

**JEWISH FAMILY & CHILDREN'S SERVICES  
OF NORTHERN NEW JERSEY, INC.  
AND  
JEWISH FAMILY SERVICE FOUNDATION, INC.  
CONSOLIDATING FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**JEWISH FAMILY & CHILDREN'S SERVICES OF NORTHERN NEW JERSEY, INC.  
AND  
JEWISH FAMILY SERVICE FOUNDATION, INC.  
FOR THE YEAR ENDED JUNE 30, 2017**

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Accountants and Advisors

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Jewish Family & Children's Services of Northern New Jersey, Inc.  
and Jewish Family Service Foundation, Inc.

We have audited the accompanying consolidating financial statements of Jewish Family & Children's Services of Northern New Jersey, Inc. and Jewish Family Service Foundation, Inc., which comprise the consolidating statement of financial position as of June 30, 2017, and the related consolidating statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidating financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidating 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 consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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### Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family & Children's Services of Northern New Jersey, Inc. and Jewish Family Service Foundation, Inc. as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Citrin Cooperman Company, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
February 26, 2018

**JEWISH FAMILY & CHILDREN'S SERVICES OF NORTHERN NEW JERSEY, INC.**  
**AND**  
**JEWISH FAMILY SERVICE FOUNDATION, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

	<u>Jewish Family &amp; Children's Services of Northern New Jersey, Inc.</u>	<u>Jewish Family Service Foundation, Inc.</u>	<u>Consolidated Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 223,441	\$ 301,875	\$ 525,316
Investments	63,257	261,079	324,336
Accounts receivable, net	567,865	-	567,865
Contributions receivable, net	10,625	-	10,625
Charitable remainder annuity trust	108,587	-	108,587
Prepaid expenses and other assets	32,930	-	32,930
Security deposits	5,610	-	5,610
Cemetery plots	7,200	-	7,200
Property and equipment, net	<u>1,083,924</u>	<u>-</u>	<u>1,083,924</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,103,439</u></b>	<b><u>\$ 562,954</u></b>	<b><u>\$ 2,666,393</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Liabilities:			
Bank overdraft	\$ 110,027	\$ -	\$ 110,027
Accounts payable and accrued expenses	389,731	-	389,731
Deferred income	27,721	-	27,721
Security deposits payable	2,194	-	2,194
Annuity and split interest agreement payable	100,846	-	100,846
Mortgage payable	<u>392,177</u>	<u>-</u>	<u>392,177</u>
Total liabilities	<u>1,022,696</u>	<u>-</u>	<u>1,022,696</u>
Commitments and contingencies (Notes 9, 12, 13 and 14)			
Net assets:			
Unrestricted	581,289	562,954	1,144,243
Temporarily restricted	153,952	-	153,952
Permanently restricted	<u>345,502</u>	<u>-</u>	<u>345,502</u>
Total net assets	<u>1,080,743</u>	<u>562,954</u>	<u>1,643,697</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,103,439</u></b>	<b><u>\$ 562,954</u></b>	<b><u>\$ 2,666,393</u></b>

See accompanying notes to consolidating financial statements.

JEWISH FAMILY & CHILDREN'S SERVICES OF NORTHERN NEW JERSEY, INC.

AND

JEWISH FAMILY SERVICE FOUNDATION, INC.  
 CONSOLIDATING STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

	Jewish Family & Children's Services of Northern New Jersey, Inc.			Jewish Family Service Foundation, Inc.	Consolidated Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		Unrestricted
Public support and other revenue:						
Public support:						
Jewish Federation of Northern New Jersey	\$ 893,530	\$ -	\$ -	\$ 893,530	\$ -	\$ 893,530
Grant income	1,163,147	-	-	1,163,147	-	1,163,147
Contributions	180,721	-	-	180,721	-	180,721
Fundraising events	\$ 536,857					
Less: direct costs	(124,276)					
Net fundraising events revenue	<u>412,581</u>	<u>-</u>	<u>-</u>	<u>412,581</u>	<u>-</u>	<u>412,581</u>
Total public support	<u>2,649,979</u>	<u>-</u>	<u>-</u>	<u>2,649,979</u>	<u>-</u>	<u>2,649,979</u>
Other revenue:						
Counseling fees	570,503	-	-	570,503	-	570,503
Program fees - school-based services	1,373,694	-	-	1,373,694	-	1,373,694
Other program fees	77,081	-	-	77,081	-	77,081
Rental income	25,200	-	-	25,200	-	25,200
Less: rental expenses	(40,616)	-	-	(40,616)	-	(40,616)
Investment income	-	-	-	-	12,636	12,636
Other	<u>14,060</u>	<u>-</u>	<u>-</u>	<u>14,060</u>	<u>-</u>	<u>14,060</u>
Total other revenue	<u>2,019,922</u>	<u>-</u>	<u>-</u>	<u>2,019,922</u>	<u>12,636</u>	<u>2,032,558</u>
Net assets released from restrictions	<u>8,841</u>	<u>(8,841)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and other revenue	<u>4,678,742</u>	<u>(8,841)</u>	<u>-</u>	<u>4,669,901</u>	<u>12,636</u>	<u>4,682,537</u>
Expenses:						
Program services:						
Family counseling	634,295	-	-	634,295	-	634,295
Senior adults	1,501,798	-	-	1,501,798	-	1,501,798
Adult case management	142,598	-	-	142,598	-	142,598
School-based services	984,840	-	-	984,840	-	984,840
Community social work	76,468	-	-	76,468	-	76,468
Camp	<u>9,500</u>	<u>-</u>	<u>-</u>	<u>9,500</u>	<u>-</u>	<u>9,500</u>
Total program services	<u>3,349,499</u>	<u>-</u>	<u>-</u>	<u>3,349,499</u>	<u>-</u>	<u>3,349,499</u>
Supporting services:						
Management and general	1,043,017	-	-	1,043,017	-	1,043,017
Fundraising	<u>283,606</u>	<u>-</u>	<u>-</u>	<u>283,606</u>	<u>-</u>	<u>283,606</u>
Total supporting services	<u>1,326,623</u>	<u>-</u>	<u>-</u>	<u>1,326,623</u>	<u>-</u>	<u>1,326,623</u>
Total expenses	<u>4,676,122</u>	<u>-</u>	<u>-</u>	<u>4,676,122</u>	<u>-</u>	<u>4,676,122</u>
Increase (decrease) in net assets	2,620	(8,841)	-	(6,221)	12,636	6,415
Net assets - beginning of year	661,985	112,029	345,502	1,119,516	550,318	1,669,834
Net assets of Jewish Family Service of North Jersey, Inc. acquired through merger	<u>(83,316)</u>	<u>50,764</u>	<u>-</u>	<u>(32,552)</u>	<u>-</u>	<u>(32,552)</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 581,289</u>	<u>\$ 153,952</u>	<u>\$ 345,502</u>	<u>\$ 1,080,743</u>	<u>\$ 562,954</u>	<u>\$ 1,643,697</u>

See accompanying notes to consolidating financial statements.

**JEWISH FAMILY & CHILDREN'S SERVICES OF NORTHERN NEW JERSEY, INC. AND  
JEWISH FAMILY SERVICE FOUNDATION, INC.  
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services						Supporting Services					Consolidated Total	
	Family Counseling	Senior Adults	Adult Case Management	School-based Services	Community Social Work	Camp	Program Services Total	Management and General	Fund-raising	Direct Cost of Fund-raising Events	Rental Expenses		Supporting Services Total
<b>Personnel costs:</b>													
Salaries	\$ 356,756	\$ 394,855	\$ 90,218	\$ 609,233	\$ 64,576	\$ -	\$1,515,638	\$ 431,585	\$ 228,987	\$ -	\$ -	\$ 660,572	\$ 2,176,210
Payroll taxes and employee benefits	44,956	54,812	10,973	68,993	5,863	-	185,597	160,256	23,098	-	-	183,354	368,951
<b>Total personnel costs</b>	<b>401,712</b>	<b>449,667</b>	<b>101,191</b>	<b>678,226</b>	<b>70,439</b>	<b>-</b>	<b>1,701,235</b>	<b>591,841</b>	<b>252,085</b>	<b>-</b>	<b>-</b>	<b>843,926</b>	<b>2,545,161</b>
<b>Other expenses:</b>													
Professional, counseling and staffing fees	193,903	720,598	2,250	235,864	4,170	-	1,156,785	66,181	2,013	-	-	68,194	1,224,979
Accounting and other fees	-	-	-	-	-	-	-	103,085	-	-	-	103,085	103,085
Camp fees	-	-	-	-	-	9,500	9,500	-	-	-	-	-	9,500
Supplies	951	1,231	-	7,695	56	-	9,933	22,335	1,059	-	-	23,394	33,327
Assistance to individuals	-	55,385	21,188	-	-	-	76,573	3,105	-	-	-	3,105	79,678
Staff travel and development	1,507	6,981	-	2,898	1,537	-	12,923	654	843	-	-	1,497	14,420
Telephone	-	-	-	-	-	-	-	22,661	-	-	-	22,661	22,661
Postage and shipping	184	2,355	-	146	-	-	2,685	4,321	4,758	-	-	9,079	11,764
Minor equipment	-	2,518	3,266	2,025	-	-	7,809	16,824	2,076	-	-	18,900	26,709
Printing and design	250	-	80	-	-	-	330	27,904	9,488	-	-	37,392	37,722
Advertising and public relations	-	399	-	-	195	-	594	31,324	5,850	-	-	37,174	37,768
Food and venue	295	21,897	-	50,981	71	-	73,244	7,873	599	124,276	-	132,748	205,992
Food - KMOW	-	208,630	-	-	-	-	208,630	-	-	-	-	-	208,630
Dues and conferences	-	1,759	-	-	-	-	1,759	2,945	114	-	-	3,059	4,818
Building repairs and maintenance	-	-	-	-	-	-	-	64,215	-	-	22,698	86,913	86,913
Rent	12,943	6,472	-	-	-	-	19,415	30,366	-	-	-	30,366	49,781
Insurance	7,657	9,013	3,745	4,577	-	-	24,992	14,311	2,496	-	1,388	18,195	43,187
Interest	-	-	-	-	-	-	-	18,941	-	-	7,226	26,167	26,167
Depreciation	14,893	14,893	10,878	2,308	-	-	42,972	12,611	1,725	-	9,304	23,640	66,612
Miscellaneous	-	-	-	120	-	-	120	1,320	500	-	-	2,020	2,140
<b>Total other expenses</b>	<b>232,583</b>	<b>1,052,131</b>	<b>41,407</b>	<b>306,614</b>	<b>6,029</b>	<b>9,500</b>	<b>1,648,261</b>	<b>451,176</b>	<b>31,521</b>	<b>124,276</b>	<b>40,616</b>	<b>647,589</b>	<b>2,295,853</b>
<b>TOTAL EXPENSES</b>	<b>634,295</b>	<b>1,501,798</b>	<b>142,598</b>	<b>984,840</b>	<b>76,468</b>	<b>9,500</b>	<b>3,349,499</b>	<b>1,043,017</b>	<b>283,606</b>	<b>124,276</b>	<b>40,616</b>	<b>1,491,515</b>	<b>4,841,014</b>
<b>Less: expenses deducted directly from revenues on the consolidating statement of activities:</b>													
Direct cost of fundraising events	-	-	-	-	-	-	-	-	-	(124,276)	-	(124,276)	(124,276)
Rental expenses	-	-	-	-	-	-	-	-	-	-	(40,616)	(40,616)	(40,616)
<b>Total expenses reported by function on the consolidating statement of activities</b>	<b>\$ 634,295</b>	<b>\$ 1,501,798</b>	<b>\$ 142,598</b>	<b>\$ 984,840</b>	<b>\$ 76,468</b>	<b>\$ 9,500</b>	<b>\$ 3,349,499</b>	<b>\$ 1,043,017</b>	<b>\$ 283,606</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,326,623</b>	<b>\$ 4,676,122</b>

See accompanying notes to consolidating financial statements.  
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**JEWISH FAMILY & CHILDREN'S SERVICES OF NORTHERN NEW JERSEY, INC.**  
**AND**  
**JEWISH FAMILY SERVICE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Cash flows from operating activities:	
Change in net assets	\$ 6,415
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized and unrealized gain on investments	(12,020)
Bad debt expense	500
Depreciation	66,612
Changes in assets and liabilities:	
Accounts receivable	(105,609)
Contributions receivable	(1,217)
Prepaid expenses and other assets	63,340
Accounts payable and accrued expenses	(302,567)
Deferred income	<u>8,150</u>
Net cash used in operating activities	<u>(276,396)</u>
Cash flows from investing activities:	
Cash and cash equivalents acquired through merger	204,715
Purchase of fixed assets	<u>(105,597)</u>
Net cash provided by investing activities	<u>99,118</u>
Cash flows from financing activities:	
Principal payments of mortgage payable	(36,970)
Bank overdraft	<u>110,027</u>
Net cash provided by financing activities	<u>73,057</u>
Net decrease in cash and cash equivalents	(104,221)
Cash and cash equivalents - beginning	<u>629,537</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 525,316</u></b>
Supplemental disclosure of cash flow information:	
Interest paid	<u>\$ 26,167</u>
Supplemental schedules of noncash investing and financing activities:	
Noncash assets acquired through merger:	
Accounts receivable	\$ 212,957
Charitable remainder annuity trust	101,229
Prepaid expenses and other current assets	<u>23,242</u>
Total noncash assets acquired through merger	<u>\$ 337,428</u>
Noncash liabilities assumed through merger:	
Accounts payable and accrued expenses	\$ 481,207
Annuity and split interest agreement payable	<u>93,488</u>
Total noncash liabilities assumed through merger	<u>\$ 574,695</u>

See accompanying notes to consolidating financial statements.



**JEWISH FAMILY & CHILDREN'S SERVICES OF NORTHERN NEW JERSEY, INC.  
AND JEWISH FAMILY SERVICE FOUNDATION, INC.  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. NATURE OF ORGANIZATION**

Jewish Family Service, Inc. ("JFS") was organized on December 4, 1978. Effective January 1, 2017, Jewish Family Service of North Jersey, Inc. ("JFSNJ") merged into JFS, with JFS being the surviving organization. Concurrent with the merger, the name of the surviving organization was changed to Jewish Family & Children's Services of Northern New Jersey, Inc. ("JFCSNNJ"). The mission statement of JFCSNNJ reads as follows:

Based on Jewish tradition and values, JFCSNNJ's mission is to strengthen and enhance the well-being of all who call upon us by providing professional and compassionate human services to effectively meet life's many challenges.

Jewish Family Service Foundation, Inc. ("JFSF") was organized in 2009 and began operations in 2012 with the sole purpose of raising funds to support JFS. On March 7, 2012, JFS initially transferred \$250,000 to JFSF.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of consolidation

The accompanying consolidating financial statements include the accounts of JFCSNNJ and JFSF (collectively referred to as the "Organization"). The financial statements have been consolidated because JFCSNNJ maintains an economic interest in and control of JFSF through common board membership and the ability to elect JFSF board members. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of accounting

The accompanying consolidating financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and are presented in accordance with accounting requirements for not-for-profit organizations. The Organization classifies net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions.

The net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets are net assets whose use has been limited by donors to a specific time period and/or purpose.
- Permanently restricted net assets are subject to donor-imposed stipulations that the principal corpus be maintained in perpetuity.

**JEWISH FAMILY & CHILDREN'S SERVICES OF NORTHERN NEW JERSEY, INC.  
AND JEWISH FAMILY SERVICE FOUNDATION, INC.  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

New accounting pronouncements

Effective for the year ending June 30, 2019, the Organization will be required to adopt Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements for Not-for-profit Entities*, which changes the presentation of not-for-profit financial statements. The new guidance reduces the number of net asset classes from three to two and increases disclosures about financial measures and liquidity risks, among other changes. The effect of adopting this new guidance on the Organization's consolidating financial statements and related disclosures has not yet been determined.

Effective for the year ending June 30, 2020, the Organization will adopt the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers*, which will replace the current revenue recognition guidance pertaining to contracts with customers contained in GAAP. The effect of adopting ASU 2014-09 on the Organization's consolidating financial statements and related disclosures has not yet been determined.

In February 2016, FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after June 30, 2020, with early adoption permitted. The effect of adopting ASU 2016-02 on the Organization's consolidating financial statements and related disclosures has not yet been determined.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Use of estimates

The preparation of consolidating financial statements in conformity with GAAP 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 consolidating financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**JEWISH FAMILY & CHILDREN'S SERVICES OF NORTHERN NEW JERSEY, INC.  
AND JEWISH FAMILY SERVICE FOUNDATION, INC.  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fair value measurements

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Donations-in-kind

Donations of noncash assets are recorded at their fair values at the date received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and are provided by individuals possessing those skills, are recorded at their fair values in the period received.

Donated legal services were rendered on behalf of the Organization and amounted to \$8,500 for the year ended June 30, 2017, and are included in contributions in the accompanying consolidating statement of activities and in accounting and other fees in the accompanying consolidating statement of functional expenses. Additionally, the Organization received in-kind donations for the fundraising event which is included in fundraising event revenue and related direct costs in the accompanying consolidating statement of activities. The value of the donated items has been estimated to be \$17,725 for the year ended June 30, 2017.

**JEWISH FAMILY & CHILDREN'S SERVICES OF NORTHERN NEW JERSEY, INC.  
AND JEWISH FAMILY SERVICE FOUNDATION, INC.  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounts receivable

Accounts receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. On a periodic basis, management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. At June 30, 2017, the allowance for doubtful accounts was \$10,332.

Contributions receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Contributions receivable are due in less than one year; therefore, no discount to present value is required.

Management evaluates such contributions receivable and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. At June 30, 2017, there was no allowance for doubtful accounts for contributions receivable.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements.

Investment transactions are recorded on a trade-date basis. Unrealized gains and losses represent the net change in the carrying value of securities owned as of the date of the consolidating statement of financial position. Realized gains and losses on investments are determined using the specific-identification method. Earnings from dividends are recognized on the ex-dividend date.

Property and equipment

Property and equipment are stated at cost if acquired or at their fair values at the date of donation. Maintenance and repairs are charged to operations when incurred. Expenditures that increase the value or significantly extend the lives of assets with a cost of \$1,000 or more are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Revenue and support recognition

The Organization derives revenue and support primarily from grants, contributions, and program and counseling fees.

Contributions, including beneficial interests in remainder trusts, are recognized as revenue when they are unconditionally promised. Conditional promises to give are recognized as contributions when substantially all conditions are met. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidating statement of activities as "Net assets released from restrictions."

**JEWISH FAMILY & CHILDREN'S SERVICES OF NORTHERN NEW JERSEY, INC.  
AND JEWISH FAMILY SERVICE FOUNDATION, INC.  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and support recognition (continued)

Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Special event income is recognized when the event has taken place.

Revenue from cost-reimbursement grants is recognized when the Organization has expended the program costs in accordance with the grant agreements.

Deferred income

Revenue generated from program fees - school-based services is recognized when such services are rendered. The portion of revenue collected in advance but not yet earned is reflected as deferred income.

Advertising

Advertising costs are expensed as incurred and aggregated \$37,768 for the year ended June 30, 2017.

Allocation of expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidating statement of activities. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited.

Income taxes

JFCSNJ and JFSF qualify as tax-exempt, not-for-profit organizations under Section 501(c)(3) of the Internal Revenue Code (the "IRC").

The Organization recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, the Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidating financial statements.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through February 26, 2018, the date on which these consolidating financial statements were available to be issued. Except for mortgage refinancing (Note 9), there were no material subsequent events that required recognition or disclosure in these consolidating financial statements.

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**NOTE 3. MERGER OF OPERATIONS**

On January 1, 2017, JFS and JFSNJ completed a merger of their operations (see Note 1). Both JFS and JFSNJ provided quality human services and professional counseling services to individuals and families. As a result of the merger, the combined organization has been renamed JFCSNNJ. Through their merger, the organizations seek to further their common mission by improving their counseling programs and achieving economies of scale and other synergies through integrating their services.

As of January 1, 2017, the major classes of assets, liabilities, and net assets of JFS, JFSNJ and JFSF follow:

	<u>JFS</u> <u>(unaudited)</u>	<u>JFSNJ</u> <u>(audited)</u>	<u>Subtotal</u> <u>(unaudited)</u>	<u>JFSF</u> <u>(unaudited)</u>	<u>Total</u> <u>(JFCSNNJ)</u> <u>(unaudited)</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 388,801	\$202,751	\$ 591,552	\$ 301,861	\$ 893,413
Investments	63,198	1,964	65,162	252,998	318,160
Accounts receivable, net	389,154	212,957	602,111	-	602,111
Contributions receivable, net	52,305	-	52,305	-	52,305
Charitable remainder annuity trust	-	101,229	101,229	-	101,229
Prepaid expenses and other assets	17,076	23,242	40,318	-	40,318
Security deposits	5,610	-	5,610	-	5,610
Cemetery plots	7,200	-	7,200	-	7,200
Property and equipment, net	<u>1,049,312</u>	<u>-</u>	<u>1,049,312</u>	<u>-</u>	<u>1,049,312</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,972,656</u></b>	<b><u>\$542,143</u></b>	<b><u>\$2,514,799</u></b>	<b><u>\$ 554,859</u></b>	<b><u>\$3,069,658</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 164,105	\$481,207	\$ 645,312	\$ -	\$ 645,312
Deferred income	181,206	-	181,206	-	181,206
Security deposits payable	2,194	-	2,194	-	2,194
Annuity and split interest agreement payable	-	93,488	93,488	-	93,488
Mortgage payable	<u>410,990</u>	<u>-</u>	<u>410,990</u>	<u>-</u>	<u>410,990</u>
Total liabilities	<u>758,495</u>	<u>574,695</u>	<u>1,333,190</u>	<u>-</u>	<u>1,333,190</u>
Net assets:					
Unrestricted	756,630	(83,316)	673,314	554,859	1,228,173
Temporarily restricted	112,029	50,764	162,793	-	162,793
Permanently restricted	<u>345,502</u>	<u>-</u>	<u>345,502</u>	<u>-</u>	<u>345,502</u>
Total net assets	<u>1,214,161</u>	<u>(32,552)</u>	<u>1,181,609</u>	<u>554,859</u>	<u>1,736,468</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$1,972,656</u></b>	<b><u>\$542,143</u></b>	<b><u>\$2,514,799</u></b>	<b><u>\$ 554,859</u></b>	<b><u>\$3,069,658</u></b>

There were no material transactions between JFS and JFSNJ prior to the merger and there were no material adjustments to conform the accounting policies of the combining organizations.

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**NOTE 4. CONCENTRATION OF CREDIT RISK**

The Organization maintains cash and cash equivalent balances with financial institutions which were routinely in excess of federal insurance limits during the year ended June 30, 2017. The Organization has not experienced any losses in these accounts, and management does not believe the Organization is exposed to any significant credit risks with respect to cash and cash equivalents.

Revenue from the after school program accounted for 29% of total public support and other revenue during the year ended June 30, 2017.

Revenue from Jewish Federation of Northern New Jersey ("JFNNJ") accounted for 19% of total public support and other revenue during the year ended June 30, 2017.

Revenue from Jewish Family Service of Central New Jersey accounted for 19% of total public support and other revenue during the year ended June 30, 2017.

Additionally, JFNNJ accounted for 56% of total accounts receivable at June 30, 2017. Jewish Family Service of Central New Jersey accounted for 24% of total accounts receivable at June 30, 2017.

**NOTE 5. FAIR VALUE MEASUREMENTS**

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the table below. The valuation techniques are as follows:

- a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following table presents the investments measured at fair value by level at June 30, 2017:

<u>Description</u>	Level 1: <u>Quoted Prices in Active Markets for Identical Assets</u>	Level 2: <u>Significant Other Observable Inputs</u>	Level 3: <u>Significant Unobservable Inputs</u>	<u>Total at June 30, 2017</u>	<u>Valuation Technique</u>
Money market funds	\$ 212,740	\$ -	\$ -	\$ 212,740	(a)
JFNNJ pooled investment account	-	111,596	-	111,596	(a)
<b>Total</b>	<b>\$ 212,740</b>	<b>\$ 111,596</b>	<b>\$ -</b>	<b>\$ 324,336</b>	

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**NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following is a description of the valuation methodologies used for assets measured at fair value:

*Money market funds* - valued at cost plus accrued interest, which approximates fair value due to the liquidity of the investment.

*Mutual funds* - valued based on the closing price reported in the active market in which the individual security is traded.

*JFNNJ pooled investment account* - valued at JFCSNNJ's share of the investments of the JFNNJ pooled investments as reported by JFNNJ and its investment managers and advisors. The methods and procedures used to value these investments may include but are not limited to: (1) performing comparisons with prices of comparable or similar securities; (2) obtaining valuation-related information from issuers; and/or (3) other analytical data relating to the investment and using other available indications of value, absent readily available market values.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**NOTE 6. CHARITABLE REMAINDER ANNUITY TRUST**

The Organization is the trustee of a Charitable Remainder Annuity Trust (the "Trust"), and is also the beneficiary of the remainder interest. Under the split-interest agreements terms, the donor and surviving beneficiary are to receive an annual annuity amount of \$7,923, which is equal to 5% of the initial fair market value of the assets of the Trust. At the time of the surviving beneficiary's death, the Trust is to terminate, and the remaining assets will be distributed to the Organization. Under the terms of the Trust, the beneficiary is entitled to an annuity for life. However, it is possible the Trust will be depleted and that there will be no remainder interest available to distribute to the Organization.



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**NOTE 6. CHARITABLE REMAINDER ANNUITY TRUST (CONTINUED)**

The following table presents the Trust measured at fair value by level at June 30, 2017:

<u>Description</u>	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2017	Valuation Technique
Money market funds	\$ 3,860	\$ -	\$ -	\$ 3,860	(a)
Mutual funds:					
Domestic equities	59,437	-	-	59,437	(a)
International equities	9,268	-	-	9,268	(a)
Fixed income	36,022	-	-	36,022	(a)
Subtotal	104,727	-	-	104,727	
Total	\$ 108,587	\$ -	\$ -	\$ 108,587	

See Note 5 for the description of the valuation methodologies and techniques used for these assets.

**NOTE 7. PROPERTY AND EQUIPMENT**

The following is an analysis of property and equipment as of June 30, 2017:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 536,700	\$ -	\$ 536,700
Building and improvements	1,044,714	(565,032)	479,682
Furniture and equipment	171,995	(104,453)	67,542
	\$ 1,753,409	\$ (669,485)	\$ 1,083,924

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**NOTE 8. TEMPORARILY RESTRICTED NET ASSETS**

During the year ended June 30, 2017, \$8,841 was released from the Youth Assistance Fund by incurring expenses satisfying the restricted purposes.

At June 30, 2017, temporarily restricted net assets were available for the following purposes:

Child counseling	\$ 20,014
Senior adults	23,676
Maier Bat Mitzvah	13,975
President's fund	18,526
Bergenfield designated	18,383
Koch and Moskow designated	25,000
Remainder annuity trust	7,432
Holocaust survivor assistance	18,332
Other programs	<u>8,614</u>
	<u>\$ 153,952</u>

**NOTE 9. MORTGAGE PAYABLE**

In April 2010, JFS entered into a mortgage agreement with a financial institution in the original amount of \$610,000, which bore interest at the rate of 6.25% per annum. Payment of principal and interest was due in monthly installments of \$5,261. The loan was secured by the building located in Teaneck, New Jersey, and was due on May 1, 2025.

In September 2017, JFCSNNJ entered into a 10-year mortgage agreement with another financial institution in the amount of \$400,000 which bears interest at the rate of 4.19% per annum. The mortgage proceeds were used to pay off the original mortgage discussed above. The loan is secured by the building located in Teaneck, New Jersey, and is due on October 10, 2027. A secured line of credit for a maximum amount of \$250,000 was also granted to JFCSNNJ, as further described in the mortgage agreement. Borrowings under this line of credit bear interest at the rate of Prime plus 1% per annum.

Principal payments due in each of the next five years and thereafter at June 30, 2017, adjusted for the new mortgage entered into are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 17,539
2019	13,377
2020	13,913
2021	14,559
2022	15,190
Thereafter	<u>334,986</u>
	<u>\$ 409,564</u>

Interest expense for the year ended June 30, 2017, was \$26,167.

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**NOTE 10. PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENTS)**

Interpretation of relevant law

The board of trustees of JFCSNNJ follows New Jersey guidelines under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA provides that the governing board may appropriate for expenditures the uses and purposes for which the endowment fund was established, including how much of the net appreciation, both realized and unrealized, of the fair value of the assets of the endowment to be added over the historical value of the fund that is considered prudent. The policy of the governing board is to appropriate all investment income up to 7% of the corpus and the excess added to the historical dollar value.

Return objectives, strategies employed and spending policy

The objective is to maintain the principal endowment funds at the original amount designated by the donor while earning investment income. The investment policy to achieve this objective is to invest in low-risk securities. Interest earned in relation to the endowment funds is recorded as unrestricted income.

During the year ended June 30, 2017, there were no changes to the permanently restricted net assets.

**NOTE 11. RELATED-PARTY TRANSACTIONS**

During the year ended June 30, 2017, the Organization received contributions of \$181,252 from certain of its board members.

**NOTE 12. EMPLOYEE SAVINGS PLAN**

The Organization sponsors a 403(b) plan covering substantially all of its full-time employees. Under the plan, employees can elect to defer a percentage of their salary, subject to IRC limits, and the Organization may elect to make a discretionary contribution. The Organization made a discretionary contribution in the amount of \$84,419 during the year ended June 30, 2017.

**NOTE 13. COMMITMENTS**

Leases

The Organization leases office space in Wayne, New Jersey. The lease was extended for five years beginning September 1, 2016, with an opt out clause after three years with a six-month advance notice. The Organization also leases office space in Fair Lawn, New Jersey. The Fair Lawn lease term expires September 14, 2018. Rent expense totaled \$49,781 for the year ended June 30, 2017.

Future minimum lease payments at June 30, 2017, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 98,533
2019	73,881
2020	68,888
2021	70,954
2022	<u>11,883</u>
	<u>\$ 324,139</u>

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**NOTE 13. COMMITMENTS (CONTINUED)**

Leases (continued)

The Organization leases a copy machine. Equipment lease expense totaled \$1,530 for the six months ended June 30, 2017.

Future minimum lease payments at June 30, 2017, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 6,120
2019	6,120
2020	6,120
2021	6,120
2022	<u>4,590</u>
	<u>\$ 29,070</u>

Other commitments

The Organization's former executive director retired in December 2007. In recognition of the executive director's length of service to the agency, the board approved a "retirement" package totaling approximately \$74,000 to be paid out over 10 years in monthly installments. This is not a contractual obligation and therefore is not enforceable nor accrued at June 30, 2017. The final payment was made in December 2017.

As a result of the merger, the Organization terminated the employment of JFSNJ executive director. Total payments of approximately \$120,000 were made relating to the employment termination in June 2017.

**NOTE 14. CONTINGENCIES**

Revenue from cost-reimbursement grants is subject to audits and possible adjustments by the funding agencies. The effects of any such adjustments are recorded when reasonably determinable. Management believes that the effect of audit adjustments, if any, will not have a material effect on the accompanying consolidating financial statements.