



**JEWISH FAMILY SERVICE OF COLORADO, INC.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2015 AND 2014**

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**

**YEARS ENDED JUNE 30, 2015 AND 2014**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Jewish Family Service of Colorado, Inc. and subsidiaries

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Jewish Family Service of Colorado, Inc. and subsidiaries, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family Service of Colorado, Inc. and subsidiaries as of June 30, 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other-matter – 2014 Financial Statements***

The financial statements as of and for the year ended June 30, 2014, were audited by predecessor auditors. Their report dated October 27, 2014, expressed an unmodified audit opinion.

## **Report on Summarized Comparative Information**

In our opinion, the summarized comparative information presented herein for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*GHP Horwath, P.C.*

October 26, 2015

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2015 AND 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 1,418,460	\$ 1,054,641
Accounts receivable, net of allowance for doubtful accounts of \$26,800 and \$10,600, respectively	1,210,053	893,249
Contributions receivable	4,640,673	1,898,179
Prepaid expenses and other assets	273,758	229,708
Investments	6,934,623	7,224,769
Beneficial interest in assets held by foundations	838,226	870,769
Assets held under deferred compensation plan	691,065	376,862
Property and equipment, net	<u>3,446,611</u>	<u>3,475,617</u>
Total assets	<u>\$ 19,453,469</u>	<u>\$ 16,023,794</u>

**LIABILITIES AND NET ASSETS**

Accounts payable and accrued expenses	<u>\$ 1,602,967</u>	<u>\$ 1,132,810</u>
Total liabilities	<u>1,602,967</u>	<u>1,132,810</u>
Net assets:		
Unrestricted:		
Board designated operating reserve	1,000,000	1,000,000
Board designated plant and equipment	4,278,342	4,484,671
Board designated for specific programs	692,299	757,371
Board designated campaign and other	<u>613,919</u>	<u>250,022</u>
Total unrestricted net assets	<u>6,584,560</u>	<u>6,492,064</u>
Temporarily restricted	7,183,371	4,392,814
Permanently restricted	<u>4,082,571</u>	<u>4,006,106</u>
Total net assets	<u>17,850,502</u>	<u>14,890,984</u>
Total liabilities and net assets	<u>\$ 19,453,469</u>	<u>\$ 16,023,794</u>

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2015**

**(with summarized financial information for the year ended June 30, 2014)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Revenue, gains and support:					
Contributions	\$ 2,904,020	\$ 4,520,123	\$ 5,850	\$ 7,429,993	\$ 4,026,942
Foundations and grants	373,421	1,385,301	-	1,758,722	3,365,614
Government grants and contracts	2,996,473	-	-	2,996,473	3,027,331
Program service fees, net	1,882,536	-	-	1,882,536	1,521,239
Contract sales	370,721	-	-	370,721	363,792
Interest income	125,029	126,014	14,361	265,404	167,339
Net realized/unrealized (losses) gains	(126,560)	(141,888)	(2,495)	(270,943)	626,836
Change in value of beneficial interests	-	-	(2,366)	(2,366)	86,768
Other revenue	14,458	-	-	14,458	24,993
Net assets released from restrictions	3,037,878	(3,098,993)	61,115	-	-
<b>Total revenue, gains and support</b>	<b>11,577,976</b>	<b>2,790,557</b>	<b>76,465</b>	<b>14,444,998</b>	<b>13,210,854</b>
Expenses:					
Program services:					
Mental health services	1,616,941	-	-	1,616,941	1,604,942
Senior solutions	2,542,303	-	-	2,542,303	2,235,950
Volunteer services	142,836	-	-	142,836	121,497
New American support services	57,517	-	-	57,517	126,910
Family safety net	1,745,012	-	-	1,745,012	1,553,015
Boulder JFS senior services	169,831	-	-	169,831	387,840
Chaplaincy services	78,365	-	-	78,365	78,081
Disability and employment services	2,722,608	-	-	2,722,608	2,621,495
<b>Total program services</b>	<b>9,075,413</b>	<b>-</b>	<b>-</b>	<b>9,075,413</b>	<b>8,729,730</b>
Supporting services:					
General and administrative	837,802	-	-	837,802	948,648
Fundraising	1,572,265	-	-	1,572,265	1,323,278
<b>Total supporting services</b>	<b>2,410,067</b>	<b>-</b>	<b>-</b>	<b>2,410,067</b>	<b>2,271,926</b>
<b>Total expenses</b>	<b>11,485,480</b>	<b>-</b>	<b>-</b>	<b>11,485,480</b>	<b>11,001,656</b>
Change in net assets	92,496	2,790,557	76,465	2,959,518	2,209,198
Net assets, beginning of year	6,492,064	4,392,814	4,006,106	14,890,984	12,681,786
<b>Net assets, end of year</b>	<b>\$ 6,584,560</b>	<b>\$ 7,183,371</b>	<b>\$ 4,082,571</b>	<b>\$ 17,850,502</b>	<b>\$ 14,890,984</b>

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,959,518	\$ 2,209,198
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	254,367	234,368
Realized/unrealized losses (gains) on investments	270,943	(626,836)
Change in beneficial interest	2,366	(86,768)
Donations of investments and property and equipment	(211,504)	(31,438)
Provision for allowance for doubtful accounts	12,090	(671)
Change in provision for uncollectible contributions receivable	2,967	(30,670)
Change in unamortized discount on contributions receivable	35,433	-
Loss on disposal of equipment	28,722	-
Change in assets and liabilities:		
Accounts receivable	(328,894)	(133,743)
Contributions receivable	(2,787,143)	(1,638,400)
Prepaid expenses and other assets	(44,589)	(42,736)
Accounts payable and accrued expenses	149,254	149,818
Net cash provided by operating activities	<u>343,530</u>	<u>2,122</u>
Cash flows from investing activities:		
Purchases of property and equipment	(254,115)	(95,243)
Purchases of investments	(1,624,872)	(12,765,087)
Sales of investments	1,893,026	12,083,475
Net cash provided by (used in) investing activities	<u>14,039</u>	<u>(776,855)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in plant and equipment	400	-
Investment in permanent endowments	5,850	1,006,460
Net cash provided by financing activities	<u>6,250</u>	<u>1,006,460</u>
Net increase in cash and cash equivalents	363,819	231,727
Cash and cash equivalents at beginning of year	<u>1,054,641</u>	<u>822,914</u>
Cash and cash equivalents at end of year	<u>\$ 1,418,460</u>	<u>\$ 1,054,641</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,727</u>	<u>\$ 2,598</u>

See notes to financial statements.

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

(with summarized financial information for the year ended June 30, 2014)

	Program Services								Supporting Services		2015 Total	2014 Total	
	Mental Health Services	Senior Solutions	Volunteer Services	New American Support Services	Family Safety Net	Boulder JFS Senior Services	Chaplaincy Services	Disability and Employment Services	Total Programs	Management and General			Fundraising
Salaries	\$ 1,054,026	\$ 1,574,414	\$ 95,559	\$ 34,246	\$ 358,211	\$ 98,272	\$ 58,519	\$ 1,490,908	\$ 4,764,155	\$ 585,087	\$ 647,331	\$ 5,996,573	\$ 5,851,313
Benefits and payroll taxes	222,871	290,265	19,519	4,544	81,430	20,275	11,206	390,831	1,040,941	107,301	112,649	1,260,891	1,178,757
Total payroll	1,276,897	1,864,679	115,078	38,790	439,641	118,547	69,725	1,881,739	5,805,096	692,388	759,980	7,257,464	7,030,070
Occupancy	50,049	29,824	4,108	5,394	44,465	8,193	1,782	158,153	301,968	24,441	15,485	341,894	320,774
Professional	196,204	225,803	9,982	2,668	39,296	3,511	2,123	124,898	604,485	46,936	271,285	922,706	822,277
Equipment	22,473	24,105	3,426	1,917	26,971	540	664	73,262	153,358	21,723	23,277	198,358	159,755
Printing and publicity	8,304	21,617	370	131	10,874	5,141	69	20,250	66,756	1,566	137,356	205,678	181,733
Postage	470	3,346	378	468	626	1,116	65	1,509	7,978	1,406	20,349	29,733	26,640
Supplies	9,412	8,845	3,389	861	6,522	1,302	154	29,408	59,893	10,284	7,779	77,956	90,038
Business meetings	1,518	4,237	1,303	223	421	179	12	4,379	12,272	6,093	5,010	23,375	21,907
Special events	-	2,100	-	-	-	631	-	75	2,806	-	312,921	315,727	224,854
Travel	3,701	47,170	710	1,964	3,787	2,327	1,528	16,393	77,580	3,410	1,028	82,018	81,596
Dues and subscriptions	2,669	5,163	288	106	1,382	214	970	10,971	21,763	4,196	1,511	27,470	31,915
Direct assistance	1,690	169,492	-	-	1,147,164	27,860	-	78,435	1,424,641	-	-	1,424,641	1,478,707
Business services	-	-	-	-	-	-	-	195,136	195,136	-	-	195,136	200,430
Grants	-	113,103	-	-	-	-	-	-	113,103	-	-	113,103	58,592
Other	503	583	35	46	1,144	2	12	6,246	8,571	4,169	3,114	15,854	38,000
Total before depreciation	1,573,890	2,520,067	139,067	52,568	1,722,293	169,563	77,104	2,600,854	8,855,406	816,612	1,559,095	11,231,113	10,767,288
Depreciation and amortization	43,051	22,236	3,769	4,949	22,719	268	1,261	121,754	220,007	21,190	13,170	254,367	234,368
Total expenses	\$ 1,616,941	\$ 2,542,303	\$ 142,836	\$ 57,517	\$ 1,745,012	\$ 169,831	\$ 78,365	\$ 2,722,608	\$ 9,075,413	\$ 837,802	\$ 1,572,265	\$ 11,485,480	\$ 11,001,656



# JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Organization

Founded in 1872, Jewish Family Service of Colorado, Inc. (JFS) believes in strengthening the community by providing vital services to people in need. JFS is a nonsectarian, not-for-profit, human services agency serving metro Denver and Boulder.

JFS holds properties through its wholly-owned subsidiaries, Shalom LLC and JFST LLC (Colorado limited liability companies). The accompanying financial statements are consolidated to include the activities of Jewish Family Service of Colorado, Inc., Shalom LLC, and JFST LLC. All significant intercompany transactions have been eliminated.

JFS provides the following program services:

Mental Health Services – Mental Health Services, staffed by skilled licensed professionals, helps children, adolescents, adults, families, refugees, and seniors in healing from crisis, grief, trauma, and post-traumatic stress; assists individuals and families facing critically important life challenges and struggles such as parenting, marriage, interpersonal relationships and abuse; and treats severe and persistent mental illness such as major depression and bi-polar disorder. School-based intervention and prevention services are offered through the KidSuccess and International KidSuccess programs.

Senior Solutions – JFS's Jay and Rose Phillips Family Foundation Senior Solutions Center assists individuals to live as independently as possible, for as long as possible without compromising their safety or health. Services include care management, housekeeping, Kosher Meals on Wheels, information and referral, counseling, and private pay home care. In collaboration with partner organizations, JFS also enriches the physical and emotional well-being of older adults by providing wellness, recreational, social, as well as access to outside community resources and agencies.

Volunteer Services – Over 1,100 individuals provide much needed support to JFS's program and services. JFS volunteers sort, shelve, and distribute food at the Pantry; distribute meals to children in low-income communities; provide companionship to seniors and individuals living with disabilities; provide spiritual support to Jewish people in non-Jewish facilities, assist various departments with key administrative, accounting and skilled tasks, as needed, and provide many other varied types of support throughout the agency.

New American Support Services – Russian speaking individuals are assisted with care management services.

Family Safety Net – This program provides services to prevent homelessness. The program promotes self-sufficiency by providing individuals and families in crisis with food, limited emergency financial assistance, care management, employment support, and navigation of supportive community services.

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Description of Organization (continued)**

Boulder JFS Senior Services - Boulder JFS provides a wide array of services to help local Jewish seniors. Services include care management, information and referral, and religious services and Jewish holiday celebrations at Boulder-area nursing homes and assisted living facilities.

Chaplaincy Services – JFS' Community Chaplain serves the spiritual, emotional, and religious needs of Jews and their families who are unaffiliated with a synagogue or in a hospital, hospice, long-term care residence, mental health institution, or correctional facility.

Disability and Employment Services – JFS offers a variety of services to persons with disabilities including advocacy, social interaction, recreation, vocational assessment, training, work experience, job search support and case management. SHALOM Denver Employment Services program is an intensive job-readiness program that prepares Temporary Assistance to Need Family (TANF) recipients for the workforce by providing high-quality, hands-on training and real-world work experience.

**B. Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with JFS' audited financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**C. Cash and Cash Equivalents**

For purposes of the statements of cash flows, JFS considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Accounts, at times, may exceed federally insured limits; however, management does not believe that it is exposed to any significant risk on cash and cash equivalents, as deposits are with major financial institutions and are monitored closely. Cash and cash equivalents received with donor-imposed restrictions limiting their use to the acquisition of long-lived assets, and cash and cash equivalents of permanent endowment funds held temporarily until suitable long-term investment opportunities are identified, are not considered cash and cash equivalents for purposes of the statements of cash flows.

**D. Accounts Receivable**

Accounts receivable represent amounts due from the performance of services provided to other organizations and individuals. Accounts receivable are stated at the original invoice amount less an estimate of an allowance for doubtful receivables. An allowance for doubtful accounts receivable has been established based on past experience and aging analysis.

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Contributions Receivable**

Contributions receivable are recorded as contributions in the period received, except when the donor specifies restrictive conditions that cannot be met in the current period. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. At June 30, 2015, two contributors represented 18% and 16% of total contributions receivable.

**F. Investments**

JFS has investment guidelines which are recommended by JFS' investment committee and approved by the Board of Directors. The overall objective of the guidelines is to provide capital growth in the investment portfolio, while also considering market risks, restrictions pertinent to the invested assets, and the cash flow requirements of JFS.

JFS pools its investments for the majority of its endowments, plant funds, unemployment fund, other board designated funds, and excess operating funds. Pooling funds for investment purposes spreads the total risk and makes the risk equal for all funds invested, enhancing the investment performance relative to that of an individual fund, and reducing management fees. Realized and unrealized gains and losses from securities in the pooled investments are allocated proportionately among all funds that comprise the pool.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value. Investment income and realized and unrealized gains and losses are reflected in the statements of activities as unrestricted, temporarily, or permanently restricted based on the existence of donor imposed restrictions. Donated marketable investments are sold upon receipt. The fair value of the securities on the date received is recognized as a contribution.

**G. Property and Equipment**

Property and equipment is stated at cost, or if donated, at the estimated fair market value of the asset at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. Contributions of cash and other assets restricted to the acquisition of property and equipment are reported as restricted support that increases temporarily restricted net assets; those restrictions expire when the property or equipment is placed in service by JFS. Management assesses the carrying values of its long-lived assets for impairment when circumstances warrant such review. Based on its review, management does not believe any impairment has occurred as of June 30, 2015 and 2014.

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

**I. Donated Food, Materials and Services**

Donated food is valued at an average of the national wholesale prices as determined by Feeding America; Hunger Relief Charity. Donated commodities received by the U.S. Department of Agriculture (TEFAP) are valued based on prices provided by the U.S. Department of Agriculture. Donated materials and goods are recorded as revenue and expense at their estimated fair market value at the time of receipt. During the years ended June 30, 2015 and 2014, JFS recorded donated food valued at approximately \$691,500 and \$573,700, respectively, and donated household items valued at approximately \$22,600 and \$21,300, respectively.

JFS recognizes donated services that create or enhance non-financial assets or that specifically require specialized skills; are provided by individuals possessing those skills; and would typically need to be purchased if not provided by donation. JFS records these services based on the estimated fair value of the services provided. During the years ended June 30, 2015 and 2014, JFS recorded donated services valued at approximately \$53,300 and \$82,300, respectively. Some program and administrative services are performed by volunteers. Although these amounts have not been reflected in the financial statements because they did not meet the criteria for recognition of donated services, for the years ended June 30, 2015 and 2014, 1,156 volunteers contributed 32,044 hours of service and 949 volunteers contributed 27,607 hours of service, respectively.

**J. Support and Revenue**

JFS receives support from various sources including federal and state government grants. Amounts received are deemed to be earned and are reported as revenue when JFS has incurred expenditures or performed services in compliance with the specific contract restrictions.

Net program fees consist of fees charged to clients, third-party payers and others for services rendered. Program fees are reported at the estimated net realizable amounts. Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net program fees are adjusted as required in subsequent periods based on final settlements.

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Support and Revenue (continued)**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies, principally the federal government. The amount of expenditures which may be potentially disallowed cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

**K. Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Indirect expenses are allocated to the program and supporting services on the basis of the function, the areas benefited, and usage of the assets. All other costs can be specifically identified with a particular function and are charged directly to that function.

**L. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**M. Tax Exempt Status**

JFS is classified as a public charity under Internal Revenue Code Section 501(c)(3) and is therefore exempt from federal and state income taxes. As a public charity, contributions to JFS are deductible by the donor.

JFS assesses the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date. Management does not believe that there are any tax positions that would result in an asset or liability for taxes being recognized in the financial statements. JFS' policy is to recognize interest and penalties accrued on any unrecognized tax positions as a component of income tax expense. As of June 30, 2015 and 2014, JFS did not have any accrued interest or penalties associated with any unrecognized tax positions, nor was there any interest expense or penalties recognized during the years ended June 30, 2015 and 2014. There are open statutes of limitations for taxing authorities to audit JFS' tax returns for 2012 through the current period.

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Recently Issued Accounting Pronouncement**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate the transaction- and industry-specific revenue recognition guidance under current U.S. Generally Accepted Accounting Policies (“GAAP”) and replaces it with a principle-based approach for determining revenue recognition. This ASU is required to be adopted for annual periods beginning after December 15, 2018 and must be applied retrospectively. Management is currently evaluating the potential impact of this ASU on JFS’ financial statements.

**O. Reclassifications**

Certain amounts reported in the prior year consolidated financial statements have been reclassified to conform to the current year presentation.

**P. Subsequent Events**

Management evaluated subsequent events through October 26, 2015, the date the financial statements were available to be issued.

**II. CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Promises to give due in more than one year are discounted using a rate of return between 0.65% and 2.35%.

Unconditional promises to give at June 30, 2015 are expected to be collected in:

Less than one year	\$ 2,174,335
One to five years	2,101,771
Exceeding five years	400,000
Less discount to net present value	<u>(35,433)</u>
	<u>\$ 4,640,673</u>

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**III. FAIR VALUE MEASUREMENTS**

JFS measures its financial assets and liabilities under accounting guidance which establishes a three-tier fair value hierarchy that prioritizes the inputs used to measure fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. In determining fair value, JFS utilizes valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs to the extent possible.

Much of the information used to determine fair values is highly subjective and judgmental in nature, and therefore the results may not be precise. In addition, estimates of cash flows, risk characteristics, credit quality and interest rates are all subject to change. Since the fair values are estimated as of the statements of financial position dates, the amounts, which will actually be realized or paid upon settlement or maturity of the various instruments, could be significantly different than the estimates.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Mutual funds and exchange-traded funds:* Fair value based on quoted price in active market.

*Israel bonds:* Valued as reported by the State of Israel Ministry of Finance (plus accrued earnings).

*Beneficial interest:* Valued at the fair value of the assets contributed to the trust (for which the valuation inputs are based on quoted prices and market observable data).

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2015 AND 2014**

**III. FAIR VALUE MEASUREMENTS (continued)**

The following fair value hierarchy table presents present information about the assets measured at fair value on a recurring basis and indicates the fair value hierarchy. There have been no changes in the methodologies used at June 30, 2015 and 2014.

	<u>Level</u>	<u>2015</u>	<u>2014</u>
Mutual funds:			
Diversified emerging markets	1	\$ 241,172	\$ 363,629
Foreign large blend	1	322,326	455,660
Foreign large growth	1	519,830	723,314
Foreign Small/Mid Blend	1	312,338	455,249
Global natural resources	1	117,326	132,312
Global real estate	1	455,619	493,213
Intermediate bond fund	1	1,026,912	633,773
Large blend	1	1,473,934	1,132,049
Mid-cap growth	1	642,398	256,368
Short-term bond	1	23,430	21,059
Small/mid blend	1	-	291,974
US government intermediate	1	-	162,761
US high yield bond	1	-	89,916
Long/short equity	1	761,203	61,576
Hedged/equity	1	-	417,871
Market neutral	1	281,086	288,989
World allocation	1	-	294,767
World bond	1	342,970	469,926
Other	1	17,204	18,634
Israel bonds	2	8,490	8,165
Exchange-traded funds:			
Multi-strategy	1	<u>388,385</u>	<u>453,564</u>
		<u>6,934,623</u>	<u>7,224,769</u>
Beneficial interest in assets held by foundations	2	<u>838,226</u>	<u>870,769</u>
Assets held under deferred compensation plan:			
Cash	1	1,565	1,396
Mutual funds:			
World allocation	1	299,028	190,886
Moderate allocation	1	<u>390,472</u>	<u>184,580</u>
		<u>691,065</u>	<u>376,862</u>
		<u>\$ 8,463,914</u>	<u>\$ 8,472,400</u>



**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**III. FAIR VALUE MEASUREMENTS (continued)**

The following schedule summarizes the investment return in the statements of activities for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Investment income	\$ 265,404	\$ 167,339
Net realized and unrealized (losses) gains	<u>(273,309)</u>	<u>713,604</u>
Total investment return	<u>\$ (7,905)</u>	<u>\$ 880,943</u>

**IV. BENEFICIAL INTERESTS IN ASSETS HELD BY FOUNDATIONS**

JFS entered into endowment fund agreements with two foundations to establish permanent endowment funds (the "Funds"). The assets of the Funds are owned by JFS; however, the Funds are held and invested by the foundations for the benefit of JFS. Distributions from the Funds are available to JFS for mental health and safety net services. During the years ended June 30, 2015 and 2014, JFS received distributions of approximately \$39,600 and \$37,400, respectively, from the Funds. Distributions from the Funds are reported as net assets released from restrictions.

The beneficial interests have been recorded as permanently restricted net assets in the accompanying statements of financial position and are based on the fair value of the underlying assets in the Funds, estimated to be approximately \$838,200 and \$870,800 at June 30, 2015 and 2014, respectively. On an annual basis, JFS evaluates its beneficial interest in the Funds and records any increases or declines in the value as permanently restricted gains or losses.

**V. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 624,000	\$ 624,000
Buildings and improvements	4,516,493	4,407,248
Office furniture and equipment	982,331	1,210,223
Less accumulated depreciation/amortization	<u>(2,676,213)</u>	<u>(2,765,854)</u>
	<u>\$ 3,446,611</u>	<u>\$ 3,475,617</u>

**VI. LINE OF CREDIT**

JFS has an unsecured line of credit agreement with a bank which bears interest at the bank's prime rate (3.25% at June 30, 2015). The line of credit allows for maximum borrowings of \$500,000 and matures in December 2015. As of June 30, 2015 and 2014, there was no outstanding balance. The loan agreement requires JFS to meet certain operating and financial covenants, including a minimum liquidity amount. Management believes that JFS is in compliance with the loan covenants as of June 30, 2015 and 2014.

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**VII. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are comprised of the following as of June 30, 2015 and 2014:

	2015	2014
Program specific activities	\$ 722,932	\$ 1,147,099
Earnings on endowment funds	109,690	386,222
Contributions receivable	4,640,673	2,041,627
Program specific activities to be spent in specific years	1,710,076	817,866
Total temporarily restricted net assets	\$ 7,183,371	\$ 4,392,814

**VIII. ENDOWMENT FUNDS**

JFS endowments consist of approximately 20 donor-restricted endowment funds and board designated endowment funds.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors has interpreted UPMIFA to allow, subject to the specific intent of a donor as expressed in the gift instrument, for the appropriation or accumulation of an endowment fund as JFS determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Such appropriation may take place even though an endowment fund is “under water” (i.e., the market value of the fund is less than the historical dollar value (HDV) of the fund), and JFS is not required to utilize other JFS resources to bring the value of the endowment fund up to HDV.

The Board acknowledges that donors to an endowment fund intend that the principal of the endowment fund shall be preserved in perpetuity. In making a determination to appropriate or accumulate, JFS shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- The duration and preservation of the endowment fund;
- The purposes of JFS and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of JFS; and
- The investment policy of JFS.

In accordance with accounting principles, JFS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by JFS.

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**VIII. ENDOWMENT FUNDS (continued)**

Changes in endowment net assets for the year ended June 30, 2015, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ -	\$ 386,222	\$ 4,006,106	\$ 4,392,328
Investment return:				
Interest income	-	117,579	14,361	131,940
Net realized and unrealized losses	<u>(43,599)</u>	<u>(88,725)</u>	<u>(4,861)</u>	<u>(137,185)</u>
Total investment (loss) return	(43,599)	28,854	9,500	(5,245)
Contributions	-	-	5,850	5,850
Transfers	-	(100,727)	100,727	-
Appropriation of endowment assets for expenditure	-	(161,060)	-	(161,060)
Distributions from beneficial interests	<u>-</u>	<u>-</u>	<u>(39,612)</u>	<u>(39,612)</u>
Endowment net assets, June 30, 2015	<u>\$ (43,599)</u>	<u>\$ 153,289</u>	<u>\$ 4,082,571</u>	<u>\$ 4,192,261</u>

Changes in endowment net assets for the year ended June 30, 2014, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	\$ (26,164)	\$ 179,933	\$ 2,991,239	\$ 3,145,008
Investment return:				
Interest income	-	60,394	15,473	75,867
Net realized and unrealized gains	<u>26,164</u>	<u>216,681</u>	<u>101,692</u>	<u>344,537</u>
Total investment return	26,164	277,075	117,165	420,404
Contributions	-	-	1,006,460	1,006,460
Transfers	-	71,377	(71,377)	-
Appropriation of endowment assets for expenditure	-	(142,163)	-	(142,163)
Distributions from beneficial interests	<u>-</u>	<u>-</u>	<u>(37,381)</u>	<u>(37,381)</u>
Endowment net assets, June 30, 2014	<u>\$ -</u>	<u>\$ 386,222</u>	<u>\$ 4,006,106</u>	<u>\$ 4,392,328</u>

## JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

#### VIII. ENDOWMENT FUNDS (continued)

##### **Fund 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 UPMIFA requires JFS to retain as a fund of perpetual duration. In accordance with accounting guidance, deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations that may occur after the investment of permanently restricted contributions and appropriation that was deemed prudent by the Board of Directions. As of June 30, 2015, such deficiencies amounted to approximately \$43,600.

##### **Return Objectives and Risk Parameters**

JFS attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that JFS must hold in perpetuity or for a donor-specified period(s), as well as board designated funds. The endowment assets are invested in a manner that is intended to produce results of a blended portfolio while assuming a moderate level of investment risk. JFS's primary objective is to realize a return of CPI plus five percent per year to cover annual spending needs, while leaving some excess return to cover expenses and account for inflation. Its secondary return objective is to outperform, on a net basis, a market-weighted benchmark that reflects the target asset allocation of the portfolio. JFS strives to achieve its return objectives with the minimal total portfolio risk necessary. Actual returns in any given year may vary from this amount.

##### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, JFS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). JFS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

JFS may distribute annually a percentage of each endowment fund's average fair market value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. The appropriate spending percentage is determined on a year-to-year basis by the Budget and Finance Committee after consideration of the UPMIFA factors listed above. It is expected, except in unusual circumstances, that the spending percentage will not exceed five percent. A spending percentage that exceeds five percent requires approval by the Board. Should the value of an endowment fund decline below the HDV in any given year because of adverse market conditions, the Budget and Finance Committee may continue to approve distributions from the endowment fund to support the endowment fund's designated purposes, keeping in mind the donor's intent that the principal of the endowment fund shall be preserved in perpetuity. In the case of endowment funds that have been in existence for fewer than 12 quarters, the quarters during which the endowment has been in existence will be used as the basis for calculating the average fair market value of the fund.

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2015 AND 2014**

**VIII. ENDOWMENT FUNDS (continued)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)**

It is possible, particularly in the case of new endowment funds, for the annual return on the endowment fund to be less than the spending appropriation in the short-term.

**IX. EMPLOYEE BENEFIT PLANS**

**Employee Retirement Plan:**

JFS maintains a 401(k) defined contribution retirement plan in which all eligible employees may participate. JFS may make a discretionary matching and profit sharing contribution to the plan. JFS made a matching contribution equal to 50% of the first 4% of each eligible participant's contribution. JFS contributed approximately \$211,000 and \$203,000 for the years ended June 30, 2015 and 2014, respectively.

**Health Savings Account**

JFS provides a Health Savings Account ("HSA") that allows participants to contribute a portion of their salary on a non-taxable basis to be used for reimbursement of eligible expenses. JFS contributes \$78 per month to the HSA for each full-time employee enrolled in the HSA plan (prorated for part-time employees). JFS contributed approximately \$66,400 and \$61,900 to the HSA for the years ended June 30, 2015 and 2014, respectively.

**Assets Held Under Deferred Compensation Plan**

JFS has deferred compensation agreements with key employees under Sections 457(b) and 457(f) of the Internal Revenue Code. JFS has designated certain investments as held to fund its obligation under the agreements. JFS' contributions under the deferred compensation plan totaled \$120,000 and \$171,000 for the years ended June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, the deferred compensation liability is included in accounts payable and accrued expenses and equals the fair value of the investments held.

**X. COMMITMENTS**

JFS leases certain equipment and facility space under leases classified as operating leases. The terms of the lease agreements require monthly lease payments, and JFS is obligated for common area maintenance expenses under the facility leases.

Future minimum payments are approximately as follows:

Years ending June 30,	
2016	\$ 88,700
2017	45,200
2018	27,000
2019	25,000
2020	14,500
Total	<u>\$ 200,400</u>

**JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**X. COMMITMENTS (continued)**

Lease expense was approximately \$67,500 and \$52,400 for the years ended June 30, 2015 and 2014, respectively.

JFS has elected the reimbursement method with respect to Colorado unemployment insurance (UI) taxes. Accordingly, JFS does not pay UI tax, but is required to reimburse the State of Colorado for any unemployment benefits paid on its behalf. The required bond has been provided in the amount of \$126,917 at June 30, 2015 and for the period through February 2017.