:		
Israel Programs	5,663,979	656,594
Weissman Arts Fund	1,314,189	90,968
Imagining Our Future	278,345	427,348
Rose Project	210,407	350,584
Krause Memorial Scholarship	56,456	140,676
Other Programs	29,684	458,347
	TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE	2,124,517
Subject to Spending Policy		
Beneficial Interests in Assets Held by Others	4,521,720	-
	TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 2,560,115
	\$ 12,348,653	\$ 2,560,115

NOTE 15 - 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, 2018 was \$118,674.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY**

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018 are as follows:

Fair Share Core Grant	\$	77,327
Israel & Overseas Grants		45,000
TOTAL ORGANIZATION PAYMENTS TO JFNA		122,327
Pass-through Grants to Israeli Nonprofits		315,000
TOTAL PAYMENTS TO JFNA	\$	437,327

NOTE 17 - PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2018, management discovered a beneficial interest in assets held by others that was previously omitted from JFFS' financial statements. Accordingly, the financial statements have been adjusted retrospectively to correct this misstatement. The following table summarizes the effects of the correction on the financial statements as of and for the year ended December 31, 2017:

Statement of Financial Position	Beneficial Interests in Assets Held by Others	Net Assets Beginning of Year	Change in Net Assets	Net Assets End of Year
Balance as				
Previously Reported	\$ 1,879,743	\$ 10,670,973	\$ 928,216	\$ 11,599,189
Restatement	1,913,471	1,786,520	126,951	1,913,471
BALANCE AS RESTATED	\$ 3,793,214	\$ 12,457,493	\$ 1,055,167	\$ 13,512,660
Statement of Activities	Change in Beneficial Interests	Change in Net Assets		
Balance as				
Previously Reported	\$ 127,069	\$ 928,216		
Restatement	126,951	126,951		
BALANCE AS RESTATED	\$ 254,020	\$ 1,055,167		

**JEWISH FEDERATION AND FAMILY SERVICES
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NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 18 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Organization at December 31, 2018 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, 2018	
Cash and Cash Equivalents	\$ 683,967
Investments	5,357,246
Accounts and Other Receivables	479,652
Pledge Receivables (Net)	607,775
Beneficial Interest in Assets Held by Others	4,521,720
TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2018	11,650,360
Less Amounts Not Available to Be Used Within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held by Others for Perpetual Endowments	(4,521,720)
Funds Held with Purpose or Time Restrictions	(7,826,933)
TOTAL DUE TO DONOR- IMPOSED OR TIME RESTRICTIONS	(12,348,653)
Board-Designated Custodial Fund	(34,384)
Cash Collateral for Line of Credit	(737,626)
Accounts Receivable Designated as Collateral for Note Payable	(202,187)
SHORTFALL IN FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	\$ (1,672,490)

The Organization currently has a shortfall in financial assets available to meet general expenditures within one year. The Organization has experienced a decline in contribution revenue without donor restrictions that resulted in a net decrease of \$1,727,431 in net assets without donor restrictions and overall net decrease in net assets of \$2,446,856 for the year ended December 31, 2018. The Organization continues to use borrowings under their line of credit and the note payable and borrowing funds from unspent net assets with donor restrictions to continue to fund its operations. Subsequent to year-end the Board of Directors formally authorized borrowings of up to \$2 million from net assets with donor restrictions at an annual fixed 2.89% interest rate and due on October 15, 2026. The Organization's continued operations are dependent upon it obtaining and expanding individual and corporate giving without donor restrictions and if required, additional financing. As of the date of this report, management believes that the Organization will continue to operate for the next twelve months based on the following factors:

**JEWISH FEDERATION AND FAMILY SERVICES
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 18 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

- (a) The Organization has had a significant change in the executive leadership and finance team and management has been focused on the strong fiscal responsibility and transparency in 2020 and going forward.
- (b) The Organization has paid in full its operating line of credit and the note payable upon maturity.
- (c) The Organization has negotiated deferred payment plans and forgiveness of certain accounts payable with its vendors to alleviate cash flow concerns.
- (d) The Organization has significantly reduced its operating expenses in 2020, which will continue to have an impact going forward. In addition, the Organization's revenues for the year ended December 31, 2019 were in line with the budget.

These and other fiscal management improvements support the Organization's assessment of the ability to continue as a going concern.

NOTE 19 - SUBSEQUENT EVENTS

The Organization evaluated other subsequent events and transactions occurring subsequent to the statement of financial position date of December 31, 2018 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through September 10, 2020, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred with the exception of those items already disclosed in the notes to these financial statements.

The recent COVID-19 outbreak in the United States and worldwide has caused business disruption which may negatively impact the Organization's program services delivery and investment portfolio holdings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. It is therefore likely there will be an impact on the Organization's operating activities and results. However, the related financial impact and duration cannot be reasonably estimated at this time.

In May 2020, JFFS received approval from a lending institution for funding and has subsequently received \$624,200 under the Payroll Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the terms of the PPP, the loan is unsecured, has a 2 year term, accrues interest at 1% per annum, and a portion of the loan may be forgiven if proceeds are used for specific business costs, as outlined in the PPP provisions and Small Business Administration guidance.