



JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Jewish Federation and Family Services of Orange County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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 and Family Services of Orange County as of December 31, 2014, 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.

Onisko & Scholz, LLP

November 4, 2015

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ 652,685	\$ -	\$ 652,685
Pledges receivable, net	600,358	226,523	-	826,881
Bequest receivable	-	7,418,189	-	7,418,189
Accounts receivable	431,771	-	-	431,771
Investments	316,715	204,800	-	521,515
Other current assets	62,745	-	-	62,745
Total Current Assets	1,411,589	8,502,197	-	9,913,786
Receivable - Jewish Free Loan Program	-	200,000	-	200,000
Property and equipment, net	932,369	-	-	932,369
Beneficial interests in assets held by others	963,989	-	698,288	1,662,277
Other assets	18,500	-	-	18,500
TOTAL ASSETS	<u><u>\$ 3,326,447</u></u>	<u><u>\$ 8,702,197</u></u>	<u><u>\$ 698,288</u></u>	<u><u>\$ 12,726,932</u></u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Cash overdrafts	\$ 51,547	\$ -	\$ -	\$ 51,547
Accounts payable	185,547	-	-	185,547
Accrued liabilities	183,845	-	-	183,845
Deferred revenue	28,500	-	-	28,500
Total Current Liabilities	449,439	-	-	449,439
Total Liabilities	449,439	-	-	449,439
Net Assets				
Unrestricted				
Undesignated	1,913,019	-	-	1,913,019
Board-designated	963,989	-	-	963,989
Total Unrestricted	2,877,008	-	-	2,877,008
Temporarily restricted	-	8,702,197	-	8,702,197
Permanently restricted	-	-	698,288	698,288
Total Net Assets	2,877,008	8,702,197	698,288	12,277,493
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,326,447</u></u>	<u><u>\$ 8,702,197</u></u>	<u><u>\$ 698,288</u></u>	<u><u>\$ 12,726,932</u></u>

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

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT				
Contributions	\$ 4,385,218	\$ 7,987,545	\$ -	\$ 12,372,763
Government grants	398,180	-	-	398,180
TOTAL SUPPORT	<u>4,783,398</u>	<u>7,987,545</u>	<u>-</u>	<u>12,770,943</u>
REVENUE				
Special events	384,807	26,100	-	410,907
Less: Costs of direct benefit to donors	(360,914)	-	-	(360,914)
Net special events	23,893	26,100	-	49,993
Program service fees	114,126	-	-	114,126
Investment income	89,411	3,572	-	92,983
Net realized and unrealized gain on investments	28,841	-	-	28,841
Change in value of beneficial interest	(16,876)	-	-	(16,876)
Other revenue	40,820	-	-	40,820
TOTAL REVENUE	<u>280,215</u>	<u>29,672</u>	<u>-</u>	<u>309,887</u>
Net assets released from restrictions	790,435	(790,435)	-	-
TOTAL SUPPORT AND REVENUE	<u>5,854,048</u>	<u>7,226,782</u>	<u>-</u>	<u>13,080,830</u>
EXPENSES				
Program Services				
Community programs	4,402,530	-	-	4,402,530
Grants and allocations	1,520,532	-	-	1,520,532
Uncollectible pledges	100,000	-	-	100,000
Total Program Services	6,023,062	-	-	6,023,062
Supporting Services				
Management and general	427,375	-	-	427,375
Fundraising	436,353	-	-	436,353
Total Supporting Services	863,728	-	-	863,728
TOTAL EXPENSES	<u>6,886,790</u>	<u>-</u>	<u>-</u>	<u>6,886,790</u>
CHANGE IN NET ASSETS	(1,032,742)	7,226,782	-	6,194,040
NET ASSETS, BEGINNING OF YEAR	<u>3,909,750</u>	<u>1,475,415</u>	<u>698,288</u>	<u>6,083,453</u>
NET ASSETS, END OF YEAR	<u>\$ 2,877,008</u>	<u>\$ 8,702,197</u>	<u>\$ 698,288</u>	<u>\$ 12,277,493</u>

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

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Community Programs</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Operating expenses:				
Payroll expenses				
Salaries	\$ 2,276,979	\$ 83,591	\$ 310,059	\$ 2,670,629
Employee benefits	241,757	8,875	32,921	283,553
Payroll taxes	178,966	6,570	24,370	209,906
Total payroll expenses	<u>2,697,702</u>	<u>99,036</u>	<u>367,350</u>	<u>3,164,088</u>
Bank charges	15,367	16,963	5,767	38,097
Community development and outreach	130,998	1,339	11,505	143,842
Catering	220,293	5,891	6,870	233,054
Client service and direct assistance	396,843	-	-	396,843
Depreciation and amortization	48,090	1,765	6,549	56,404
Dues and subscriptions	7,191	711	1,047	8,949
Education and professional development	19,790	11,100	203	31,093
Equipment rent and maintenance	28,647	652	3,727	33,026
Events and speakers	84,718	4,974	21,542	111,234
Information technology	100,115	37,470	4,494	142,079
Insurance	17,966	43,634	-	61,600
Licenses and fees	14,579	6,789	2,302	23,670
Miscellaneous	7,814	3,184	410	11,408
Occupancy	223,794	4,566	31,834	260,194
Postage	25,600	1,979	11,314	38,893
Printing and graphics	81,229	2,750	15,549	99,528
Professional services	73,278	133,135	16,967	223,380
Supplies	35,749	16,475	11,448	63,672
Telephone	5,116	21,918	468	27,502
Transportation	102,795	315	66	103,176
Travel	<u>332,261</u>	<u>12,729</u>	<u>10,450</u>	<u>355,440</u>
Total operating expenses	4,669,935	427,375	529,862	5,627,172
Grants and allocations	1,520,532	-	-	1,520,532
Uncollectible pledges	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total expenses	6,290,467	427,375	529,862	7,247,704
Less expenses included in revenue section on the statement of activities	<u>(267,405)</u>	<u>-</u>	<u>(93,509)</u>	<u>(360,914)</u>
Total expenses included in expense section of the statement of activities	<u>\$ 6,023,062</u>	<u>\$ 427,375</u>	<u>\$ 436,353</u>	<u>\$ 6,886,790</u>

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

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 6,194,040
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation and amortization	56,404
Change in value of beneficial interest	16,876
Net realized and unrealized gain on investments	(28,841)
(Increase) decrease in:	
Pledges receivable	229,934
Provision for uncollectible pledges	3,957
Bequest receivable	(7,418,189)
Accounts receivable	208,282
Other current assets	29,221
Receivable - Jewish Free Loan Program	(100,000)
Increase (decrease) in:	
Cash overdrafts	454
Accounts payable	22,044
Accrued liabilities	33,633
Deferred revenue	2,205
NET CASH USED IN OPERATING ACTIVITIES	<u>(749,980)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	616,174
Net change in pooled investments	14,932
Purchase of property and equipment	<u>(127,251)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>503,855</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(246,125)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>898,810</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 652,685</u></u>

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

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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. 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 2014:

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 Directory of Jewish OC** provides all Jewish organizations in OC with free listings in an annual publication that reaches over 20,000 recipients.

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 youth ambassadors to our community; and makes grants in support of important programs in Israel and Jewish communities throughout the world.

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), 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).

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (continued)

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 brings together families whose charitable investment in JFFS has two principal objectives: to seek out and support unmet needs and programs 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 Holocaust Survivor Services is an in-depth social services program serving Holocaust survivors in Orange County, providing them with 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 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 Jewish educator professional development); and build the capacity of our Jewish organizations and congregations to provide more services to more people.

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, was in development for several years and opened its doors in 2014.

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.

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 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 AND FAMILY SERVICES
OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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. **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 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 program, the group makes a difference for people in need through hands-on activities and campaigns such as Tikkun for Troops.

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

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

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.

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 program 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. The program is conducted in partnership with the Harold Grinspoon Foundation.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (continued)

JFFS Silver Streak Transportation provides transportation to seniors and adults with disabilities in Orange County. In 2014, over 18,000 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 commitment to community. Members of the society build community through networking, leadership, philanthropy and leveraging of collective power.

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.

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.

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.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

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. 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

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 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.

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.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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
Software	3 years

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.

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, 2012 and subsequent remain 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, 2011 and subsequent remain subject to examination by state taxing authorities, generally for four years after they are filed.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

**JEWISH FEDERATION AND FAMILY SERVICES
OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable, which represent unconditional promises to give, consist of the following at December 31, 2014:

	Gross	Allowance for uncollectible pledges	Net
Due in:			
Less than one year	\$ 974,656	\$ (147,775)	\$ 826,881
One to five years	-	-	-
	\$ 974,656	\$ (147,775)	\$ 826,881

Pledges outstanding from 2014 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, as follows:

- 5% for all current pledges receivable
- 30% of the uncollected accounts after the first year
- 40% of the uncollected accounts after the second year
- 100% of the uncollected accounts after the third year and thereafter

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.

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NOTE 4 – BEQUEST RECEIVABLE

The Organization has been named as a beneficiary of a significant estate. At December 31, 2014 the Organization estimated its portion of the bequest at \$7,418,189, net of legal fees, which is included in bequest receivable and temporarily restricted contributions. In January 2015 the Organization received initial distribution of \$3,732,189 from the estate. The balance of the receivable is expected to be collected within one year.

The bequest accounts for 82% of the receivables as of December 31, 2014 and 58% of the Organization’s support for the year then ended. Those numbers are exceptional and unusual due to the very large estate gift.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2014 consisted of the following:

Grants	\$ 406,052
PACE allocations	17,070
Program service fees	5,727
Other receivables	<u>2,922</u>
Total accounts receivable	<u><u>\$ 431,771</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.

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>
Operating reserve	\$ 77
Pooled investments:	
Rabbi Allen Krause Memorial Scholarship	276,603
Lifelines & Emergency fund	147,414
Chasin Micro-Enterprise Loan fund	<u>97,421</u>
Total investments	<u><u>\$ 521,515</u></u>

The investments held in JCFOC balanced pool are allocated as follows: fixed income - 44%, domestic equities – 36%, international equities – 20%.

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NOTE 6 – INVESTMENTS (continued)

The components of investment return for the year ended December 31, 2014 are summarized below:

Interest and dividends	\$ 24,452
Net realized and unrealized gain	28,841
Management fees	<u>(7,453)</u>
	<u>\$ 45,840</u>

The investment income reported in the Statement of Activities for the year ended December 31, 2014 is as follows:

Interest and dividends	\$ 24,452
Investment income from beneficial interests	76,054
Management fees	<u>(7,453)</u>
Total investment income	<u>\$ 93,053</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, 2014 consisted of the following:

Prepaid expenses	\$ 54,532
Employee advances	3,600
Gift card inventory	<u>4,613</u>
Total other current assets	<u>\$ 62,745</u>

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 is summarized as follows:

Land	\$ 416,619
Buildings and improvements	324,997
Furniture, fixtures, and equipment	290,741
Vehicles	<u>156,850</u>
	1,189,207
Less accumulated depreciation and amortization	<u>(256,838)</u>
Net book value	<u>\$ 932,369</u>

Depreciation and amortization expense for the year ended December 31, 2014 was \$56,404.

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NOTE 9 – 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 (JOFF), which is an alliance of the Jewish Free Loan Association of Los Angeles (JFLA) and the Organization.

As of December 31, 2014, the Organization has transferred \$200,000 to JOFF in connection with this program and has a balance of \$97,421 in custodial funds held by the Jewish Community Foundation of Orange County (JCFOC).

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 three preceding years. Additional transfers to JCFOC were made during the year ended December 31, 2014 in the amount of \$348.

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 fund's 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 value of the beneficial interests as of December 31, 2014 and distributions received during year then ended are as follows:

	<u>Fund value</u>	<u>Distribution</u>
Perpetual Annual Campaign Endowment Funds	\$ 689,337	\$ 32,300
Special Endowment Fund – Feuerstein Memorial	41,018	1,984
Special Endowment Fund – JFFS	507,009	23,537
Special Endowment Fund – Zechter Music Center	424,913	18,233
	<u>\$ 1,662,277</u>	<u>\$ 76,054</u>

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

The beneficial interests in assets held by JCFOC are valued using Level 3 measurements, as the Organization’s interest is not redeemable in near future.

The changes in assets held by JCFOC for which fair value is determined using significant unobservable input (Level 3) are as follows:

Balance, December 31, 2013	\$ 1,679,153
Contributions	348
Investment income and gains	58,830
Distributions	<u>(76,054)</u>
Balance, December 31, 2014	<u>\$ 1,662,277</u>

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.

NOTE 11 – ACCRUED LIABILITIES

Accrued liabilities as of December 31, 2014 consisted of the following:

Accrued compensated absences	\$ 144,210
Accrued state unemployment tax	19,786
Accrued workers compensation insurance	14,782
Payroll withholding payable	4,617
Rent deposit	<u>450</u>
Total accrued liabilities	<u>\$ 183,845</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 – 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, 2014 was \$99,039.

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NOTE 14 – RESTRICTED AND BOARD-DESIGNATED NET ASSETS

Temporarily restricted net assets as of December 31, 2014 are available for the following programs and initiatives:

Time restrictions	\$ 222,774
Purpose restrictions	
Israel programs	7,637,122
Jewish free loan program	276,500
Krause memorial scholarship	128,300
Rose project	437,501
	<u>\$ 8,702,197</u>

Permanently restricted net assets, in the amount of \$698,288, 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 \$963,989 as of December 31, 2014.

NOTE 15 – 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 preceding three years' fund drives. In addition, JFFS contributed to the Overseas Needs Assessment and Distribution program and other initiatives administered by JFNA.

The payments to JFNA for the year ended December 31, 2014 are as follows:

Annual dues	\$ 163,690
Overseas core grant	100,500
Israel emergency campaign	209,125
Other grants	267,015
Website	7,200
	<u>\$ 747,530</u>

Additionally, JFFS is affiliated with the Association of Jewish Family & Children's Agencies (AJFCA). Annual dues paid to AJFCA for the year ended December 31, 2014 was \$3,750.

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NOTE 16 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist principally of cash, cash equivalents and investments. The Organization maintains its cash balances and investments with high credit quality financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. An investment in a sale and repurchase agreement is not insured by the FDIC. As of December 31, 2014, the uninsured cash balance was \$743,565.

NOTE 17 – 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>
2015	\$ 28,872
2016	28,872
2017	<u>26,466</u>
	<u>\$ 84,210</u>

The expense for equipment and vehicle lease totaled \$28,733 for the year ended December 31, 2014.

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, 2014 was \$260,194. Included in this amount is office rent of \$133,462, expense for event venues of \$121,927 and other miscellaneous rent, facility and security expenses of \$4,805.

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NOTE 17 – COMMITMENTS AND CONTINGENCIES (continued)

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.

The Organization has elected not to pay state unemployment insurance taxes and, instead, reimburses the State of California for its share of unemployment benefits actually paid by state to former employees. The charge to expense was \$23,057 in 2014. Estimated accrued unemployment liability at December 31, 2014 is included in accrued payroll and related liabilities in the statement of financial position (Note 11).

NOTE 18 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended December 31, 2014, the Organization paid no interest and no income taxes.

For the year ended December 31, 2014, the Organization received stock donations from donors with a fair value of \$202,028.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 4, 2015, the date the financial statements were available to be issued.