



**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2013**

TABLE OF CONTENTS

<i>Independent Auditors' Report</i>	1
<i>Financial Statements</i>	
<i>Statement of Financial Position</i>	2
<i>Statement of Activities</i>	3
<i>Statement of Functional Expenses</i>	4
<i>Statement of Cash Flows</i>	5
<i>Notes to the Financial Statements</i>	6-20

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jewish Federation & Family
Services, Orange County

We have audited the accompanying financial statements of Jewish Federation & Family Services, Orange County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 Jewish Federation & Family Services, Orange County as of December 31, 2013, 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.



Long Beach, California
October 8, 2014

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ 898,810	\$ -	\$ 898,810
Investments	874,931	248,849	-	1,123,780
Pledges receivable, net	833,016	227,756	-	1,060,772
Accounts receivable	640,053	-	-	640,053
Prepaid expenses and other current assets	91,966	-	-	91,966
Total Current Assets	2,439,966	1,375,415	-	3,815,381
Receivable - Jewish Free Loan Program	-	100,000	-	100,000
Property and equipment, net	861,522	-	-	861,522
Beneficial interests in assets held by others	980,865	-	698,288	1,679,153
Other assets	18,500	-	-	18,500
TOTAL ASSETS	<u>\$ 4,300,853</u>	<u>\$ 1,475,415</u>	<u>\$ 698,288</u>	<u>\$ 6,474,556</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Cash overdrafts	\$ 51,093	\$ -	\$ -	\$ 51,093
Accounts payable	163,503	-	-	163,503
Accrued liabilities	150,212	-	-	150,212
Deferred revenue	26,295	-	-	26,295
Total Current Liabilities	391,103	-	-	391,103
Total Liabilities	391,103	-	-	391,103
Net Assets				
Unrestricted				
Undesignated	2,928,885	-	-	2,928,885
Board-designated	980,865	-	-	980,865
Total Unrestricted	3,909,750	-	-	3,909,750
Temporarily restricted	-	1,475,415	-	1,475,415
Permanently restricted	-	-	698,288	698,288
Total Net Assets	3,909,750	1,475,415	698,288	6,083,453
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,300,853</u>	<u>\$ 1,475,415</u>	<u>\$ 698,288</u>	<u>\$ 6,474,556</u>

The accompanying notes are an integral part of these financial statements.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT				
Contributions	\$ 5,264,865	\$ 851,292	\$ 50,388	\$ 6,166,545
Government grants	292,998	114,615	-	407,613
TOTAL SUPPORT	<u>5,557,863</u>	<u>965,907</u>	<u>50,388</u>	<u>6,574,158</u>
REVENUE				
Special events	400,575	97,220	-	497,795
Less: Costs of direct benefit to donors	(274,387)	-	-	(274,387)
Net special events	126,188	97,220	-	223,408
Program service fees	135,286	-	-	135,286
Investment income	90,387	-	-	90,387
Net realized and unrealized gain on investments	57,078	-	-	57,078
Change in value of beneficial interest	129,781	-	-	129,781
Other revenue	40,246	-	-	40,246
TOTAL REVENUE	<u>578,966</u>	<u>97,220</u>	<u>-</u>	<u>676,186</u>
Net assets released from restrictions	1,054,643	(1,054,643)	-	-
TOTAL SUPPORT AND REVENUE	<u>7,191,472</u>	<u>8,484</u>	<u>50,388</u>	<u>7,250,344</u>
EXPENSES				
Program Services				
Community programs	3,964,535	-	-	3,964,535
Grants and allocations	1,474,863	-	-	1,474,863
Uncollectible pledges	72,713	-	-	72,713
Total Program Services	<u>5,512,111</u>	<u>-</u>	<u>-</u>	<u>5,512,111</u>
Supporting Services				
Management and general	479,680	-	-	479,680
Fundraising	347,134	-	-	347,134
Total Supporting Services	<u>826,814</u>	<u>-</u>	<u>-</u>	<u>826,814</u>
TOTAL EXPENSES	<u>6,338,925</u>	<u>-</u>	<u>-</u>	<u>6,338,925</u>
CHANGE IN NET ASSETS	852,547	8,484	50,388	911,419
NET ASSETS, BEGINNING OF YEAR	<u>3,057,203</u>	<u>1,466,931</u>	<u>647,900</u>	<u>5,172,034</u>
NET ASSETS, END OF YEAR	<u>\$ 3,909,750</u>	<u>\$ 1,475,415</u>	<u>\$ 698,288</u>	<u>\$ 6,083,453</u>

The accompanying notes are an integral part of these financial statements.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Community Programs</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Operating expenses:				
Payroll expenses				
Salaries	\$ 2,090,325	\$ 69,341	\$ 182,959	\$ 2,342,625
Employee benefits	238,653	7,916	20,888	267,457
Payroll taxes	152,923	5,073	13,385	171,381
Total payroll expenses	<u>2,481,901</u>	<u>82,330</u>	<u>217,232</u>	<u>2,781,463</u>
Bank charges	14,617	17,218	8,085	39,920
Community development and outreach	95,226	3,550	7,481	106,257
Catering	179,183	4,250	8,032	191,465
Client service and direct assistance	436,913	1,245	-	438,158
Depreciation and amortization	33,232	1,102	2,909	37,243
Dues and subscriptions	8,424	92	122	8,638
Education and professional development	12,732	1,541	8,791	23,064
Equipment rent and maintenance	15,900	14,338	-	30,238
Events and speakers	73,475	4,419	31,443	109,337
Information technology	45,088	61,833	10,720	117,641
Insurance	25,680	13,973	-	39,653
Licenses and fees	6,514	4,981	2,339	13,834
Miscellaneous	5,620	3,615	520	9,755
Occupancy	108,332	116,030	16,234	240,596
Postage	3,834	761	45,314	49,909
Printing and graphics	50,081	7,716	16,650	74,447
Professional services	81,716	93,793	18,207	193,716
Supplies	56,707	12,312	5,486	74,505
Telephone	9,885	9,023	968	19,876
Transportation	75,591	503	-	76,094
Travel	<u>356,963</u>	<u>25,055</u>	<u>7,909</u>	<u>389,927</u>
Total operating expenses	4,177,614	479,680	408,442	5,065,736
Grants and allocations	1,474,863	-	-	1,474,863
Uncollectible pledges	<u>72,713</u>	<u>-</u>	<u>-</u>	<u>72,713</u>
Total expenses	5,725,190	479,680	408,442	6,613,312
Less expenses included in revenue section on the statement of activities	<u>(213,079)</u>	<u>-</u>	<u>(61,308)</u>	<u>(274,387)</u>
Total expenses included in expense section of the statement of activities	<u>\$ 5,512,111</u>	<u>\$ 479,680</u>	<u>\$ 347,134</u>	<u>\$ 6,338,925</u>

The accompanying notes are an integral part of these financial statements.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 911,419
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	37,243
Change in value of beneficial interest	(129,781)
Net realized and unrealized gain on investments	(57,078)
Contributions restricted for investment in permanent endowment	(50,388)
(Increase) decrease in:	
Accounts receivable	112,616
Pledges receivable	(131,584)
Provision for uncollectible pledges	40,572
Prepaid expenses	33,848
Increase (decrease) in:	
Cash overdrafts	51,093
Accounts payable	2,566
Accrued liabilities	17,158
Deferred revenue	26,295
NET CASH PROVIDED BY OPERATING ACTIVITIES	863,979

CASH FLOWS FROM INVESTING ACTIVITIES

Investment in beneficial interest	(66,483)
Proceeds from sale of investments	287,721
Purchase of investments	(547,120)
Purchase of property and equipment	(812,310)
NET CASH USED BY INVESTING ACTIVITIES	(1,138,192)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from contributions restricted for investment in permanent endowment	50,388
NET CASH PROVIDED BY FINANCING ACTIVITIES	50,388

NET DECREASE IN CASH AND CASH EQUIVALENTS	(223,825)
BEGINNING CASH AND CASH EQUIVALENTS	1,122,635
ENDING CASH AND CASH EQUIVALENTS	\$ 898,810

The accompanying notes are an integral part of these financial statements.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Jewish Federation & Family Services, Orange County (“JFFS” or “the Organization”) is a nonprofit corporation created under the laws of California on July 6, 1965. JFFS 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; campus and community leadership development; thriving Jewish culture; and strong bonds with the community in Israel. JFFS 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.

Community Programs and Services conducted by the Organization in 2013:

JFFS Care Management provides individual services to seniors and their family members to ensure that they are connected to all the medical, legal, financial and other support services necessary to live safely at home and to enjoy the highest possible quality of life.

JFFS Chaplaincy makes available ordained chaplains for a variety of chaplaincy needs including hospital and hospice visits and pastoral counseling to Jewish inmates at jails and prisons.

JFFS Chasin Micro-Enterprise Free Loan program provides interest-free loans to qualified small businesses owned by Orange County residents of all faiths and ethnicities. The Chasin loans help startups as well as established small businesses.

JFFS Community Calendar Online is a resource which enables individuals to find information on events in the Orange County Jewish community.

JFFS Community 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), The Bureau of Jewish Education (Jewish teen leadership development), Hillel Foundation (college student leadership and connection), and the Merage Jewish Community Center (pre-K through seniors – cultural and social engagement programs).

JFFS Community Impact Grants seed new ventures in our community (such as the launch of a new Jewish Montessori preschool); develop emerging programs to address unmet needs (such as maintaining connection by post-Bnai Mitzvah youth); and build the capacity of our Jewish organizations and congregations to provide more services to more people.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (continued)

JFFS Connect 2 Israel Committee develops connections with our sister communities in Israel, promotes and coordinates volunteer service in Israel, provides Orange County youth with opportunities for peer to peer connections in Israel, and makes grants in support of important programs in Israel and Jewish communities throughout the world. The Committee's work encompasses JFFS' **SafeShelters** project in Israel, which allocates funds to renovate and equip bomb shelters in Israeli schools as comfortable spaces for children in times of conflict, and welcoming multi-purpose rooms in times of peace.

JFFS Counseling and Support Groups provide sliding-scale counseling sessions to assist community members, of all faiths and ethnicities, in addressing issues of anxiety, depression, bereavement and other life challenges.

JFFS Employment Services encompasses **Women Forward**, which provides women in transition with the support they need to get back into the workforce, attain higher-level jobs, and manage their financial resources wisely; and **Career Coaching for Men**, which provides similar resources and services to men in transition.

JFFS Family Philanthropy Venture Fund is a group of families and philanthropists whose charitable investment in JFFS has two principal objectives: to support entrepreneurial, innovative, high-impact projects and to involve children in philanthropy and teach them that every good deed makes a difference.

JFFS Holocaust Survivor Services is an in-depth social services program to Holocaust survivors in Orange County: individual case management, subsidies for home care and/or housekeeping services, assistance with reparations paperwork, emergency financial aid and Café Europa, a monthly social program.

JFFS Israel Center is the bridge that connects Orange County Jewish community with Israel, through enriching cultural, educational and social programs in Orange County, including **Israel Expo**, the largest community-wide event celebrating all aspects of Israel and Jewish people. Israel Expo annually attracts upwards of 8,000 visitors of all faiths and ethnicities.

JFFS Jewish Residential Home program offers adults with special needs a community-based, group living environment that meets their unique needs and helps them remain active in Jewish life. The first Jewish Residential Home, Mandel House, is slated to open its doors in 2014.

JFFS Laguna Woods Region connects active older Jewish adults with the broader Orange County Jewish community. The Laguna Woods Region Board provides a local rallying point for Jewish community activities.

JFFS Lifelines program provides individuals and their families, who are in severe financial distress, with emergency financial assistance. The Lifelines program also encompasses an annual **Adopt-a-Family** program, providing families at risk with additional help during the holidays.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (continued)

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 throughout Orange County, and that provide moral support to people overseas (Support the Troops campaign, letters to children, etc.). **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 afghans for children in pediatric cancer hospital units.

JFFS NextGen encourages young Jewish adults, ages 21 to 45, to become committed, lifelong participants in the Jewish community. The members create social change and enjoy social events that reinforce core Jewish values – repairing the world, deeds of loving kindness, and philanthropic righteousness.

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 Partnership with Kiryat Malachi & Ashkelon Coast (Israel) addresses poverty, educational advancement, culture and social welfare in Jewish Orange County’s “sister cities” in Israel. The Partnership arranges volunteer opportunities and host families for volunteers; organizes and provides interactive experiences for visiting missions, delegations, family groups and individual tours; and sends Israeli youth ambassadors to our community each year.

JFFS Passport to Jewish Life® provides Jewish youth, from 4th grade through age 22, with grants to take new Jewish educational journeys, including after-school programs, congregational Hebrew schools, Jewish camping experiences, Jewish leadership training, and Israel experience and study programs.

JFFS PJ Library provides the gift of monthly Jewish-themed books and music CDs to registered families raising a Jewish child, ages 6 months to 8 years. The program is conducted in partnership with the Harold Grinspoon Foundation.

JFFS Planning & Funding Council leads our community planning process by working with community organizations to identify areas of need, determine priorities and develop programs; the Council also oversees a range of JFFS grant programs benefiting Orange County as well as national and international partners.

JFFS Reading Partners, a project of **Women’s Philanthropy**, is a literacy program 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.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (continued)

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 Baby program welcomes all newborns of Jewish families with a special gift and info bag. JFFS Shalom Baby, in partnership with local congregations and organizations, promotes events and programs for Jewish families with young children.

JFFS Silver Streak Transportation provides transportation to seniors and adults with disabilities in Orange County. In 2013, over 15,000 Silver Streak rides were provided. Silver Streak helps to keep seniors and adults with disabilities healthy, independent and connected to things that give life meaning and purpose.

JFFS SKILLSETnpo® is an **executive-level leadership development program** designed to advance a select group of Jewish lay leaders of **non-profit organizations**, who will emerge from the program deeply energized, inspired and possessing the tools *to lead our* community.

JFFS Solomon Society is a fellowship of men who inspire each other through their values and actions. Members of the society build community through networking, meaningful events, philanthropic investment and community-building volunteer activities.

JFFS Taglit-Birthright Israel provides the gift of first-time, peer group educational trips to Israel for Jewish young adults ages 18 to 26.

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. Events include panels on business related subjects and networking.

JFFS TrueNeighbors Village is a community collaboration (with other nonprofits and government entities) providing programs and activities that enable seniors (of all faiths and ethnicities) to lead vibrant, enriched and healthy lives in their own neighborhoods; and fosters the concept of neighbor helping neighbor to create the most supportive environment possible for older adults. Programs and services encompass health and wellness, social and recreational activities, shuttles and excursions, and more.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (continued)

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 holds series of lectures, private museum tours, and other events for its investors in Trendsetters, Morasha, Pomegranate, Shomer and Lion of Judah divisions. The group also cultivates participation by young women, newcomers and those who are new to Jewish communal participation, through its Pacesetters and Cocktails & Culture programs; and develops volunteer service through Reading Partners and Mitzvah Mavens programs (these last two programs are detailed separately in this document).

JFFS Zechter Music Center provides Jewish youth, from 5th to 12th grades, with free musical instrument lessons and supervised practice sessions, as well as educational enrichment opportunities to encourage young Jews to bring more arts into their lives.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and follow the recommendations of the Accounting Standards Codification (ASC) 958-205, Financial Statements of Not for Profit Organizations.

Description of Net Asset Classes

The net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization, pursuant to those stipulations, or that expire by the passage of time.

Permanently restricted - Net assets subject to donor-imposed stipulations that can be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on assets.

Accounting for Contributions

Generally accepted accounting principles require that the Organization reports information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Contributions are recognized when the donor makes a promise to give to the Organization that is unconditional. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

Investments

Investments consist primarily of custodial funds held by the Jewish Community Foundation of Orange County (JCFOC). Funds are invested into JCFOC's pooled funds which are managed in accordance with investment guidelines set by JCFOC.

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 and the promises become unconditional.

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 significant. 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 property and equipment purchased in excess of \$500 is capitalized. 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 ranging from five to seven years for furniture and equipment.

Long-Lived Assets

The Organization reviews long lived assets such as property and equipment to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and not be recoverable. No circumstances have occurred during the year causing the Organization to believe there has been any impairment of the carrying value of its long lived assets. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long lived assets.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2013 was \$21,962.

Income Taxes

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Tax Code. Consequently, the accompanying financial statements do not reflect any provision for income taxes. The Organization uses the same accounting methods for tax and financial reporting.

Contributions to the Organization are deductible for tax purposes under Section 170(c)(2) of the IRC. The Organization is not a private foundation.

ASC 740, *Accounting for Uncertainty in Income Taxes*, provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's federal tax returns for years ending December 31, 2011 and 2012 are subject to examination by federal taxing authorities, generally for three years after they are filed. The Organization's state tax returns for years ending December 31, 2010, 2011, and 2012, are subject to examination by state taxing authorities, generally for four years after they are filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The significant items in these statements that are affected by management estimates are depreciation and allocations of functional expenses.

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.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocations 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.

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.

Fair Value of Financial Instruments

Financial assets and liabilities are recorded at their fair market value in accordance with ASC 820, *Fair Value Measurements*. This 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:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2 – Directly or indirectly observable input for quoted and other than quoted prices for identical or similar assets and liabilities in active or non-active markets.
- Level 3 – Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best information available in the circumstances, including the entity's own 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, pledges receivable, accounts payable and accrued liabilities.

The Organization's investments consist of various stocks and types of mutual funds (Note 5) and are categorized as a Level 1.

The fair value of the Organization's beneficial interest in assets held by others (Note 8) is based on the Organization's share of a pooled investment portfolio as of December 31, 2013, and are categorized as a Level 1.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable, which represent unconditional promises to give, consist of the following at December 31, 2013:

	Gross	Allowance for uncollectible pledges	Net
Due in:			
Less than one year	\$ 1,202,790	\$ (143,728)	\$ 1,059,062
One to five years	1,800	(90)	1,710
Total	\$ 1,204,590	\$ (143,818)	\$ 1,060,772

Pledges outstanding from 2013 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 past due amounts.

Although the promises receivable over three years old are reserved for 100%, efforts are still made to collect on all promises receivable whenever the possibility of collecting seems reasonable.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2013 consisted of the following:

Grants	\$ 407,049
Contributions	226,237
Program service fees	3,190
Other receivables	3,577
Total accounts receivable	\$ 640,053

As of December 31, 2013, all accounts receivable are expected to be collected during the next year. Management has determined that the accounts receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

NOTE 5 – 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.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 – INVESTMENTS (continued)

The fair values of investments that are measured on a recurring basis are listed below. The values presented are based on quoted priced in active markets (Level 1 inputs) as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Common stock	\$ 45,778	\$ 45,540	\$ 238
Domestic equities mutual funds	128,500	104,723	23,777
International equities mutual funds	69,154	63,271	5,883
Fixed income mutual funds	352,188	358,604	(6,416)
Pooled investments	<u>528,160</u>	<u>472,931</u>	<u>55,229</u>
Total	<u>\$ 1,123,780</u>	<u>\$ 1,045,069</u>	<u>\$ 78,711</u>

The following summarizes the investment return for the year ended December 31, 2013:

	<u>Unrestricted</u>
Interest and dividends	\$ 24,434
Realized gain	288
Unrealized gain	56,790
Management fees	<u>(4,288)</u>
Total investment return	<u>\$ 77,224</u>

The following amounts are reported in the Statement of Activities for the year ended December 31, 2013:

	<u>Unrestricted</u>
Interest and dividends	\$ 24,434
Investment income beneficial interests	70,241
Management fees	<u>(4,288)</u>
Total investment income	<u>\$ 90,387</u>

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 is summarized as follows:

Buildings and Improvements	\$ 312,772
Furniture, fixtures, and equipment	263,600
Land	416,619
Vehicles	88,566
	<hr/>
	1,081,557
Less accumulated depreciation	(220,035)
	<hr/>
Net book value	\$ 861,522

NOTE 7 – JEWISH FREE LOAN PROGRAM

The Organization implemented the Jewish Free Loan program in 2009 to establish a corpus of funds from which the Jewish community will provide interest-free, business related loans to qualified candidates from both the Jewish and non-Jewish communities of Orange County. The loans are issued through an independent loan committee of the Jewish Organization Free Loan Fund (JFF), which is an alliance of the Jewish Free Loan Association of Los Angeles (JFLA) and the Organization.

As of December 31, 2013, the Organization has transferred \$100,000 to JFF in connection with this program and has a balance of \$93,849 in custodial funds held by the Jewish Community Foundation of Orange County (JCFOC).

NOTE 8 – 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 three preceding years. Additional transfers to JCFOC were made during the year ended December 31, 2013 in the amount of \$16,306. The distributions received during the year ended December 31, 2013 relating to the funds totaled \$28,950.

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 fund's average balance for three preceding years. Additional transfers to JCFOC were made during the year ended December 31, 2013 in the amount of \$50,180. The distribution received during the year ended December 31, 2013 was \$16,619.

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

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 8 – BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS (continued)

fund's average balance for three preceding years. The distribution received during the year ended December 31, 2013 was \$1,958.

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 distribution received during the year ended December 31, 2013 was \$22,714.

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 JCFOC.

The value of the beneficial interests as of December 31, 2013 is as follows:

Perpetual Annual Campaign Endowment Funds	\$ 698,649
Special Endowment Fund – Feuerstein Memorial	42,057
Special Endowment Fund – JFFS	509,239
Special Endowment Fund – Zechter Music Center	<u>429,208</u>
Total beneficial interests in assets held by others	<u>\$ 1,679,153</u>

NOTE 9 – ACCRUED LIABILITIES

Accrued liabilities as of December 31, 2013 consisted of the following:

Accrued compensated absences	\$ 134,928
Payroll taxes and withholding payable	<u>15,284</u>
Total accrued liabilities	<u>\$ 150,212</u>

NOTE 10 – 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.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 11 – 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 pension expense for the year ended December 31, 2013 was \$86,147.

NOTE 12 – RESTRICTED AND BOARD-DESIGNATED NET ASSETS

Temporarily restricted net assets as of December 31, 2013 consisted of the following:

Time restrictions	\$ 215,592
Purpose restrictions	
Israel programs	239,013
Jewish free loan program	193,849
Krause memorial scholarship	155,000
Rose project	593,642
Senior mobility program	78,319
	<u>\$ 1,475,415</u>

Permanently restricted net assets, in the amount of \$698,288, represent the principal portion of donor restricted endowment funds held by JCFOC (Note 8).

The Board of Directors has set aside unrestricted funds to serve as endowments for the Organization. The endowments are held by JCFOC (Note 8). The Board-designated net assets were \$980,865 as of December 31, 2013.

NOTE 13 – CONCENTRATIONS

Cash

The Organization maintains its cash balances in financial institutions and repurchase agreements. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times there were balances in the bank that were over the FDIC limit. An investment in a sale and repurchase agreement is not insured by the FDIC. As of December 31, 2013, the uninsured cash balance was \$1,226,226.

Support

Three contributors provided approximately 15 percent of the Organization's contributions for the year ended December 31, 2013.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 13 – CONCENTRATIONS (continued)

Pledges and Accounts Receivable

Four contributors comprised approximately 30 percent of the pledges receivable balance as of December 31, 2013. Two grantors comprised approximately 59 percent of the accounts receivable balance as of December 31, 2013.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization is committed under several operating leases for office equipment and vehicles which expire in various years through November 2017.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 30,268
2015	30,268
2016	29,188
2017	1,279
	<u>\$ 91,003</u>

The expense for equipment and vehicle lease totaled \$30,238 for the year ended December 31, 2013.

The Organization also 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, 2013 was \$240,596. Included in this amount is rent expense for \$131,028, rent expense for event venues of \$33,621 and other miscellaneous rent, facility and security expenses for \$75,947.

Contingencies

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.

**JEWISH FEDERATION & FAMILY
SERVICES, ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 15 – PAYMENTS TO AFFILIATE

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 preceding three year's fund drives. Dues paid during year ended December 31, 2013 were \$150,843. In addition, JFFS contributed \$100,000 to the Overseas Needs Assessment and Distribution program, administered by JFNA.

NOTE 16 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended December 31, 2013, the Organization paid no interest and no income taxes.

For the year ended December 31, 2013, the Organization received stock donations from donors with a fair value of \$522,798.

NOTE 17 – MANDEL HOUSE

The Organization purchased and renovated property in 2013 to be used as a group home for those with special needs. This property, the Mandel House, opened in September 2014 under the management of an independent licensed operator. The capitalized cost of the land and building in 2013 was \$535,178. Remodeling and renovation expenses were an additional \$135,457.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 8, 2014, the date the financial statements were available to be issued.