



**JEWISH FAMILY SERVICE OF COLORADO, INC.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES

YEARS ENDED JUNE 30, 2016 AND 2015

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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 2016, 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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited Jewish Family Service of Colorado, Inc. and subsidiaries' June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

GHP Horwath, P.C.

November 7, 2016

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,077,857	\$ 1,418,460
Accounts receivable, net of allowance for doubtful accounts of \$22,000 and \$26,800, respectively	1,102,793	1,210,053
Contributions receivable	4,235,484	4,640,673
Prepaid expenses and other assets	278,992	273,758
Investments	7,109,104	6,934,623
Beneficial interest in assets held by foundations	772,075	838,226
Assets held under deferred compensation plan	843,159	691,065
Property and equipment, net	<u>3,575,830</u>	<u>3,446,611</u>
Total assets	<u><u>\$ 18,995,294</u></u>	<u><u>\$ 19,453,469</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 1,914,254</u>	<u>\$ 1,602,967</u>
Total liabilities	<u>1,914,254</u>	<u>1,602,967</u>
Net assets:		
Unrestricted:		
Board designated operating reserve	727,231	1,000,000
Board designated plant and equipment	4,207,435	4,278,342
Board designated for specific programs	758,403	692,299
Board designated campaign and other	<u>1,021,142</u>	<u>613,919</u>
Total unrestricted net assets	<u>6,714,211</u>	<u>6,584,560</u>
Temporarily restricted	6,346,636	7,183,371
Permanently restricted	<u>4,020,193</u>	<u>4,082,571</u>
Total net assets	<u>17,081,040</u>	<u>17,850,502</u>
Total liabilities and net assets	<u><u>\$ 18,995,294</u></u>	<u><u>\$ 19,453,469</u></u>

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

(with summarized financial information for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Revenue, gains and support:					
Contributions	\$ 2,966,473	\$ 1,841,228	\$ 5,763	\$ 4,813,464	\$ 7,429,993
Foundations and grants	737,986	1,213,379		1,951,365	1,758,722
Government grants and contracts	2,634,130			2,634,130	2,996,473
Program service fees, net	1,812,536			1,812,536	1,882,536
Contract sales	406,287			406,287	370,721
Interest income	54,151	48,726	10,094	112,971	265,404
Net realized/unrealized (losses) gains	(191,928)	97,608	(1,735)	(96,055)	(270,943)
Change in value of beneficial interests			(35,969)	(35,969)	(2,366)
Other revenue	7,201			7,201	14,458
Net assets released from restrictions	4,078,207	(4,037,676)	(40,531)		
Total revenue, gains and support	12,505,043	(836,735)	(62,378)	11,605,930	14,444,998
Expenses:					
Program services:					
Mental health services	2,029,377			2,029,377	1,616,941
Senior solutions	2,638,385			2,638,385	2,542,303
Volunteer services	146,675			146,675	142,836
New American support services					57,517
Family safety net	1,694,709			1,694,709	1,745,012
Boulder JFS senior services	171,250			171,250	169,831
Chaplaincy services	78,339			78,339	78,365
Disability and employment services	2,690,909			2,690,909	2,722,608
Total program services	9,449,644			9,449,644	9,075,413
Supporting services:					
General and administrative	1,047,400			1,047,400	837,802
Fundraising	1,878,349			1,878,349	1,572,265
Total supporting services	2,925,749			2,925,749	2,410,067
Total expenses	12,375,393			12,375,393	11,485,480
Change in net assets	129,651	(836,735)	(62,378)	(769,462)	2,959,518
Net assets, beginning of year	6,584,560	7,183,371	4,082,571	17,850,502	14,890,984
Net assets, end of year	\$ 6,714,211	\$ 6,346,636	\$ 4,020,193	\$ 17,081,040	\$ 17,850,502

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (769,462)	\$ 2,959,518
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	302,858	254,367
Realized/unrealized losses on investments	96,055	270,943
Change in beneficial interest	35,969	2,366
Donations of investments and property and equipment	(72,417)	(211,504)
Provision for (recovery of) allowance for doubtful accounts	(688)	12,090
Write-off for uncollectible contributions receivable	14,219	2,967
Change in unamortized discount on contributions receivable	(2,473)	35,433
Loss on disposal of equipment	5,235	28,722
Change in assets and liabilities:		
Accounts receivable	107,948	(328,894)
Contributions receivable	387,346	(2,787,143)
Prepaid expenses and other assets	(19,789)	(44,589)
Accounts payable and accrued expenses	152,128	149,254
Net cash provided by operating activities	<u>236,929</u>	<u>343,530</u>
Cash flows from investing activities:		
Purchases of property and equipment	(392,058)	(254,115)
Purchases of investments	(3,118,322)	(1,624,872)
Sales of investments	2,926,751	1,893,026
Net cash (used in) provided by investing activities	<u>(583,629)</u>	<u>14,039</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in plant and equipment	334	400
Investment in permanent endowments	5,763	5,850
Net cash provided by financing activities	<u>6,097</u>	<u>6,250</u>
Net (decrease) increase in cash and cash equivalents	(340,603)	363,819
Cash and cash equivalents at beginning of year	<u>1,418,460</u>	<u>1,054,641</u>
Cash and cash equivalents at end of year	<u>\$ 1,077,857</u>	<u>\$ 1,418,460</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,918</u>	<u>\$ 2,727</u>

See notes to financial statements.

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

(with summarized financial information for the year ended June 30, 2015)

	Program Services							Supporting Services		2016 Total	2015 Total	
	Mental Health Services	Senior Services	Volunteer Services	Family Safety Net	Boulder JFS Senior Services	Chaplaincy Services	Disability and Employment Services	Total Programs	General and Administrative			Fundraising
Salaries	\$ 1,343,237	\$ 1,510,973	\$ 95,348	\$ 346,979	\$ 108,248	\$ 58,644	\$ 1,480,961	\$ 4,944,390	\$ 685,929	\$ 782,259	\$ 6,412,578	\$ 5,996,573
Benefits and payroll taxes	278,142	303,089	18,803	80,879	24,205	11,864	378,417	1,095,399	130,021	113,510	1,338,930	1,260,891
Total payroll	1,621,379	1,814,062	114,151	427,858	132,453	70,508	1,859,378	6,039,789	815,950	895,769	7,751,508	7,257,464
Occupancy	55,948	25,245	3,659	41,577	10,219	1,461	158,626	296,735	31,465	14,642	342,842	341,894
Professional	253,960	201,099	10,049	33,234	6,241	1,846	105,124	611,553	117,888	294,687	1,024,128	922,706
Equipment	13,010	13,856	2,934	20,518	2,261	212	50,555	103,346	23,599	24,591	151,536	198,358
Printing and publicity	8,004	24,166	3,674	2,597	7,329	65	29,579	75,414	2,203	167,618	245,235	205,678
Postage	437	3,798	384	482	1,225	103	1,194	7,623	1,501	19,532	28,656	29,733
Supplies	9,935	6,845	3,926	5,220	632	134	29,750	56,442	9,775	5,609	71,826	77,956
Business meetings	1,643	2,281	2,372	729	206	498	5,326	13,055	6,350	6,531	25,936	23,375
Special events	-	2,082	-	-	325	-	-	2,407	26	415,186	417,619	315,727
Travel	4,734	34,030	77	2,466	1,836	1,598	14,697	59,438	4,652	3,654	67,744	82,018
Dues and subscriptions	4,915	5,055	1,606	1,449	160	833	19,714	33,732	3,976	1,660	39,368	27,470
Direct assistance	417	353,842	-	1,137,598	7,938	-	55,205	1,555,000	-	-	1,555,000	1,424,641
Business services	-	-	-	-	-	-	197,421	197,421	-	-	197,421	195,136
Grants	-	129,308	-	-	-	-	-	129,308	-	-	129,308	113,103
Other	291	2,230	22	129	141	6	8,631	11,450	(1,792)	14,750	24,408	15,854
Total before depreciation	1,974,673	2,617,899	142,854	1,673,857	170,966	77,264	2,535,200	9,192,713	1,015,593	1,864,229	12,072,535	11,231,113
Depreciation and amortization	54,704	20,486	3,821	20,852	284	1,075	155,709	256,931	31,807	14,120	302,858	254,367
Total expenses	\$ 2,029,377	\$ 2,638,385	\$ 146,675	\$ 1,694,709	\$ 171,250	\$ 78,339	\$ 2,690,909	\$ 9,449,644	\$ 1,047,400	\$ 1,878,349	\$ 12,375,393	\$ 11,485,480

See notes to financial statements.

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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 Services – 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, and social activities, as well as access to outside community resources and agencies.

Volunteer Services – Over 1,170 individuals provide much needed support to JFS's programs and services. JFS volunteers sort, shelve, and distribute food at the Weinberg Food Pantry; distribute meals to children in low-income neighborhoods; provide companionship to seniors and individuals living with disabilities; provide spiritual support to Jewish people in non-Jewish facilities; and provide many other varied types of support throughout the agency.

New American Support Services – Russian speaking individuals are assisted with care management services. In the current fiscal year this program was rolled into the Senior Services program.

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, 2016 AND 2015

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 Jewish individuals and 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 supported employment, job preparation, training, work experience, job search support, inclusion advocacy, social interaction, 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. The TANF program was discontinued at the end of the current fiscal year.

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, 2015, 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, 2016 AND 2015

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, 2016, three contributors represented 19%, 14% and 14% of total contributions receivable. 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 generally used in the year received; to the extent they exceed the capital spending in a particular year, they 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, 2016 and 2015.

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

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, a hunger relief organization. Donated commodities received by The Emergency Food Assistance Program (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, 2016 and 2015, JFS recorded donated food valued at approximately \$664,100 and \$691,500, respectively, and donated household items valued at approximately \$24,500 and \$22,600, 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, 2016 and 2015, JFS recorded donated services valued at approximately \$108,000 and \$53,300, 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, 2016 and 2015, 1,170 volunteers contributed 30,038 hours of service and 1,156 volunteers contributed 32,044 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, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015. There are open statutes of limitations for taxing authorities to audit JFS' tax returns for 2013 through the current period.

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 this new standard and the potential impact this standard may have upon adoption.

In February 2016, the FASB issued ASU No. 2016-02 (“ASU 2016-02”), *Leases (Topic 842)*, which supersedes existing guidance on accounting for leases in “Leases (Topic 840)” and generally requires all leases to be recognized in the statement of financial position. The provisions of ASU 2016-02 are effective for reporting periods beginning after December 15, 2018; early adoption is permitted. The provisions of this ASU are to be applied using a modified retrospective approach. Management is currently evaluating this new standard and the potential impact this standard may have upon adoption.

In September 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 will change the current net asset classification requirements and the information presented in the financial statements and notes regarding liquidity, financial performance, and cash flows. This ASU is required to be adopted for annual periods beginning after December 15, 2017 and must be applied retrospectively. Management is currently evaluating this new standard and the potential impact this standard may have upon adoption.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have an impact on the JFS consolidated financial statements.

O. Subsequent Events

Management evaluated subsequent events through November 7, 2016 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 0.71% and 1.49%.

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

II. CONTRIBUTIONS RECEIVABLE (continued):

Unconditional promises to give at June 30, 2016 are expected to be collected in:

Less than one year	\$ 1,486,971
One to five years	2,381,473
Exceeding five years	<u>400,000</u>
	4,268,444
Less discount to net present value	<u>(32,960)</u>
	<u>\$ 4,235,484</u>

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, 2016 AND 2015

III. FAIR VALUE MEASUREMENTS (continued)

The following fair value hierarchy table presents information about 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, 2016 and 2015.

	<u>Level</u>	<u>2016</u>	<u>2015</u>
Mutual funds:			
Diversified emerging markets	1	\$ 221,533	\$ 241,172
Foreign large blend	1	583,825	322,326
Foreign large growth	1	596,482	519,830
Foreign Small/Mid Blend	1	202,629	312,338
Global natural resources	1	68,928	117,326
Global real estate	1	528,527	455,619
Intermediate bond fund	1	985,236	1,026,912
Large blend	1	1,745,403	1,473,934
Mid-cap growth	1	757,013	642,398
Short-term bond	1	-	23,430
Long/short equity	1	721,055	761,203
US OE Market Multi-alternative	1	359,974	-
Market neutral	1	-	281,086
World bond	1	320,739	342,970
Other	1	8,929	17,204
Israel bonds	2	8,831	8,490
Exchange-traded funds:			
Multi-strategy	1	-	388,385
		<u>7,109,104</u>	<u>6,934,623</u>
Beneficial interest in assets held by foundations	2	<u>772,075</u>	<u>838,226</u>
Assets held under deferred compensation plan:			
Cash	1	1,853	1,565
Mutual funds:			
World allocation	1	330,060	299,028
Moderate allocation	1	511,246	390,472
		<u>843,159</u>	<u>691,065</u>
		<u>\$ 8,724,338</u>	<u>\$ 8,463,914</u>

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

III. FAIR VALUE MEASUREMENTS (continued)

The following schedule summarizes the investment return in the statement of activities for the year ended June 30, 2016 and summarized financial information for the year ended June 30, 2015:

	<u>2016</u>	<u>2015</u>
Investment income	\$ 112,971	\$ 265,404
Net realized and unrealized (losses), including change in value of beneficial interests	<u>(132,024)</u>	<u>(273,309)</u>
Total investment loss	<u>\$ (19,053)</u>	<u>\$ (7,905)</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, 2016 and 2015, JFS received distributions of approximately \$40,500 and \$39,600, 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 \$772,000 and \$838,200 at June 30, 2016 and 2015, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 624,000	\$ 624,000
Buildings and improvements	4,790,407	4,516,493
Office furniture and equipment	<u>1,113,859</u>	<u>982,331</u>
Less accumulated depreciation/amortization	<u>(2,952,436)</u>	<u>(2,676,213)</u>
	<u>\$ 3,575,830</u>	<u>\$ 3,446,611</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 (3.5% at June 30, 2016). The line of credit allows for maximum borrowings of \$500,000 and matures in December 2016. As of June 30, 2016 and 2015, 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, 2016 and 2015.

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

VII. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are comprised of the following as of June 30, 2016 and 2015:

	2016	2015
Program specific activities	\$ 774,360	\$ 722,932
Earnings on endowment funds	94,686	109,690
Contributions receivable	4,235,484	4,640,673
Program specific activities to be spent in specific years	1,242,106	1,710,076
Total temporarily restricted net assets	\$ 6,346,636	\$ 7,183,371

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, 2016 AND 2015

VIII. ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2016, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	\$ (43,599)	\$ 153,289	\$ 4,082,571	\$ 4,192,261
Investment return:				
Interest income		45,326	10,094	55,420
Net realized and unrealized losses	<u>(122,614)</u>	<u>58,400</u>	<u>(37,704)</u>	<u>(101,918)</u>
Total investment (loss) return	(122,614)	103,726	(27,610)	(46,498)
Contributions			5,763	5,763
Transfers		(200)		(200)
Appropriation of endowment assets for expenditure		(162,129)		(162,129)
Distributions from beneficial interests			<u>(40,531)</u>	<u>(40,531)</u>
Endowment net assets, June 30, 2016	<u>\$ (166,213)</u>	<u>\$ 94,686</u>	<u>\$ 4,020,193</u>	<u>\$ 3,948,666</u>

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>

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016, such deficiencies amounted to approximately \$166,200.

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, 2016 AND 2015

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 in 2016 and 2015. JFS contributed approximately \$238,500 and \$211,000 for the years ended June 30, 2016 and 2015, 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 \$65,600 and \$66,400 to the HSA for the years ended June 30, 2016 and 2015, 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 \$113,900 and \$120,000 for the years ended June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, 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, expiring through 2021. 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 lease payments are approximately as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2017	\$ 61,700
2018	43,800
2019	43,800
2020	31,400
2021	10,400
Total	<u>\$ 191,100</u>

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

X. COMMITMENTS (continued)

Lease expense was approximately \$95,600 and \$67,500 for the years ended June 30, 2016 and 2015, 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, 2016 and for the period through February 2017.