

**Jewish Family Service of MetroWest, Inc.**

Financial Statements

Years Ended June 30, 2017 and 2016

# **Jewish Family Service of MetroWest, Inc.**

## Financial Statements

Years Ended June 30, 2017 and 2016

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## Independent Auditor's Report

Board of Trustees  
Jewish Family Service of MetroWest, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Jewish Family Service of MetroWest, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 Family Service of MetroWest, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017 on our consideration of Jewish Family Service of MetroWest, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jewish Family Service of MetroWest, Inc.'s internal control over financial reporting and compliance.

*Sax LLP*

Clifton, New Jersey  
December 21, 2017

# Jewish Family Service of Metrowest, Inc.

## Statements of Financial Position

	June 30,	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 137,207	\$ 43,869
Restricted cash held in investment pool	1,147,116	-
Investments held at JCF of MetroWest, Inc.	5,518,542	5,232,123
Contributions and grants receivable, net	464,689	486,384
Program fees receivable, net	94,641	168,303
Property and equipment, net	804,566	859,267
Pension loan reserve	97,987	-
Due from affiliate	6,082	-
Other assets	239,808	239,808
	<b>\$ 8,510,638</b>	<b>\$ 7,029,754</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 194,873	\$ 179,105
Due to affiliate	-	5,958
Mortgage payable to affiliate	1,454,993	1,498,022
Pension loan payable to affiliate	2,052,668	-
Accrued pension liability	-	1,645,104
Postretirement medical plan obligation	577,326	753,881
Other liabilities	16,563	15,391
Total liabilities	4,296,423	4,097,461
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted		
Designated for endowment	406,566	523,007
Designated for services for the physically disabled	1,147,116	-
Undesignated (deficit)	(1,404,011)	(1,208,181)
	149,671	(685,174)
Temporarily restricted	1,645,650	1,209,357
Permanently restricted	2,418,894	2,408,110
Net assets	4,214,215	2,932,293
	<b>\$ 8,510,638</b>	<b>\$ 7,029,754</b>

See Accompanying Notes to Financial Statements.

# Jewish Family Service of Metrowest, Inc.

## Statements of Activities

	Years Ended June 30,							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES</b>								
Grants and contributions	\$ 549,411	\$ 854,498	\$ 10,784	\$ 1,414,693	\$ 474,869	\$ 752,544	\$ 4,700	\$ 1,232,113
Contributions from Jewish Federation of Greater MetroWest NJ								
Annual allocation	254,536	220,464	-	475,000	288,536	194,392	-	482,928
Metrowest HELPS	-	-	-	-	-	6,250	-	6,250
Special events, net of expenses of \$50,446 and \$65,206 in 2017 and 2016, respectively	180,732	95,707	-	276,439	137,278	81,608	-	218,886
Counseling and program fees	2,511,722	-	-	2,511,722	2,273,221	-	-	2,273,221
Investment income, net of investment fees of \$28,418 and \$28,940 in 2017 and 2016, respectively	2,563	32,851	-	35,414	2,872	25,093	-	27,965
Other revenues	68,907	6,238	-	75,145	51,551	373	-	51,924
	<u>3,567,871</u>	<u>1,209,758</u>	<u>10,784</u>	<u>4,788,413</u>	<u>3,228,327</u>	<u>1,060,260</u>	<u>4,700</u>	<u>4,293,287</u>
Net assets released from restrictions	1,407,776	(1,407,776)	-	-	1,166,651	(1,166,651)	-	-
	<u>4,975,647</u>	<u>(198,018)</u>	<u>10,784</u>	<u>4,788,413</u>	<u>4,394,978</u>	<u>(106,391)</u>	<u>4,700</u>	<u>4,293,287</u>
<b>EXPENSES</b>								
Program services								
Family and children services	1,203,617	-	-	1,203,617	1,097,905	-	-	1,097,905
Older adult services	2,126,983	-	-	2,126,983	1,906,474	-	-	1,906,474
Domestic violence	764,014	-	-	764,014	675,082	-	-	675,082
	<u>4,094,614</u>	<u>-</u>	<u>-</u>	<u>4,094,614</u>	<u>3,679,461</u>	<u>-</u>	<u>-</u>	<u>3,679,461</u>
Development and fundraising	117,453	-	-	117,453	108,853	-	-	108,853
Management and general	915,248	-	-	915,248	895,117	-	-	895,117
	<u>5,127,315</u>	<u>-</u>	<u>-</u>	<u>5,127,315</u>	<u>4,683,431</u>	<u>-</u>	<u>-</u>	<u>4,683,431</u>
<b>Changes in net assets from operations</b>	<u>(151,668)</u>	<u>(198,018)</u>	<u>10,784</u>	<u>(338,902)</u>	<u>(288,453)</u>	<u>(106,391)</u>	<u>4,700</u>	<u>(390,144)</u>
<b>INVESTMENT INCOME</b>								
Realized gains on investments	20,433	258,278	-	278,711	158,235	-	-	158,235
Unrealized gains (losses) on investments	34,492	376,033	-	410,525	(351,103)	-	-	(351,103)
	<u>54,925</u>	<u>634,311</u>	<u>-</u>	<u>689,236</u>	<u>(192,868)</u>	<u>-</u>	<u>-</u>	<u>(192,868)</u>
Changes in net assets before defined benefit/post retirement plan adjustment	(96,743)	436,293	10,784	350,334	(481,321)	(106,391)	4,700	(583,012)
Defined benefit/post retirement plan adjustment	(215,528)	-	-	(215,528)	44,140	-	-	44,140
<b>Increase (decrease) in net assets</b>	<u>\$ (312,271)</u>	<u>\$ 436,293</u>	<u>\$ 10,784</u>	<u>\$ 134,806</u>	<u>\$ (437,181)</u>	<u>\$ (106,391)</u>	<u>\$ 4,700</u>	<u>\$ (538,872)</u>

See Accompanying Notes to Financial Statements.

## Jewish Family Service of Metrowest, Inc.

### Statements of Changes in Net Assets

	Years Ended June 30,							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>NET ASSETS (DEFICIT), beginning of year as previously stated</b>	\$ (685,174)	\$ 1,209,357	\$ 2,408,110	\$ 2,932,293	\$ (439,164)	\$ 1,315,748	\$ 2,594,581	\$ 3,471,165
Prior year adjustment	-	-	-	-	191,171	-	(191,171)	-
<b>NET ASSETS (DEFICIT), beginning of year as restated</b>	(685,174)	1,209,357	2,408,110	2,932,293	(247,993)	1,315,748	2,403,410	3,471,165
Increase (decrease) in net assets	(312,271)	436,293	10,784	134,806	(437,181)	(106,391)	4,700	(538,872)
Merger with Coordinated Care of Metrowest, Inc. (See note 1a)	1,147,116	-	-	1,147,116	-	-	-	-
<b>NET ASSETS (DEFICIT), end of year</b>	<b><u>\$ 149,671</u></b>	<b><u>\$ 1,645,650</u></b>	<b><u>\$ 2,418,894</u></b>	<b><u>\$ 4,214,215</u></b>	<b><u>\$ (685,174)</u></b>	<b><u>\$ 1,209,357</u></b>	<b><u>\$ 2,408,110</u></b>	<b><u>\$ 2,932,293</u></b>

**Jewish Family Service of Metrowest, Inc.**

Statement of Functional Expenses

Year Ended June 30, 2017

	Program Services			Total Program Services	Development and Fundraising	Management and General	Total
	Family and Children Services	Older Adult Services	Domestic Violence				
Salaries	\$ 802,746	\$ 589,644	\$ 486,862	\$ 1,879,252	\$ 97,008	\$ 470,156	\$ 2,446,416
Payroll taxes and employee benefits	168,509	121,284	100,997	390,790	16,563	103,539	510,892
Professional fees	-	3,000	-	3,000	-	48,975	51,975
Consultants	10,198	12,615	29,755	52,568	175	51,886	104,629
Direct assistance to clients	41,637	1,212,446	22,611	1,276,694	-	-	1,276,694
Office supplies and expense	8,595	11,025	6,668	26,288	122	35,675	62,085
Publicity and promotion	6,490	15,171	9,128	30,789	85	3,093	33,967
Conference and travel expense	6,544	18,486	4,063	29,093	-	3,181	32,274
Telephone	9,248	12,023	7,279	28,550	-	9,070	37,620
Transportation	-	40,567	-	40,567	-	3,553	44,120
Equipment rental and maintenance	33,325	22,793	15,379	71,497	-	16,302	87,799
Postage and printing	3,145	6,986	17,926	28,057	3,133	2,902	34,092
Insurance	6,740	5,527	4,993	17,260	-	3,918	21,178
Occupancy	49,803	27,052	41,658	118,513	-	64,016	182,529
Depreciation	19,279	15,807	10,976	46,062	-	11,058	57,120
Licenses, dues, and accreditation fees	11,264	5,718	3,729	20,711	-	3,535	24,246
Bad debt expense	25,900	-	-	25,900	-	2,100	28,000
Interest expense	-	-	-	-	-	78,540	78,540
Miscellaneous	194	6,839	1,990	9,023	367	3,749	13,139
	<b>\$ 1,203,617</b>	<b>\$ 2,126,983</b>	<b>\$ 764,014</b>	<b>\$ 4,094,614</b>	<b>\$ 117,453</b>	<b>\$ 915,248</b>	<b>\$ 5,127,315</b>



**Jewish Family Service of Metrowest, Inc.**

Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services			Total Program Services	Development and Fundraising	Management and General	Total
	Family and Children Services	Older Adult Services	Domestic Violence				
Salaries	\$ 744,801	\$ 578,500	\$ 418,919	\$ 1,742,220	\$ 85,870	\$ 487,984	\$ 2,316,074
Payroll taxes and employee benefits	162,347	125,004	89,694	377,045	18,557	156,535	552,137
Professional fees	-	-	-	-	-	44,714	44,714
Consultants	14,645	1,147	33,611	49,403	200	5,257	54,860
Direct assistance to clients	21,031	1,050,089	27,010	1,098,130	-	1,263	1,099,393
Office supplies and expense	6,399	10,405	7,493	24,297	-	23,749	48,046
Publicity and promotion	2,556	6,429	8,939	17,924	-	1,992	19,916
Conference and travel expense	9,232	14,483	2,940	26,655	-	5,486	32,141
Telephone	9,947	9,797	7,620	27,364	-	10,545	37,909
Transportation	-	28,521	-	28,521	-	4,915	33,436
Equipment rental and maintenance	33,482	19,857	13,662	67,001	-	15,233	82,234
Postage and printing	3,915	7,945	6,371	18,231	4,226	3,511	25,968
Insurance	5,920	4,451	4,229	14,600	-	3,502	18,102
Occupancy	52,681	25,856	37,650	116,187	-	63,523	179,710
Depreciation	22,557	16,962	11,712	51,231	-	13,349	64,580
Licenses, dues, and accreditation fees	5,047	3,895	3,492	12,434	-	2,986	15,420
Bad debt expense	3,000	-	-	3,000	-	-	3,000
Interest expense	-	-	-	-	-	45,718	45,718
Miscellaneous	345	3,133	1,740	5,218	-	4,855	10,073
	<b>\$ 1,097,905</b>	<b>\$ 1,906,474</b>	<b>\$ 675,082</b>	<b>\$ 3,679,461</b>	<b>\$ 108,853</b>	<b>\$ 895,117</b>	<b>\$ 4,683,431</b>

# Jewish Family Service of Metrowest, Inc.

## Statements of Cash Flows

	Years Ended June 30,	
	2017	2016
<b>CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 134,806	\$ (538,872)
Adjustments to reconcile changes in net assets to net cash used for operating activities		
Depreciation	57,120	64,580
Bad debt expense	28,000	3,000
Realized and unrealized gains on investments	(689,236)	192,868
Changes in assets and liabilities		
Contributions and grants receivable, net	(6,303)	30,960
Program fees receivable, net	73,662	9,519
Grants receivable, net		(197,433)
Accounts payable and accrued expenses	15,769	(40,566)
Accrued pension liability	(1,645,104)	(69,664)
Postretirement medical plan obligation	(176,555)	(39,196)
Other liabilities	1,172	8,425
	(2,206,669)	(576,379)
<b>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,419)	(14,899)
Change in cash surrender value of insurance policies	-	(1,680)
Proceeds of sale of investments	616,856	747,073
Purchases of investments	(214,041)	(91,945)
	400,396	638,549
<b>CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>		
Proceeds of pension loan payable to affiliate net of loan reserve	1,980,175	-
Repayments of pension loan payable to affiliate	(25,495)	-
Net advances from (repayments to) affiliate	(12,040)	(356)
Repayments of mortgage principal to affiliate	(43,029)	(40,936)
	1,899,611	(41,292)
<b>Net increase in cash and cash equivalents</b>	<b>93,338</b>	<b>20,878</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	43,869	22,991
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 137,207</b>	<b>\$ 43,869</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 78,540	\$ 45,718

See Accompanying Notes to Financial Statements.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 1 - Organization and Summary of Significant Accounting Policies

#### *a. Nature of Agency*

Jewish Family Service of MetroWest, Inc. ("JFS" or the "Organization") is a nonprofit agency organized under the laws of the State of New Jersey. As a beneficiary agency of the Jewish Federation of Greater MetroWest NJ ("JFEDGMW"), JFS operates several outreach locations and provides specialized counseling and other program services to children, families, and the elderly.

Significant sources of revenues are received from grants and contributions, counseling and program fees, and from JFEDGMW.

On June 28, 2017, a certificate of merger was filed with the Treasurer of the State of New Jersey to effect a merger between JFS and Coordinated Care of MetroWest Inc, A New Jersey nonprofit ("CCM"). The plan of merger was approved by the JFS board on May 8, 2017 and the CCM board on May 24, 2017. Assets acquired from the merger were a money market account of \$1,147,116 held at the Jewish Community Foundation of Greater MetroWest NJ. No other assets or liabilities were transferred to JFS.

#### *b. Basis of Presentation*

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets that are subject to donor imposed time or purpose restrictions, and the permanently restricted net asset category represents net assets that are subject to donor imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of JFS.

#### *c. Income Tax Status*

JFS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, JFS qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization had no unrecognized tax benefits at June 30, 2017 or 2016. The Organization has no open years subject to examination prior to June 30, 2011. Furthermore, there are no tax related interest or penalties reflected in the financial statements presented.

#### *d. Operating Activities*

The Organization considers all revenues and expenses to be operating activities except for pension related changes and unrealized and realized gains and losses on investments.

#### *e. Revenue and Support*

JFS recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *e. Revenue and Support - Continued*

JFS accounts for those grant and contract revenues included in counseling and program fees as exchange transactions in the statements of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance. All monies not expended in accordance with the grant or contracts are recorded as a liability to the funding source as JFS does not maintain any equity in the grant or contract. Additionally, funds received in advance of their use are accounted for as deferred revenue in the statements of financial position.

Other unrestricted revenues are obtained from contributions, counseling and program fees, and investment earnings. Counseling and program fees are recorded as revenue when the services are provided. Revenue is reported at the estimated net realizable amounts due from payers.

The Organization recognizes counseling revenue on the date that the services are performed, and program fees receivable are recorded at that time. Revenue is reported at the estimated net realizable amounts due from payers.

#### *f. Functional Allocation of Expenses*

The costs of providing program and supporting services have been summarized on a functional basis. Accordingly, certain expenses have been allocated to program services based on the percentage of each program's salaries to total salaries, or other and reasonable basis consistent with the benefit derived by each program.

#### *g. Cash and Cash Equivalents*

For purposes of the statements of cash flows, JFS considers all highly liquid debt instruments purchased with a maturity of three months or less at the time of acquisition, to be cash equivalents.

#### *h. Property, Equipment, and Depreciation*

Property and equipment is recorded at cost, except for donated items which are recorded at fair value on the date of the donation. When 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. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The principal rates for computing depreciation by major asset categories are as follows:

Description	Percent
Condominium building	2.5
Furniture and fixtures	7
Equipment	10-20

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance and repairs are charged to operations as incurred.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *i. Valuation of Long-Lived Assets*

In accordance with the provisions of the accounting standard for the impairment or disposal of long-lived assets, the Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

#### *j. Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### *k. Defined Benefit Pension and Other Post Retirement Plans*

The accounting standard for employers' accounting for defined benefit and other post retirement plans requires that a plan sponsor recognize the funded status of its plan(s) in the statement of financial position. The funded status of a defined benefit pension plan is measured as the excess (deficit) of plan assets over (under) the plan's projected benefit obligation; the funded status of other post retirement plans is measured as the excess (deficit) of plan assets over (under) a plan's accumulated benefit obligation. This standard also requires that the measurement of a plan's funded status be performed as of the plan sponsor's fiscal year end.

#### *l. Recent Pending Pronouncements*

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in this Update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. However, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2015. For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. Upon adoption, the amendments shall be applied retrospectively to all periods presented.

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on the Organization financial statements.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *I. Recent Pending Pronouncements - Continued*

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard sets out to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's ("NFP's") liquidity, financial performance, and cash flows. The standard is effective for the fiscal years beginning after December 15, 2017.

### Note 2 - Management Plans to Reduce the Deficit

Management has begun a process of reviewing all programs of the agency in an effort to identify areas that contribute to our deficit and to determine whether they are core to the mission of the agency and whether any service can be delivered more efficiently. The review will also extend to all management and administrative expenses.

### Note 3 - Investments

Investments in equity securities with readily determinable values and all investments in debt securities are measured at fair value in the statements of financial position. Donated investments are recorded at the fair value at the date of receipt. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in unrestricted net assets unless the income or loss is restricted by donor or law.

Investments held at the Jewish Community Foundation of Greater MetroWest NJ ("JCF"), which represent JFS' share of the fair value of pooled investments, consist of the following:

	June 30, 2017		June 30, 2016	
	Cost	Fair Value	Cost	Fair Value
Restricted cash held in investment pool	\$ 1,147,116	\$ 1,147,116	\$ -	\$ -
Managed investment pool	5,793,921	5,518,542	5,783,775	5,232,123
	<u>\$ 6,941,037</u>	<u>\$ 6,665,658</u>	<u>\$ 5,783,775</u>	<u>\$ 5,232,123</u>

Investment income, exclusive of realized and unrealized gains and losses, but including earnings on amounts invested with JCF for the years ended June 30, 2017 and 2016 amounted to \$35,414 and \$27,965, respectively, and represented annual returns of approximately 0.67% and 0.53%, respectively, based on average market value. Investment income including realized and unrealized gains and losses for the years ended June 30, 2017 and 2016, represented annual returns (losses) of approximately 13.07% and (3.68)%, respectively.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 3 - Investments - Continued

Investment income consists of the following:

	June 30,	
	2017	2016
Operating		
Investment income	\$ 63,832	\$ 56,905
Less investment fees	(28,418)	(28,940)
	<u>\$ 35,414</u>	<u>\$ 27,965</u>
Non-operating		
Realized gains on investments	\$ 278,711	\$ 158,235
Unrealized gains/(losses) on investments	410,525	(351,103)
	<u>\$ 689,236</u>	<u>\$ (192,868)</u>

### Fair Value Accounting

#### *Recurring Fair Value Measurements:*

Pursuant to the accounting standard for fair value measurements, JFS has provided fair value disclosure information for relevant assets and liabilities in the financial statements. Fair value is based on 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. In order to increase consistency and comparability in fair value measurements, this pronouncement establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. The fair value of the investments held at JCF are estimated using the net asset values per unit of the pools.

The following table summarizes assets which have been accounted for at fair value on a recurring basis as of June 30, 2017 and 2016, along with the basis of determination of fair value:

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 3 - Investments - Continue

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Pooled investments held by JCF				
Restricted cash held in investment pool	\$ 1,147,116	\$ 1,147,116	\$ -	\$ -
Managed investment pool	5,518,542	-	-	5,518,542
Total investments	\$ 6,665,658	\$ 1,147,116	\$ -	\$ 5,518,542

  

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Pooled investments held by JCF				
Managed investment pool	\$ 5,232,123	-	-	\$ 5,232,123
Total investments	\$ 5,232,123	\$ -	\$ -	\$ 5,232,123

The following is a summary of activity for the years ended June 30, 2017 and 2016 for assets measured at fair value based upon unobservable inputs.

	June 30,	
	2017	2016
Pooled investments held by JCF		
Balance, beginning of year	\$ 5,232,123	\$ 6,080,118
Purchases	178,625	63,981
Income	63,832	56,905
Fees	(28,418)	(28,940)
Appropriations	(616,856)	(747,073)
Realized/unrealized gains	689,236	(192,868)
Balance, end of year	\$ 5,518,542	\$ 5,232,123

The JCF managed investment pool is comprised of various types of equity and debt investments. As of June 30, 2017, and 2016, the investment composition of the JCF managed investment pool was as follows:

	June 30,	
	2017	2016
Pooled investments held by JCF		
Cash and cash equivalents	7.33%	2.36%
U.S. Treasury obligations	6.15%	4.69%
U.S. Government agencies	0.46%	0.57%
Corporate and foreign bonds	2.60%	3.31%
Equities	16.93%	31.96%
Mutual funds	28.98%	26.88%
Limited partnerships	37.55%	30.23%
Total pooled investments	100.00%	100.00%

Redemptions of assets held in the JCF managed investment pool are restricted to a maximum of 25 percent in any fiscal year. In addition, redemptions require 30 days' notice.



# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 4 - Endowment Funds

JFS' endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2017 and 2016 is as follows:

	Year ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board designated endowment funds	\$ 406,566	\$ -	\$ -	\$ 406,566
Donor-restricted endowment funds	(46,661)	217,015	2,418,894	2,589,248
	\$ 359,905	\$ 217,015	\$ 2,418,894	\$ 2,995,814

  

	Year ended June 30, 2016 (re-stated)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board designated endowment funds	\$ 523,007	\$ -	\$ -	\$ 523,007
Donor-restricted endowment funds	(155,640)	95,358	2,408,110	2,347,828
	\$ 367,367	\$ 95,358	\$ 2,408,110	\$ 2,870,835

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 4 - Endowment Funds - Continued

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	Year ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 367,367	\$ 95,358	\$ 2,408,110	\$ 2,870,835
Investment return				
Investment income	10,883	8,239	-	19,122
Net appreciation (realized and unrealized)	214,722	158,622	-	373,344
Total investment return	225,605	166,861	-	392,466
Contributions	-	-	10,784	10,784
Appropriation of endowment assets for expenditure	(233,067)	(45,204)	-	(278,271)
Endowment net assets, end of year	<u>\$ 359,905</u>	<u>\$ 217,015</u>	<u>\$ 2,418,894</u>	<u>\$ 2,995,814</u>
	Year ended June 30, 2016 (re-stated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 715,360	\$ 137,288	\$ 2,594,581	\$ 3,447,229
Re-classification from unrestricted net asset	157,905			157,905
Re-classification of permanently restricted net asset	191,171		(191,171)	-
Investment return				
Investment income	9,298	5,962	-	15,260
Net appreciation (realized and unrealized)	(69,135)	(39,243)	-	(108,378)
Total investment return	(59,837)	(33,281)	-	(93,118)
Contributions	258	-	4,700	4,958
Appropriation of endowment assets for expenditure	(637,490)	(8,649)	-	(646,139)
Endowment net assets, end of year	<u>\$ 367,367</u>	<u>\$ 95,358</u>	<u>\$ 2,408,110</u>	<u>\$ 2,870,835</u>

Certain items from unrestricted endowments were reclassified to temporary restricted endowments in the June 30, 2017 financial statements to conform to the June 30, 2016 presentation. This restatement had no impact on the statement of financial position or statement of activities.

A portion of accumulated interest and earnings on the Kahn Fund, a permanently restricted fund, has been re-classified as unrestricted. This has not resulted in a change in total assets.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 4 - Endowment Funds - Continued

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NJUPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$46,662 and \$155,640 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investments of new permanently restricted contributions and continued appropriation of certain programs that were deemed prudent by the Board of Trustees.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has an annual endowment spending policy that is specifically designed to assist in funding annual programming objectives and to preserve the value of the investment portfolio over time. Spending of the endowment should be 5% of the portfolio. Any spending in excess of this amount is subject to board approval. In establishing this policy, the Organization considered the long-term expected returns on its endowments. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowments to grow and maintain their value to support operations in the future. To meet these objectives the Organization utilizes a total return investment approach, which emphasizes total investment return, consisting of investment income and realized and unrealized gains or losses and, accordingly, invests in equities, fixed income and money market accounts, or managed funds consisting of such instruments.

### Note 5 - Contributions, Program Fees, and Grants Receivable

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions.

Contributions and grants receivable as of June 30 are as follows:

	<u>2017</u>	<u>2016</u>
In one year or less	\$ 454,689	\$ 488,567
Between one year and five years	<u>10,000</u>	<u>27,000</u>
	464,689	515,567
Less allowance for uncollectible pledges	<u>-</u>	<u>(29,183)</u>
	<u>\$ 464,689</u>	<u>\$ 486,384</u>

Program fees receivable are expected to be collected in the current year.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 6 - Property and Equipment

Property and equipment at June 30, 2017 and 2016 consisted of the following:

	June 30,	
	2017	2016
Condominium land	\$ 283,812	\$ 283,812
Condominium building	869,512	869,512
Furniture and fixtures	398,305	423,339
Equipment	857,432	829,979
	<u>2,409,061</u>	<u>2,406,642</u>
Less accumulated depreciation	1,604,495	1,547,375
Property and equipment, net	<u>\$ 804,566</u>	<u>\$ 859,267</u>

Depreciation expense amounted to \$57,120 and \$64,580 for the years ended June 30, 2017 and 2016, respectively.

### Note 7 - Line of Credit

JFS has a collateralized \$100,000 revolving line of credit with interest at the bank's prime rate plus 1 percent with a minimum interest rate of 5 percent. The line is collateralized by real property owned by JFS. There were no amounts outstanding under the line as of June 30, 2017 or 2016. The line ended on July 6, 2017.

JFS signed an agreement with a different bank for a new collateralized \$200,000 revolving line of credit with interest at the bank's prime rate plus .5 percent. This agreement was signed on July 3, 2017. The line of credit is payable on demand.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 8 - Affiliation and Related Party Transactions

JFS is a beneficiary agency of JFEDGMW and as such is subject to all of the rights, privileges, obligations, and limitations as specified in the by-laws of that organization. JFS receives an annual allocation from JFEDGMW and participates in pension and other benefit plans administered by JFEDGMW. In addition, JCF, a separate 501(c)(3) organization, receives, invests, administers, and allocates funds for the benefit of JFEDGMW and its affiliated organizations, including JFS.

Related party transactions at June 30, and for the years then ended included the following:

	2017	
	Assets/ (Liabilities)	Revenues/ (Expenses)
Annual allocation from JFEDGMW and inter-company balance	\$ 6,082	\$ 475,000
Assets held by JCF and investment earnings	\$ 5,518,542	\$ 724,650
Pension loan due to and interest charged by JFEDGMW	\$ (2,052,668)	\$ (42,661)
Pension loan reserve held at JFEDGMW	\$ 97,987	\$ -
Mortgage due to and interest charged by JFEDGMW	\$ (1,454,993)	\$ (30,965)
	2016	
	Assets/ (Liabilities)	Revenues/ (Expenses)
Annual allocation from JFEDGMW and inter-company balance	\$ (5,958)	\$ 482,928
MetroWest HELPS funding	\$ 6,250	\$ 6,250
Assets held by JCF and investment earnings (loss)	\$ 5,232,123	\$ (164,903)
Mortgage due to and interest charged by JFEDGMW	\$ (1,498,022)	\$ (41,965)

The mortgage is payable to JFEDGMW in monthly installments subject to adjustments on the last day of each quarter, at a rate of the Five-Year Treasury Constant Maturity + 2% maturing in December 2036. During the current year, the Federation Board of Trustees approved a reduction in interest rate effective January 1, 2016. The rate was reduced to the Five-Year Treasury Constant Maturity + 0.25%. The mortgage is collateralized by a subordinated lien on the JFS facility in Florham Park, New Jersey. At June 30, 2017 and 2016, there were deferred interest payments of \$81,798 and \$81,798, respectively, which have been added to the mortgage's principal balance.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 8 - Affiliation and Related Party Transactions - Continued

Scheduled principal payments required with JFEDGMW are as follows:

For the year ending June 30,	
2018	\$ 45,231
2019	46,545
2020	49,978
2021	52,535
2022	55,223
Thereafter	1,205,481
	<u>\$ 1,454,993</u>

The pension loan payable is payable to JFEDGMW in monthly installments. The pension loan payable will be amortized over a term of 25 years. The interest rate will be fixed at 3.75% for the first 10 years and subsequently reset in five-year increments at .8% over the matching 5 years Treasury bill rate at the time.

Scheduled principal payments required with pension loan payable to JEFGMW are as follows:

For the year ending June 30,	
2018	\$ 52,723
2019	54,735
2020	56,823
2021	58,991
2022	61,241
Thereafter	1,768,155
	<u>\$ 2,052,668</u>

### Note 9 - Benefit Plans

JFS participates in two multiple-employer benefits plans, which are administered by JFEDGMW and provide several other employee benefits through JFEDGMW-administered arrangements.

#### Pension Plan

JFS participated in a multiple-employer defined benefit retirement plan (the "Plan"). The Plan was terminated on December 31, 2016. To fund the net liabilities of the Plan, JFS has borrowed \$2,078,163 from the Jewish Federation of Greater MetroWest NJ.

Expenses of \$41,300 and \$114,352 were incurred by JFS for the years ended June 30, 2017 and 2016, respectively. Separate financial reports for the Plan, which contain Plan assumptions and other actuarial valuation information, are available from Jewish Federation of Greater MetroWest New Jersey. Required contributions to the Plan for the years ended June 30, 2017 and 2016 were \$-0- and \$169,527, respectively. At June 30, 2017 and 2016, JFS has an accrued pension liability of \$-0- and \$1,645,104, respectively.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 9 - Benefit Plans - Continued

The following table sets forth the Plan's funded status at June 30, and its net periodic cost for the years then ended:

	2017	2016
Funded status		
Projected benefit obligation	\$ -	\$ (4,220,793)
Plan assets at fair value	-	2,575,689
Funded status - liability	\$ -	\$ (1,645,104)
Periodic cost		
Interest cost	\$ 78,397	\$ 180,579
Expected return on assets	(107,424)	(211,799)
Amortization of (gain) loss	70,356	145,572
Net periodic pension cost	\$ 41,329	\$ 114,352

As of June 30, 2017, and 2016, the accumulated benefit obligation was \$-0- and \$4,220,793, respectively. JFS' expected contribution for fiscal year 2018 is \$-0-. No plan assets are expected to be returned to JFS in 2018.

Weighted average assumptions as of June 30,

	2017	2016
Weighted average discount rate	0.00%	4.25%
Expected long-term rate of return	0.00%	8.00%
Rate of salary increase	Plan Frozen	Plan Frozen

The following table provides information related to JFS' share of the Plan's assets as of June 30, 2017 and 2016. JFS' assets are comingled with the assets of the other employers participating in the Plan.

	2017	2016
Summary of plan assets		
Cash and cash equivalents	\$ -	\$ 1,537,606
Equity securities	-	70
Mutual funds	-	43,703
Limited partnership interests	-	1,000,932
Plan liabilities	-	(6,622)
	\$ -	\$ 2,575,689

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 9 - Benefit Plans - Continued

Changes in the Plan's net assets for the year ended June 30 are as follows:

	<u>2017</u>	<u>2016</u>
Plan assets, beginning of year	\$ 2,575,689	\$ 2,704,302
Contributions	-	169,527
Investment income	-	11,963
Plan expenses	-	(35,923)
Benefit payments	-	(274,180)
Transfer to promissory note payable	(2,575,689)	-
Plan assets, end of year	<u>\$ -</u>	<u>\$ 2,575,689</u>

Investment decisions regarding Plan assets are determined by the JFEDGMW Investment Committee on behalf of the trustees of the Plan. The Plan's investment strategy attempts to provide a return that is superior to a balanced stock and bond portfolio at a lower volatility over an entire market cycle. The JFEDGMW Investment Committee has set specific investment allocation targets that are reviewed on a periodic basis.

#### Post-Retirement Medical Plan

JFS also participates in a multiple-employer post-retirement medical benefits plan (the "Medical Plan") which is also administered by JFEDGMW. The Medical Plan is unfunded and provides subsidized medical and pharmaceutical benefits for full-time employees and pro rata benefits for part-time employees who retired at age 55 having completed 20 years of service by December 31, 2006 or employees who have completed 10 years of service and were age 62 before April 1, 2004 and who have retired as of December 31, 2006.



# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 9 - Benefit Plans - Continued

The following table sets forth the Medical Plan's funded status at June 30, and its net periodic cost for the years then ended:

	2017	2016
Funded status		
Benefit obligation	\$ 577,326	\$ 753,881
Plan assets at fair value	-	-
Funded status - (liability) asset	\$ (577,326)	\$ (753,881)
Periodic cost		
Interest cost	\$ 22,256	\$ 29,489
Amortization of prior service costs	3,007	3,007
Amortization of net loss	27,071	27,377
Net periodic benefit cost	\$ 52,334	\$ 59,873
Change in plan assets		
Plan assets at beginning of year		
Employer contributions	\$ 64,486	\$ 70,298
Plan participant contributions	30,827	31,359
Benefits paid	(95,313)	(101,657)
Plan assets at end of year	\$ -	\$ -
	2017	2016
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 753,881	\$ 793,077
Service costs	-	-
Interest cost	22,256	29,489
Participants' contributions	30,827	31,359
Actuarial losses (gains)	(134,325)	1,613
Benefit payments	(95,313)	(101,657)
Benefit obligation, end of year	\$ 577,326	\$ 753,881

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 9 - Benefit Plans - Continued

#### Post-Retirement Medical Plan

Weighted average assumptions as of June 30:

	2017	2016
Weighted average discount rate	3.40%	3.10%
Health care cost trend rate	5.40%	6.00%

The health care cost trend rate of 5.4% at June 30, 2017 is assumed to increase to 5.6% in 2018 and decline uniformly through the year 2020 until it reaches 5.3%. A 1% change in the assumed health care cost trend rate would have the following future effect on:

	1% Point Increase	1% Point Increase
Service and interest cost components of net periodic cost	\$ 1,635	\$ 1,443
Accumulated benefit obligation	\$ 48,071	\$ 42,464

The following table provides information related to expected benefit payments for each of the 5 years following the measurement date and cumulatively for the subsequent five-year period:

Fiscal year beginning July 1,	Amount
2018	\$ 56,500
2019	\$ 54,600
2020	\$ 52,300
2021	\$ 50,400
From 2022 to 2026	\$ 211,300

Amounts not recognized as a component of net periodic postretirement benefit costs:

	2017	2016
Prior service cost	\$ 3,007	\$ 3,007
	\$ 3,007	\$ 3,007

At June 30, 2017 and 2016, the current portion of the Medical Plan's accumulated benefit obligation is \$31,900 and \$52,334, respectively.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 9 - Benefit Plans - Continued

#### Other

JFS also participates in a JFEDGMW-sponsored pre-tax cafeteria payroll withholding plan for all full-time and part-time employees and beneficiary agency employees who work a minimum of 20 hours per week. These withholdings are allowed to cover health care expenses not covered under the medical plans, the employee's share of medical premiums, and dependent care expenses. All monies withheld and not utilized under the plan are forfeited.

JFS also participates in a JFEDGMW-sponsored 403(b) tax deferred annuity plan that permits employees to contribute on a deferred tax basis up to 9% of their salary, to the maximum annual contribution allowed by law.

### Note 10 - Net Assets

Temporarily restricted net assets due to donor purpose restriction for the following purposes as of June 30:

	2017	2016
Time restrictions	\$ 178,408	\$ 122,380
Donor purpose restrictions		
Family Support Center	99,202	99,202
Older adults programs	65,794	92,822
Domestic violence	1,118,138	801,856
Family and children	184,108	93,097
Total temporarily restricted net assets	\$ 1,645,650	\$ 1,209,357

Temporarily restricted net assets were released for the following purposes during the year ended June 30:

	2017	2016
Time released	\$ 114,716	\$ 149,800
Older adults program	445,409	285,292
Domestic violence	281,045	421,405
Family and children	547,246	310,154
Total temporarily restricted net assets	\$ 1,388,416	\$ 1,166,651

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 10 - Net Assets - Continued

Earnings from the following permanently restricted endowment balances are available to support the related activities of JFS. Permanently restricted net assets are as follows as of June 30:

	<u>2017</u>	<u>2016</u>
General operations	\$ 1,288,253	\$ 1,288,253
Family and children services	704,086	704,086
Play therapy program	100,000	100,000
Domestic violence community education	110,000	110,000
DV court advocate program	100,000	100,000
Counseling and case management	116,555	105,771
Total permanently restricted net assets	<u>\$ 2,418,894</u>	<u>\$ 2,408,110</u>

### Note 11 - Concentrations

Financial instruments that potentially subject JFS to concentrations of credit risk consist of cash, investments, and receivables. JFS' policy is to invest in high quality securities at a variety of financial institutions and pooled funds at JCF of MetroWest, Inc. Such investments are subject to market fluctuations. At various times throughout the year, JFS had cash balances in excess of FDIC insurance coverage. Contributions and program fees receivable are evaluated for likelihood of uncollectibility and allowances have been recorded based on management's best estimates. For the year ended June 30, 2017, one donor accounted for approximately 20% of total operating support and revenues, and for the year ended June 30, 2016 two donors accounted for approximately 35% of total operating support and revenues.

### Note 12 - Lease Commitments

JFS rents space for administrative and programmatic uses. This non-cancelable lease expires in December 2023. Rental expense amounted to \$65,615 and \$62,950 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments are as follows:

For the year ending June 30,	
2018	\$ 57,816
2019	53,316
2020	53,316
2021	53,316
2022	53,316
2023	53,316
2024	26,658
	<u>\$ 351,054</u>

JFS also rents office equipment through operating leases that expire in various years through August 2019. Rental expense under these non-cancelable operating leases amounted to \$26,776 and \$26,252 for the years ended June 30, 2017 and 2016, respectively.

# Jewish Family Service of Metrowest, Inc.

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### Note 12 - Lease Commitments - Continued

Future minimum lease payments under these leases are as follows:

For the year ending June 30,

2018	\$	27,116
2019		21,900
2020		21,900
2021		21,900
2022		16,425
	\$	<u>109,241</u>

JFS leases a portion of its administrative offices to one unrelated organization under a non-cancelable operating lease expiring through November 2017. Rental income under this lease totaled \$68,896 and \$49,536 for the years ended June 30, 2017 and 2016, respectively, and is included in other revenues in the statements of activities. This rental income gives rise to unrelated business income and therefore, any net income generated is subject to Federal income taxes.

Future minimum payments due to JFS under these leases are as follows:

For the year ending June 30,

2018	\$	32,250
	\$	<u>32,250</u>

### Note 13 - Other Assets

Included in other assets at June 30, 2017 and 2016 are cemetery plots, which have been donated to the Organization. The carrying value of the plots, which are the estimated fair value of the plots at the date of the donation, was \$198,320 and \$198,320 respectively.

JFS is the owner and beneficiary of several life insurance policies with a face value of \$275,000 that were donated to it. The cash surrender value of these policies, which has been included in other assets, was \$40,738 and \$40,738 at June 30, 2017 and 2016, respectively.

### Note 14 - Subsequent Events

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of December 21, 2017 which is the date the financial statements were available to be issued.



**Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards**

**Independent Auditor's Report**

Board of Trustees  
Jewish Family Service of MetroWest, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jewish Family Service of MetroWest, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jewish Family Service of MetroWest, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jewish Family Service of MetroWest, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Jewish Family Service of MetroWest, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Jewish Family Service of MetroWest, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sax LLP*

Clifton, New Jersey  
December 21, 2017