



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

**Financial Statements  
For Year Ended December 31, 2016**

**(With Independent Auditor's Report Thereon)**

**TABLE OF CONTENTS****PAGE NO.**

---

Independent Auditor's Report.....	1 - 2
Statement of Financial Position - December 31, 2016.....	3 - 4
Statement of Activities and Changes in Net Assets - Year Ended December 31, 2016.....	5
Statement of Functional Expenses -Year Ended December 31, 2016.....	6
Statement of Cash Flows - Year Ended December 31, 2016.....	7
Notes to Financial Statements - December 31, 2016.....	8 - 29

---



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Jewish Federation and Family Services of Orange County (the Organization), which comprise the financial position as of December 31, 2016, and the related statements of activities and changes in net assets, 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.

**INDEPENDENT AUDITOR'S REPORT**  
(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*KSJG, LLP*  
October 9, 2018

**KSJG, LLP**  
100 Spectrum Center Drive, Suite 1000, Irvine, California 92618

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

**Statement of Financial Position  
December 31, 2016**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 967,021
Pledges receivable, net (Note 3)	724,604
Bequest receivable (Note 4)	213,363
Accounts receivable (Note 5)	305,782
Investments (Note 6)	5,429,031
Other current assets (Note 7)	<u>111,477</u>
Total current assets	<u>7,751,278</u>

Property and equipment

(net of accumulated depreciation of \$452,991) (Note 9)	<u>1,730,635</u>
--	------------------

Other assets:

Receivable - Chasin Micro Enterprise Loan Program (Note 8)	200,000
Beneficial interests in assets held by others (Note 10)	1,743,132
Other assets	<u>18,500</u>
Total other assets	<u>1,961,632</u>

Total assets	\$ <u><u>11,443,545</u></u>
--------------	-----------------------------

(Statement of financial position continued on the following page)

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

**Statement of Financial Position  
(Continued)  
December 31, 2016**

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$	445,344
Accrued liabilities (Note 11)		183,889
Deferred revenue		43,339
Line of credit (Note 13)		100,000
Total current liabilities		<u>772,572</u>
Total liabilities		<u>772,572</u>
Net assets:		
Unrestricted		
Undesignated		995,584
Board-designated		244,619
Total unrestricted		<u>1,240,203</u>
Temporarily restricted (Note 15)		7,687,638
Permanently restricted (Note 15)		1,743,132
Total net assets		<u>10,670,973</u>
Total liabilities and net assets	\$	<u>11,443,545</u>

See accompanying notes to financial statements

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

**Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues:				
Contributions:				
Contributions	\$ 4,526,981	\$ 1,101,754	\$ 215,000	\$ 5,843,735
Government grants	531,179	--	--	531,179
Total support	<u>5,058,160</u>	<u>1,101,754</u>	<u>215,000</u>	<u>6,374,914</u>
Revenue				
Special events	383,098	--	--	383,098
(Less) costs of direct benefit to donors	<u>(268,670)</u>	--	--	<u>(268,670)</u>
Net special events	<u>114,428</u>	--	--	<u>114,428</u>
Program service fees	190,415	--	--	190,415
Investment income	160,777	--	--	160,777
Net realized and unrealized gain on investments	194,133	--	--	194,133
Change in value of beneficial interest	<u>(24,777)</u>	--	--	<u>(24,777)</u>
Other revenue	<u>12,515</u>	--	--	<u>12,515</u>
Total revenue	<u>647,491</u>	--	--	<u>647,491</u>
Net assets released from restrictions	<u>1,297,914</u>	<u>(1,297,914)</u>	--	--
Total support and revenue	<u>7,003,565</u>	<u>(196,160)</u>	<u>215,000</u>	<u>7,022,405</u>
Expenses				
Program services:				
Community programs	4,466,171	--	--	4,466,171
Grants and allocations	<u>1,271,427</u>	--	--	<u>1,271,427</u>
Total program services	<u>5,737,598</u>	--	--	<u>5,737,598</u>
Management and general	447,576	--	--	447,576
Fundraising	<u>455,000</u>	--	--	<u>455,000</u>
Total supporting services	<u>902,576</u>	--	--	<u>902,576</u>
Total expenses	<u>6,640,174</u>	--	--	<u>6,640,174</u>
Change in net assets	363,391	(196,160)	215,000	382,231
Net assets, beginning of year	<u>876,812</u>	<u>7,883,798</u>	<u>1,528,132</u>	<u>10,288,742</u>
Net assets, end of year	<u>\$ 1,240,203</u>	<u>\$ 7,687,638</u>	<u>\$ 1,743,132</u>	<u>\$ 10,670,973</u>

See accompanying notes to financial statements

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

**Statement of Functional Expenses  
Year Ended December 31, 2016**

	<b>Program Services</b>	<b>Supporting Services</b>			<b>Total Expenses</b>
	<b>Community Programs</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>	
Operating expenses					
Payroll expenses					
Salaries	\$ 2,353,572	\$ 208,281	\$ 245,063	\$ 453,344	\$ 2,806,916
Employee benefits	264,235	23,384	27,513	50,897	315,132
Payroll taxes	187,389	16,583	19,512	36,095	223,484
Total payroll expenses	<u>2,805,196</u>	<u>248,248</u>	<u>292,088</u>	<u>540,336</u>	<u>3,345,532</u>
Bad debt expense	54,000	20,000	26,000	46,000	100,000
Community development and outreach	111,995	1,227	11,432	12,659	124,654
Catering	194,027	2,304	13,815	16,119	210,146
Client service and direct assistance	551,162	--	--	--	551,162
Depreciation and amortization	89,313	10,022	15,597	25,619	114,932
Dues and subscriptions	6,520	760	783	1,543	8,063
Education and professional development	12,654	50	506	556	13,210
Equipment rent and maintenance	22,492	2,388	2,419	4,807	27,299
Events and speakers	111,426	--	8,546	8,546	119,972
Information technology	394	32,438	297	32,735	33,129
Insurance	69,391	7,787	12,117	19,904	89,295
Interest expense	3,583	1,327	1,725	3,052	6,635
Licenses and fees	46,609	56,117	6,292	62,409	109,018
Miscellaneous	4,308	4,786	2,088	6,874	11,182
Occupancy	138,381	26,776	39,486	66,262	204,643
Postage	10,684	3,371	7,044	10,415	21,099
Printing and graphics	44,111	1,532	8,308	9,840	53,951
Professional services	174,166	6,592	1,411	8,003	182,169
Supplies	27,779	13,292	2,917	16,209	43,988
Telephone	16,632	6,160	8,008	14,168	30,800
Transportation	89,902	15	--	15	89,917
Travel	133,832	2,384	10,405	12,789	146,621
Total operating expenses	<u>4,718,557</u>	<u>447,576</u>	<u>471,284</u>	<u>918,860</u>	<u>5,637,417</u>
Grants and allocations	<u>1,271,427</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,271,427</u>
Total expenses	5,989,984	447,576	471,284	918,860	6,908,844
Less expenses included in revenue section on the statement of activities	<u>(252,386)</u>	<u>--</u>	<u>(16,284)</u>	<u>(16,284)</u>	<u>(268,670)</u>
Total expenses included in expense section of the statement of activities	<u>\$ 5,737,598</u>	<u>\$ 447,576</u>	<u>\$ 455,000</u>	<u>\$ 902,576</u>	<u>\$ 6,640,174</u>
<b>Percentage of total expenses</b>	86%	7%	7%	14%	100%

See accompanying notes to financial statements



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

**Statement of Cash Flows  
Year Ended December 31, 2016**

**Cash flows from operating activities:**

Change in net assets	\$ 382,231
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	114,932
Change in value of beneficial interest	(212,323)
Donated assets	38,373
Realized and unrealized loss on investments	323,116
Change in assets and liabilities	
(Increase) decrease in assets:	
Pledges receivable	267,906
Provision for uncollectible pledges	(12,542)
Bequest receivable	3,472,871
Accounts receivable	76,580
Other current assets	(21,931)
Increase (decrease) in liabilities:	
Accounts payable	271,797
Grants payable	(254,595)
Accrued liabilities	13,110
Deferred revenue	43,339
Net cash provided by operating activities	<u>4,502,864</u>

**Cash flows from investing activities:**

Purchases of investments	(3,044,815)
Purchases of property and equipment	(830,778)
Net cash (applied to) investing activities	<u>(3,875,593)</u>

**Cash flows from financing activities:**

Net activity from line of credit	<u>100,000</u>
Net cash provided by financing activities	<u>100,000</u>

Net increase in cash and cash equivalents 727,271

Cash and cash equivalents at:

Beginning of year	<u>239,750</u>
End of year	<u>\$ 967,021</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

The Organization paid \$5,590 in interest and no income taxes during the year ended December 31, 2016.

See accompanying notes to financial statements

**JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY****Notes to Financial Statements  
December 31, 2016****NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

**Organization** - Jewish Federation and Family Services of Orange County ("JFFS" or "the Organization") is a nonprofit corporation created under the laws of California on July 6, 1965. The Organization brings together the people, the partners and the resources to care for people in need, to build a vibrant community and to sustain and enhance Jewish life. The Organization supports Jewish education for all ages; lifelines for people in crisis; transportation, care and connections for seniors and people with special needs; campus and community leadership development; thriving Jewish culture; and strong bonds with the community in Israel. The Organization provides our community members with numerous options for service, philanthropy and leadership, and offers a range of human services and educational opportunities. 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 highly-trained expert counselors and therapists, assists community members of all faiths and ethnicities in addressing issues of anxiety, depression, bereavement and other life challenges. Counseling is provided to individuals, couples and families and is offered on a sliding scale. Support Groups offer a combination of professional guidance and peer support.

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

**JFFS Holocaust Survivor Program** serves Holocaust survivors who reside in Orange County, providing them with individual case management; compensation for home care and housekeeping services; assistance with restitution applications and follow-up; emergency financial aid; and Café Europa - a monthly series of social events.

**JFFS Jewish Residential Homes for Adults with Special Needs** offer adults with special needs a supportive, community-based group living environment that meets their unique needs and helps them remain active in community life. The first Jewish Residential Home, Mandel House, opened in 2014. A second home is in development.

**JFFS Lifelines** program provides short-term, solution-focused emergency case management for OC residents in crisis situations that impact their safety, health, housing, or ability to provide for their family. Lifelines also encompasses Adopt a Family, a community partnership program that helps individuals and families in distress to provide gifts and meals for their families during major holidays.

(Note 1 continued on the following page)

**JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY****Notes to Financial Statements  
(Continued)  
December 31, 2016****NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (Continued)**

**JFFS South County Outreach and Engagement Collaborative** is a project with Western Youth Services, Orange County Asian Pacific Islander Community Alliance, and Mission Hospital. Its goal is to prevent mental health issues through outreach, education, engagement, referrals and linkages. Within the collaborative, JFFS focuses on seniors. JFFS services include engagement programming at low-income housing communities that involve seniors as leaders, volunteers and participants.

**JFFS Senior Care** program includes services that help seniors live independently at home, including geriatric care management, counseling, information and referral, bereavement groups and caregiver support groups. All services within this program provide expert guidance to seniors and their family members who are experiencing challenges related to aging.

**JFFS Silver Streak Transportation** provides transportation to seniors and adults with disabilities in Orange County. In 2016, over 20,000 Silver Streak rides were provided. Silver Streak helps to keep seniors and adults with disabilities healthy, independent and connected to activities that give life meaning and purpose.

**JFFS Wellness Communities** use senior housing as a platform for whole person wellness services to older adults. Services are intended to inculcate healthy lifestyle practices and prevent, delay or manage chronic health conditions. Partners include Jamboree Housing, Innovative Housing Opportunities, the city of Irvine, and OC Food Access. In Irvine, JFFS Wellness Communities are known under the name "Irvine Supportive Community."

**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.

**Philanthropy, Community Engagement and Grants/Loans:**

**JFFS Chasin Micro-Enterprise Free Loans** assist qualified small businesses (startups or established businesses) owned by Orange County residents of all faiths and ethnicities.

**JFFS Community Calendar Online** enables individuals to find information on events in the Orange County Jewish community; Jewish OC: Community Directory, published by JFFS in partnership with Jlife Magazine, provides all Jewish organizations in OC with free listings in an annual publication that reaches over 20,000 recipients.

(Note 1 continued on the following page)

**JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY****Notes to Financial Statements  
(Continued)  
December 31, 2016****NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (Continued)**

**JFFS Connect 2 Israel Initiative** develops connections with our sister communities (Kiryat Malachi and Ashkelon Coast Region) in Israel, promotes and coordinates volunteer service in Israel; provides Orange County youth with opportunities for peer to peer connections in Israel; provides interactive experiences for visiting missions, delegations, family groups and individual tours; brings Israeli representatives to our community; and makes grants in support of nonprofit organizations in Israel and in Jewish communities throughout the world, as well as projects in Orange County that bring our community closer to Israel.

**JFFS Connect 2 Learning Initiative** provides grant support in several areas: (1) Passport to Jewish Life® grants for Jewish youth, from 4th grade through age 22, for Jewish educational Journeys including congregational Hebrew schools, Jewish camping experiences, Jewish leadership training, and Israel experience/study trips; and (2) Cohen Grants that provide support for tuition, student housing and educational materials for Jewish college-age (undergraduate and graduate school) students.

**JFFS Core Grants** underpin the essential operation of five Community Partners that serve our community across the age spectrum: Hebrew Academy and Tarbut V'Torah Community Day School (K-12 education), Hillel Foundation (college student leadership and connection), and the Merage Jewish Community Center (cultural, educational and social engagement programs for all ages).

**JFFS Family Philanthropy Venture Fund** brings together families whose charitable investment in JFFS has two principal objectives: to seek out and support unmet needs and projects that strengthen the Jewish community; and to provide children with hands-on experiences that build character, that teach them every good deed makes a difference, and that encourage their living a life of giving back to others.

**JFFS Impact Grants** support our community's Jewish organizations and congregations. Impact Grants are responsive to the needs expressed by our community, from new ventures seeking seed funds to ongoing endeavors to one-time needs. An annual Request for Proposals is sent to all Jewish OC organizations once yearly; JFFS also provides consultative services to applicant organizations, and conducts site visits to grantees.

**JFFS Laguna Woods Region** connects active older (55+) Jewish adults with the broader Orange County Jewish community. The Laguna Woods Region provides a local rallying point for Jewish community activities, offers educational and social enrichment to older adults, raises funds to support community initiatives, and serves a key role in promoting legacy philanthropy.

(Note 1 continued on the following page)

**JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY****Notes to Financial Statements  
(Continued)  
December 31, 2016****NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (Continued)**

**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. NextGen provides volunteer, social, educational, leadership and philanthropic opportunities that are fun and filled with meaning. Through its NextGen Cares activity, the group participates in and promotes volunteer involvement in the community at large. Its annual Tikkun for Troops event engages hundreds of community members in donating and packing thousands of care packages for US service members overseas, NextGen also manages annual Birthright Israel trips for post-college Jewish young adults ages 22-26.

**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 Planning & 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, emerging challenges, issues of precedent, and matters of financial support for our community.

**JFFS Rose Project** creates self-sufficient Jewish student leaders on our OC college and university campuses. The Rose Project informs, educates and engages Jewish students on the issues that confront Israel and Jewish life; facilitates informed and respectful dialogue and shared learning amongst different constituents on campuses; and supports the quality of campus life for Jewish students and their families.

**JFFS Shalom Family** welcomes all newborns of Jewish families with a special gift and info bag; and connects new parents and their children to one another and to the Jewish community, to foster relationships that will last a lifetime. A key component of Shalom Family is **JFFS PJ Library**, which provides the gift of monthly Jewish-themed books and music CDs to registered families raising a Jewish child, ages 6 months to 8 years. PJ Library is conducted in partnership with the Harold Grinspoon Foundation.

**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.

(Note 1 continued on the following page)

**JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY****Notes to Financial Statements  
(Continued)  
December 31, 2016****NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (Continued)**

**JFFS The Network** provides a platform for building business relationships, fostering leadership opportunities and engaging with peers who share a similar commitment to Jewish values, collaboration and community building. The Network involves people in many industries, such as real estate, financial services, high tech, law and much more.

**JFFS Women's Philanthropy** creates opportunities for all women to develop and enhance leadership skills while responding to humanitarian 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 Mitzvah Mavens**, a project of Women's Philanthropy, mobilizes teams of women volunteers to participate in hands-on projects that help people in need, of all traditions, throughout Orange County. JFFS Mitzvah Mavens' Knitting Circle creates the gift of comfort for people in need, from hats and blankets for premature babies to fingerless gloves for dialysis patients to colorful blankets for children in pediatric cancer hospital units.

**JFFS Reading Partners**, a project of Women's Philanthropy, is a literacy initiative that matches volunteers with public school K-3 classrooms across Orange County, serving thousands of children of all faiths and ethnicities. Reading Partners help children learn to read, so they can read to learn.

**JFFS Zechter Music Center** provides Jewish youth, from 5th to 12th grades, with free musical instrument lessons and arts appreciation activities.

**JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY****Notes to Financial Statements  
(Continued)  
December 31, 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets are classified based on the existence or absence of third-party donor restrictions and are reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets generally result from unrestricted contributions and can be used in performing the primary objectives of the Organization.
- *Temporarily restricted net assets* - Net Assets that are subject to donor-imposed stipulations that require that the funds be used for a specific purpose, or for a specific amount of time to pass, or both. As donor restrictions are satisfied, amounts are reclassified to the unrestricted class as net assets released from restrictions.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that require the principal balance to be kept in perpetuity while permitting the Organization to use or expend part or all of the income derived from the asset. Level 3 investments for the Organization include funds held by others.

The Organization records gifts of cash and other assets as temporarily restricted contributions 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 purpose 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 donor restrictions. Contributions with donor-imposed restrictions that are received and spent in the same year have been recorded as unrestricted in the accompanying statements of activities.

**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.

**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.

(Note 2 continued on the following page)

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

**Notes to Financial Statements  
(Continued)  
December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Investments** – The Organization maintains its investments at the Jewish Community Foundation of Orange County which are invested in 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.

**Property and 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

**Impairment of Long-Lived Assets** – The Organization considers the impairment of long-lived assets in accordance with *Accounting for Impairment or Disposal of Long-Lived Assets*, which requires long-lived assets and certain identifiable intangible assets be reviewed 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, 2016.

(Note 2 continued on the following page)



**JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY****Notes to Financial Statements  
(Continued)  
December 31, 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributed Assets, Materials, and 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.

**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.

**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 Temple. Because of the Temple'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, 2016. 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, 2016.

**Fair Value Measurements** – Financial assets and liabilities are recorded at their fair market value in accordance with ASC 820, *Fair Value Measurements*. The standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

(Note 2 continued on the following page)

**JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY****Notes to Financial Statements  
(Continued)  
December 31, 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Fair Value Measurements – (Continued)**

- 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.

**Allocation and Agency Transactions** – Grants and allocations made to other organizations during the year are approved by the Organization’s Board of Directors at the end of the previous calendar year. The organizations receiving the grants and allocations 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 an allocation. 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.

**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.

(Note 2 continued on the following page)

**JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY****Notes to Financial Statements  
(Continued)  
December 31, 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recent Accounting Pronouncements** – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. The Organization is in the process of assessing the potential impact of the ASU on its financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU No. 2016-14, not-for-profit entities will be required to provide additional information as follows:

- Transition to a two-class net asset classification;
- Liquidity and availability disclosures;
- Expense reporting presented by function and nature and the allocation methodology disclosed;
- Investment returns will be required to be presented, net of all investment expenses; and
- Statement of cash flows changes where the direct method no longer needs the indirect reconciliation.

ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2018. The Organization is in the process of assessing the potential impact of the ASU on its combined financial statements.

**Reclassifications** – The summarized net asset balances as of December 31, 2015 reflect certain reclassifications to conform to classifications adopted at December 31, 2016. These reclassifications have no effect on total net assets or changes in total net assets, and are the result of a broad-based internal review by the Organization of accounting processes and procedures related to temporarily and permanently restricted funds.

(Note 2 continued on the following page)

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

**Notes to Financial Statements  
(Continued)  
December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events** – The Organization evaluated subsequent events through October 9, 2018, the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 3 – PLEDGES RECEIVABLE**

Pledges receivable which represent unconditional promises to give, consist of the following at December 31, 2016:

Amounts due in:	
2016 (past due)	\$ 417,924
2017	390,506
Less than one year	<u>808,430</u>
One to five years	81,000
	<u>889,430</u>
Less: Allowance for uncollectible pledges	<u>(164,826)</u>
Net contributions receivable	<u><u>\$ 724,604</u></u>

Pledges outstanding from 2016 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.

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

**Notes to Financial Statements  
(Continued)  
December 31, 2016**

**NOTE 4 – BEQUEST RECEIVABLE**

The Organization has been named as a beneficiary of a significant estate. At December 31, 2016 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, 2016 totaled \$7,204,826. The receivable balance of \$213,363 is expected to be collected within one year.

**NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts receivable as of December 31, 2016 consisted of the following:

Grants	\$ 275,539
Program service fees	21,316
Other receivables	<u>8,927</u>
Total accounts receivable	\$ <u><u>305,782</u></u>

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, 2016:

Domestic equities mutual funds	\$ 944,164
International equities mutual funds	573,402
Fixed income mutual funds	3,487,288
Pooled investments	<u>424,177</u>
Total investments	\$ <u><u>5,429,031</u></u>

(Note 6 continued on the following page)

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

**Notes to Financial Statements  
(Continued)  
December 31, 2016**

**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, 2016 is comprised of the following:

Interest and dividends	\$ 187,677
Net realized and unrealized gain	194,133
Management fees	<u>(26,900)</u>
	\$ <u><u>354,910</u></u>

The investment income includes distributions from endowment funds held in Jewish Community Foundation (Note 10).

**NOTE 7 – OTHER CURRENT ASSETS**

Other current assets as of December 31, 2016 consisted of the following:

Prepaid insurance	\$ 41,134
Prepaid rent	11,482
Other prepaid expenses	48,457
Gift card inventory	<u>10,404</u>
Total other current assets	\$ <u><u>111,477</u></u>

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

**Notes to Financial Statements  
(Continued)  
December 31, 2016**

**NOTE 8 – CHASIN MICRO-ENTERPRISE LOAN PROGRAM**

The Organization implemented the Chasin Micro-Enterprise Loan Program (“Chasin Loan” in 2007 to establish a program 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, 2016, 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 Jewish Community Foundation of Orange County.

**NOTE 9 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2016 is summarized as follows:

Land	\$ 749,621
Buildings and improvements	708,059
Furniture, fixtures, and equipment	174,027
Vehicles	239,812
Software implementation	311,107
Construction in progress	<u>1,000</u>
	2,183,626
Less accumulated depreciation and amortization	<u>(452,991)</u>
Net property and equipment	\$ <u><u>1,730,635</u></u>

Depreciation and amortization expense for the year ended December 31, 2016 was \$114,932.

**JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY****Notes to Financial Statements  
(Continued)  
December 31, 2016****NOTE 10 – BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS**

The Organization has transferred funds to the Jewish Community Foundation of Orange County (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. Additional transfers to JCFOC were made during the year ended December 31, 2016 in the amount of \$215,000.

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  
(Continued)  
December 31, 2016**

**NOTE 10 – BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS (Continued)**

The value of the beneficial interests as of December 31, 2016 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:

	<u><b>Fund Value</b></u>	<u><b>Distribution</b></u>
Perpetual Annual Campaign Endowment Funds	\$ 642,932	\$ 32,747
Special Endowment Fund - LOJE	195,000	--
Special Endowment Fund - Feuerstein Memorial	37,205	2,235
Special Endowment Fund - JFFS	477,396	24,777
Special Endowment Fund - Zechter Music Center	<u>390,599</u>	<u>20,741</u>
	<u><u>\$ 1,743,132</u></u>	<u><u>\$ 80,500</u></u>

In addition to the beneficial interests discussed above, the JCFOC maintains other funds that have been contributed by various donors to the Community Foundation 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 Community Foundation's spending policy, although the Community Foundation has the right to withhold distributions or pay them to another organization. For the year ended December 31, 2016, the Organization received distributions of \$487,113 which are recorded as contributions in the accompanying statement of activities and changes in net assets.

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

**Notes to Financial Statements  
(Continued)  
December 31, 2016**

**NOTE 11 – ACCRUED LIABILITIES**

Accrued liabilities as of December 31, 2016 consisted of the following:

Accrued compensated absences	\$ 156,431
Salaries and payroll withholdings payable	22,508
Rent deposit	450
Other accrued liabilities	<u>4,500</u>
Total accrued liabilities	\$ <u><u>183,889</u></u>

**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 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 banks Index Rate of interest or the Floor Rate of 3.50%. The agreement, which was established on June 27, 2016, is unsecured and expires July 10, 2017. The Organization is required to maintain certain financial covenants on this line of credit. At December 31, 2016 there was an outstanding balance on this line of credit was \$100,000.

**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, 2016 was \$101,528.

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

**Notes to Financial Statements  
(Continued)  
December 31, 2016**

**NOTE 15 – RESTRICTED AND BOARD-DESIGNATED NET ASSETS**

Temporarily restricted net assets as of December 31, 2016 are available for the following programs and initiatives:

Time restrictions	\$ 459,109
Purpose restrictions:	
Israel programs	6,239,338
Chasin loan program	273,435
Krause memorial scholarship	165,219
Rose project	341,727
Learning passport	100,890
Learning posin college loan	21,334
Learning Zechter Music	20,732
Caring lifeline	<u>65,854</u>
	<u>\$ 7,687,638</u>

Permanently restricted net assets, in the amount of \$1,743,132, 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, 2016.

**NOTE 16 – PAYMENTS TO AFFILIATES**

JFFS is affiliated with Jewish Federation of North America (JFNA), the national umbrella organization. JFFS is required to pay annual dues to the national organization equal to the average of the contributions received during the preceding three years' fund drives. In addition, JFFS contributed to the Overseas Needs Assessment and Distribution program and other initiatives administered by JFNA.

(Note 16 continued on the following page)

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

**Notes to Financial Statements  
(Continued)  
December 31, 2016**

**NOTE 16 – PAYMENTS TO AFFILIATES (Continued)**

The payments to JFNA for the year ended December 31, 2016 are as follows:

Annual dues	\$ 174,036
Overseas core grant	100,000
Birthright Israel	39,495
Emergency campaigns from Hurricanes	12,821
Website/Other	<u>10,381</u>
Total Organization payments to JFNA	336,733
Pass-through grants	<u>326,580</u>
Total payments to JFNA	\$ <u><u>663,313</u></u>

**NOTE 17 – COMMITMENTS AND 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:

Year ending December 31:	
2017	\$ 78,310
2018	9,329
2019	9,329
2020	8,972
2021	1,436
Thereafter	<u>    --</u>
	\$ <u><u>107,376</u></u>

(Note 17 continued on the following page)

**JEWISH FEDERATION AND FAMILY SERVICES OF ORANGE COUNTY****Notes to Financial Statements  
(Continued)  
December 31, 2016****NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)**

The expense for equipment and vehicle lease totaled \$23,840 for the year ended December 31, 2016.

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, 2016 was \$204,643. Included in this amount is office rent of \$133,882, expense for event venues of \$65,400 and security expense of \$5,361.

**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 \$21,439 in 2016. Estimated accrued unemployment liability at December 31, 2016 is included in accrued payroll and related liabilities in the statement of financial position (Note 11).

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

**Notes to Financial Statements  
(Continued)  
December 31, 2016**

**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, 2016:

	<i>Assets at Fair Value as of December 31, 2016</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Measured on a Recurring Basis:</u>				
Mutual funds:				
Equities mutual funds	\$ 1,517,565	\$ --	\$ --	\$ 1,517,565
Fixed income mutual funds	3,487,288	--	--	3,487,288
Investments in JCFOC pooled fund	--	--	424,178	424,178
	<u>5,004,853</u>	<u>--</u>	<u>424,178</u>	<u>5,429,031</u>
Beneficial interest in assets held by JCFOC	<u>--</u>	<u>--</u>	<u>1,743,132</u>	<u>1,743,132</u>
Total recurring fair value measurements	<u>\$ 5,004,853</u>	<u>\$ --</u>	<u>\$ 2,167,310</u>	<u>\$ 7,172,163</u>
 <u>Measured on a Nonrecurring Basis:</u>				
Pledges and bequests receivable	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 937,967</u>	<u>\$ 937,967</u>

(Note 18 continued on the following page)

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

**Notes to Financial Statements  
(Continued)  
December 31, 2016**

**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 Community Foundation.

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, 2016:

Beginning balance	\$ 2,012,725
Transfers from Level 3	(57,738)
Contributions	205,000
Investment income, gains and losses	33,210
Allocations and expenses	<u>(25,887)</u>
Ending Balance	\$ <u><u>2,167,310</u></u>