

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

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
Denver, Colorado

FINANCIAL STATEMENTS
June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

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

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 consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated 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, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matter

The financial statements of Jewish Family Service of Colorado, Inc. and subsidiaries as of and for the year ended June 30, 2016, were audited by GHP Horwath, P.C., who combined with Crowe Horwath LLP as of January 1, 2017, and whose report dated November 7, 2016 expressed an unmodified opinion on those statements.

Crowe Horwath LLP

Crowe Horwath LLP

Denver, Colorado
December 4, 2017

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,079,523	\$ 1,077,857
Accounts receivable, net of allowance for doubtful accounts of \$23,000 and \$22,000, respectively	1,281,743	1,102,793
Contributions receivable, net	3,133,128	4,235,484
Prepaid expenses and other assets	181,127	278,992
Investments	7,847,114	7,109,104
Beneficial interests in assets held by foundations	858,088	772,075
Assets held under deferred compensation plan	352,195	843,159
Property and equipment, net	3,376,710	3,575,830
Total assets	<u>\$ 18,109,628</u>	<u>\$ 18,995,294</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,343,423	\$ 1,914,254
Total liabilities	<u>1,343,423</u>	<u>1,914,254</u>
 Net assets:		
Unrestricted:		
Board designated operating reserve	795,446	727,231
Board designated plant and equipment	4,298,128	4,207,435
Board designated for specific programs	689,778	758,403
Board designated campaign and other	1,446,341	1,021,142
Total unrestricted net assets	<u>7,229,693</u>	<u>6,714,211</u>
Temporarily restricted	5,414,158	6,346,636
Permanently restricted	4,122,354	4,020,193
Total net assets	<u>16,766,205</u>	<u>17,081,040</u>
Total liabilities and net assets	<u>\$ 18,109,628</u>	<u>\$ 18,995,294</u>

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains and support:				
Contributions	\$ 3,657,516	\$ 438,778	\$ 51,360	\$ 4,147,654
Foundations and grants	696,911	1,858,229	-	2,555,140
Government grants and contracts	2,369,100	-	-	2,369,100
Program service fees, net	1,191,694	-	-	1,191,694
Contract sales	279,459	-	-	279,459
Interest income	75,529	62,862	15,823	154,214
Net realized/unrealized gains (losses)	546,474	131,763	(1,016)	677,221
Change in value of beneficial interests	-	-	75,477	75,477
Other revenue	37,949	-	-	37,949
Net assets released from restrictions	3,463,593	(3,424,110)	(39,483)	-
Total revenue, gains and support	<u>12,318,225</u>	<u>(932,478)</u>	<u>102,161</u>	<u>11,487,908</u>
Expenses:				
Program services:				
Mental health services	2,202,304	-	-	2,202,304
Senior services	1,932,230	-	-	1,932,230
Volunteer services	152,222	-	-	152,222
Family safety net services	1,830,502	-	-	1,830,502
Boulder JFS senior services	198,034	-	-	198,034
Chaplaincy services	80,598	-	-	80,598
Disability and employment services	2,228,991	-	-	2,228,991
Total program services	<u>8,624,881</u>	<u>-</u>	<u>-</u>	<u>8,624,881</u>
Supporting services:				
General and administrative	1,345,893	-	-	1,345,893
Fundraising	1,681,298	-	-	1,681,298
Total supporting services	<u>3,027,191</u>	<u>-</u>	<u>-</u>	<u>3,027,191</u>
Total expenses	<u>11,652,072</u>	<u>-</u>	<u>-</u>	<u>11,652,072</u>
Change in net assets from continuing operations	666,153	(932,478)	102,161	(164,164)
Discontinued operations (Note 2)				
Loss from discontinued operations	(150,671)	-	-	(150,671)
Change in net assets	515,482	(932,478)	102,161	(314,835)
Net assets, beginning of year	6,714,211	6,346,636	4,020,193	17,081,040
Net assets, end of year	<u>\$ 7,229,693</u>	<u>\$ 5,414,158</u>	<u>\$ 4,122,354</u>	<u>\$ 16,766,205</u>

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and support:				
Contributions	\$ 2,966,473	\$ 1,841,228	\$ 5,763	\$ 4,813,464
Foundations and grants	737,986	1,213,379	-	1,951,365
Government grants and contracts	2,634,130	-	-	2,634,130
Program service fees, net	1,199,394	-	-	1,199,394
Contract sales	406,287	-	-	406,287
Interest income	54,151	48,726	10,094	112,972
Net realized/unrealized (losses) gains	(191,928)	97,608	(1,735)	(96,056)
Change in value of beneficial interests	-	-	(35,969)	(35,969)
Other revenue	7,201	-	-	7,201
Net assets released from restrictions	4,078,207	(4,037,676)	(40,531)	-
Total revenue, gains and support	<u>11,891,901</u>	<u>(836,735)</u>	<u>(62,378)</u>	<u>10,992,788</u>
Expenses:				
Program services:				
Mental health services	2,029,377	-	-	2,029,377
Senior solutions	1,909,788	-	-	1,909,788
Volunteer services	146,675	-	-	146,675
Family safety net	1,694,709	-	-	1,694,709
Boulder JFS senior services	171,250	-	-	171,250
Chaplaincy services	78,339	-	-	78,339
Disability and employment services	2,690,909	-	-	2,690,909
Total program services	<u>8,721,047</u>	<u>-</u>	<u>-</u>	<u>8,721,047</u>
Supporting services:				
General and administrative	1,047,400	-	-	1,047,400
Fundraising	1,878,349	-	-	1,878,349
Total supporting services	<u>2,925,749</u>	<u>-</u>	<u>-</u>	<u>2,925,749</u>
Total expenses	<u>11,646,796</u>	<u>-</u>	<u>-</u>	<u>11,646,796</u>
Change in net assets from continuing operation	245,105	(836,735)	(62,378)	(654,008)
Discontinued operations				
Loss from discontinued operations	(115,454)	-	-	(115,454)
Change in net assets	129,651	(836,735)	(62,378)	(769,462)
Net assets, beginning of year	<u>6,584,560</u>	<u>7,183,371</u>	<u>4,082,571</u>	<u>17,850,502</u>
Net assets, end of year	<u>\$ 6,714,211</u>	<u>\$ 6,346,636</u>	<u>\$ 4,020,193</u>	<u>\$ 17,081,040</u>

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets from continuing operations	\$ (164,164)	\$ (654,008)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	305,092	302,858
Realized/unrealized (gains) losses on investments	(677,221)	96,055
Change in beneficial interest	(75,477)	35,969
Donations of investments	(304,493)	(72,417)
Provision for (recovery of) allowance for doubtful accounts	720	(688)
Write-off for uncollectible contributions receivable	9,530	14,219
Change in unamortized discount on contributions receivable	9,918	(2,473)
Loss on disposal of equipment	12,797	5,235
Change in assets and liabilities:		
Accounts receivable	(179,670)	107,948
Contributions receivable	1,032,906	387,346
Prepaid expenses and other assets	54,053	(19,789)
Accounts payable and accrued expenses	(24,370)	152,128
Net cash (used in) provided by operating activities - continuing operations	(379)	352,383
Net cash used in operating activities - discontinued operations	(150,671)	(115,454)
	(151,050)	236,929
Cash flows from investing activities:		
Purchases of property and equipment	(118,769)	(392,058)
Purchases of investments	(1,055,700)	(3,118,322)
Sales of investments	1,275,479	2,926,751
Net cash provided by (used in) investing activities	101,010	(583,629)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in plant and equipment	346	334
Investment in permanent endowments	51,360	5,763
Net cash provided by financing activities	51,706	6,097
Net change in cash and cash equivalents	1,666	(340,603)
Cash and cash equivalents at beginning of year	1,077,857	1,418,460
Cash and cash equivalents at end of year	\$ 1,079,523	\$ 1,077,857
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,122	\$ 2,918

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services							Supporting Services			
	Mental Health Services	Senior Services	Volunteer Services	Family Safety Net Services	Boulder JFS Senior Services	Chaplaincy Services	Disability and Employment Services	Total Programs	General and Administrative	Fundraising	Total
Salaries	\$ 1,451,036	\$ 954,396	\$ 104,518	\$ 394,810	\$ 132,759	\$ 62,775	\$ 1,201,775	\$ 4,302,069	\$ 770,320	\$ 677,817	\$ 5,750,206
Benefits and payroll taxes	310,367	206,287	19,573	86,155	27,811	10,120	299,564	959,877	179,946	119,152	1,258,975
Total payroll	1,761,403	1,160,683	124,091	480,965	160,570	72,895	1,501,339	5,261,946	950,266	796,969	7,009,181
Occupancy	67,734	28,716	4,699	52,176	13,917	1,931	110,955	280,128	26,060	19,939	326,127
Professional	265,216	126,396	11,620	37,244	4,222	1,670	118,416	564,784	281,717	286,588	1,133,089
Equipment	13,820	11,879	3,721	18,414	3,054	257	47,871	99,016	20,876	31,542	151,434
Printing and publicity	5,430	3,742	454	3,576	5,872	32	15,764	34,870	1,142	149,311	185,323
Postage	571	2,299	209	407	525	68	2,066	6,145	1,112	19,433	26,690
Supplies	10,166	6,621	1,992	12,246	722	168	23,323	55,238	9,567	4,058	68,863
Business meetings	2,663	3,017	689	1,118	319	289	4,974	13,069	8,149	7,169	28,387
Special events	358	1,876	32	-	450	-	420	3,136	5,445	335,819	344,400
Travel	5,085	23,188	50	4,164	2,114	968	11,301	46,870	11,606	1,843	60,319
Dues and subscriptions	2,894	2,315	462	1,565	109	862	12,207	20,414	4,630	1,794	26,838
Direct assistance	8,517	482,487	-	1,193,144	5,940	-	51,992	1,742,080	-	-	1,742,080
Business services	-	-	-	-	-	-	169,389	169,389	-	-	169,389
Grants	-	57,162	-	-	-	-	-	57,162	-	-	57,162
Other	636	337	43	263	3	15	3,727	5,024	2,866	9,808	17,698
Total before depreciation and amortization	2,144,493	1,910,718	148,062	1,805,282	197,817	79,155	2,073,744	8,359,271	1,323,436	1,664,273	11,346,980
Depreciation and amortization	57,811	21,512	4,160	25,220	217	1,443	155,247	265,610	22,457	17,025	305,092
Total expenses	\$ 2,202,304	\$ 1,932,230	\$ 152,222	\$ 1,830,502	\$ 198,034	\$ 80,598	\$ 2,228,991	\$ 8,624,881	\$ 1,345,893	\$ 1,681,298	\$ 11,652,072

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

								Supporting Services			
	Mental Health Services	Senior Services	Volunteer Services	Family Safety Net Services	Boulder JFS Senior Services	Chaplaincy Services	Disability and Employment Services	Total Programs	General and Administrative	Fundraising	Total
Salaries	\$ 1,343,237	\$ 938,450	\$ 95,348	\$ 346,979	\$ 108,248	\$ 58,644	\$ 1,480,961	\$ 4,371,867	\$ 685,929	\$ 782,259	\$ 5,840,055
Benefits and payroll taxes	278,142	206,539	18,803	80,879	24,205	11,864	378,417	998,849	130,021	113,510	1,242,380
Total payroll	1,621,379	1,144,989	114,151	427,858	132,453	70,508	1,859,378	5,370,716	815,950	895,769	7,082,435
Occupancy	55,948	21,701	3,659	41,577	10,219	1,461	158,626	293,191	31,465	14,642	339,298
Professional	253,960	177,313	10,049	33,234	6,241	1,846	105,124	587,767	117,888	294,687	1,000,342
Equipment	13,010	10,764	2,934	20,518	2,261	212	50,555	100,254	23,599	24,591	148,444
Printing and publicity	8,004	10,024	3,674	2,597	7,329	65	29,579	61,272	2,203	167,618	231,093
Postage	437	2,937	384	482	1,225	103	1,194	6,762	1,501	19,532	27,795
Supplies	9,935	5,832	3,926	5,220	632	134	29,750	55,429	9,775	5,609	70,813
Business meetings	1,643	1,914	2,372	729	206	498	5,326	12,688	6,350	6,531	25,569
Special events	-	1,088	-	-	325	-	-	1,413	26	415,186	416,625
Travel	4,734	27,756	77	2,466	1,836	1,598	14,697	53,164	4,652	3,654	61,470
Dues and subscriptions	4,915	3,942	1,606	1,449	160	833	19,714	32,619	3,976	1,660	38,255
Direct assistance	417	353,842	-	1,137,598	7,938	-	55,205	1,555,000	-	-	1,555,000
Business services	-	-	-	-	-	-	197,421	197,421	-	-	197,421
Grants	-	129,308	-	-	-	-	-	129,308	-	-	129,308
Other	291	907	22	129	141	6	8,631	10,127	(1,792)	14,750	23,085
Total before depreciation and amortization	1,974,673	1,892,317	142,854	1,673,857	170,966	77,264	2,535,200	8,467,131	1,015,593	1,864,229	11,346,953
Depreciation and amortization	54,704	17,471	3,821	20,852	284	1,075	155,709	253,916	31,807	14,120	299,843
Total expenses	<u>\$ 2,029,377</u>	<u>\$ 1,909,788</u>	<u>\$ 146,675</u>	<u>\$ 1,694,709</u>	<u>\$ 171,250</u>	<u>\$ 78,339</u>	<u>\$ 2,690,909</u>	<u>\$ 8,721,047</u>	<u>\$ 1,047,400</u>	<u>\$ 1,878,349</u>	<u>\$ 11,646,796</u>

NOTE 1 – DESCRIPTION OF ORGANIZATION

Description of Organization: Founded in 1872, Jewish Family Service of Colorado, Inc. (JFS or the Organization) 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 Specialists at JFS provide therapy and care management to individuals, groups, and families on a sliding-fee scale and help to improve the mental and behavioral health of all clients. Through its Refugee Mental Health program, JFS provides counseling for refugees from 50 different countries. In addition, KidSuccess and International KidSuccess provide school-based mental health care to more than 1,800 students annually.

Senior Services—JFS helps older adults live safely and independently in their own homes by providing care management, counseling, and homecare services through the Jay and Rose Phillips Family Foundation Senior Solutions Center (SSC). SSC reduces social isolation and barriers to care for older adults in aging-friendly communities by offering programs and support services. SSC also provides special care and support for vulnerable Holocaust survivors.

Volunteer Services—The Volunteer Services program utilizes the skills and experience of a diverse pool of volunteers to strengthen the services of the Organization by helping to coordinate food distribution in the Weinberg Food Pantry; enhancing the lives of older adults with regular visits and outings; leading holiday and Shabbat celebration at nursing homes, assisted-living facilities, hospitals, and prisons; distributing lunches to low-income children during the summer, and providing pro bono professional services. In each of the years 2017 and 2016, 1,128 and 1,170 volunteers, respectively, contributed approximately 30,000 hours to support the programs and services of JFS.

Family Safety Net Services—JFS offers robust and comprehensive homeless prevention programs to individuals and families who are experiencing financial crisis and are at risk of losing their homes. By providing supportive services such as financial assistance, case management, financial literacy/debt reduction classes, job preparation/employment services and community outreach, JFS is helping the most at-risk people in our community stabilize their lives and improve their economic security. In addition, JFS increases access to fresh, healthy, and nutritious foods and meals. The Weinberg Food Pantry serves more than 1,000 individuals each month with fresh, healthy food options. Lunchbox Express provides nutritious lunches to low-income children in the summer and throughout the school year at no cost.

Boulder JFS Senior Services—In Boulder, JFS serves older adults and adults with disabilities with support services. Services include care management, information and referral, emergency assistance, and volunteer-led Jewish holiday and Shabbat celebrations at Boulder-area nursing homes and assisted living facilities.

Chaplaincy Services—JFS's community chaplain provides spiritual comfort to 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.

(Continued)

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION (Continued)

Disability and Employment Services—JFS supports people with disabilities as well as their families and caregivers by providing a person-centered approach to individually customized services. Services for people with disabilities include connecting participants to volunteer opportunities, meaningful employment, and social and recreational activities. The JFS Group Home provides residential services for adults with intellectual and developmental disabilities. SHALOM Denver builds the workforce of the Denver metro area by providing individual employment support for those with barriers to employment. JFS advances clients' work experience by providing intensive case management and job readiness services for those eligible for Temporary Assistance to Needy Families (TANF).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with United States (U.S.) generally accepted accounting principles (GAAP). The net assets, revenue, gains, and other support and expenses in the accompanying consolidated financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of JFS and changes therein are classified as follows:

- **Unrestricted Net Assets:** Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated by the board of directors for specific purposes at any time.
- **Temporarily Restricted Net Assets:** Net assets subject to donor-imposed restrictions that may or will be met with either actions of JFS and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.
- **Permanently Restricted Net Assets:** Permanently restricted net assets represent resources subject to donor-imposed restrictions to be invested in perpetuity, and only the income may be available for JFS's programs.

Discontinued Operations: During the current fiscal year, JFS made the decision to discontinue the operations of the JFS at Home program, which was included in the Senior Services program. The net operating results of the program are reflected as losses on discontinued operations of approximately \$150,000 and \$115,000, respectively, in the statements of activities for the years ended June 30, 2017 and 2016. Management recorded no loss on disposal and held no assets for sale as of June 30, 2017 in relation to this decision. The loss on discontinued operations consists of:

	2017	2016
Program service fees	\$ 291,419	\$ 613,141
Program service expense	(417,121)	(682,670)
Management and general expense	(24,969)	(45,925)
Total expense	(442,090)	(728,595)
	\$ (150,671)	\$ (115,454)

(Continued)

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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. At June 30, 2017, three contributors represented 25%, 13% and 10% of total contributions receivable. At June 30, 2016, three contributors represented 19%, 14% and 14% of total contributions receivable.

Investments: JFS has investment guidelines which are recommended by JFS's 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 statement of activities as unrestricted, temporarily, or permanently restricted based on the existence of donor imposed restrictions and are recognized when earned. Donated marketable investments are sold upon receipt. The fair value of the securities on the date received is recognized as a contribution. During the years ended June 30, 2017 and 2016, JFS recorded donated investments valued at approximately \$304,500 and \$72,400, respectively.

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. The policy of JFS is to capitalize assets in excess of \$1,000. 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, 2017 and 2016.

(Continued)

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of activities as net assets released from restrictions.

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, 2017 and 2016, JFS recorded donated food valued at approximately \$662,100 and \$664,100, respectively, and donated household items valued at approximately, \$42,600 and \$24,500, 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, 2017 and 2016, JFS recorded donated services valued at approximately \$213,000 and \$108,000, respectively. These donations were primarily related to advertising and legal services.

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 their 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.

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.

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.

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.

(Continued)

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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's policy is to recognize interest and penalties accrued on any unrecognized tax positions as a component of income tax expense. As of June 30, 2017 and 2016, 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, 2017 and 2016. There are open statutes of limitations for taxing authorities to audit JFS's tax returns for 2014 through the current period.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net assets or total net assets.

Subsequent Events: Management evaluated subsequent events through December 4, 2017 the date the financial statements were available to be issued.

NOTE 3 - 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 rates of return between 1.55% and 2.31%.

Unconditional promises to give at June 30, 2017 and 2016 are expected to be collected in:

	2017	2016
Less than one year	\$ 1,405,229	\$ 1,486,971
One to five years	1,450,941	2,381,473
Exceeding five years	300,000	400,000
Less discount to net present value	(23,042)	(32,960)
	<u>\$ 3,133,128</u>	<u>\$ 4,235,484</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in JFS's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

GAAP establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

(Continued)

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 1: Inputs include quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Inputs include significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs include significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. Pursuant to the adoption of ASU 2015-07, *Fair Value Measurement*, those investments which are valued at net asset value are excluded from the fair value hierarchy.

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

Mutual funds: Fair value based on quoted prices on nationally recognized securities exchanges. These are considered level 1 inputs.

Israel bonds: Valued as reported by the State of Israel Ministry of Finance (plus accrued earnings). These are considered level 2 inputs.

Beneficial interests: The beneficial interests in assets held by community foundations have been valued, as a practical expedient, at the fair value of JFS's share of the community foundations' investment pool as of the measurement date. JFS's management reviews the valuations and returns in comparison to industry benchmarks and other information provided by the community foundations. JFS does not have the ability to redeem the beneficial interests in assets on a short-term basis. Withdrawals are limited to the terms of JFS's agreements with the various community foundations. There are no unfunded commitments at June 30, 2017 or 2016.

Assets measured at fair value on a recurring basis for 2017 are summarized below:

	<u>Fair Value Measurements</u>			<u>Funds Valued at NAV</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Equity mutual funds	\$ 6,705,869	\$ -	\$ -	\$ -
Bond mutual funds	1,493,440			
Beneficial interests in assets held by foundations	<u>-</u>	<u>-</u>	<u>-</u>	<u>858,088</u>
Total	<u>\$ 8,199,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 858,088</u>

(Continued)

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis for 2016 are summarized below:

	<u>Fair Value Measurements</u>			<u>Funds Valued at NAV</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Equity mutual funds	\$ 6,635,604	\$ -	\$ -	\$ -
Bond mutual funds	1,305,975			
Other	1,853	-	-	-
Israel bonds		8,831	-	-
Beneficial interests in assets held by foundations	-	-	-	<u>772,075</u>
Total	<u>\$ 7,943,432</u>	<u>\$ 8,831</u>	<u>\$ -</u>	<u>\$ 772,075</u>

The following schedule summarizes the investment return in the statement of activities for the year ended June 30, 2017 and summarized financial information for the year ended June 30, 2016:

	<u>2017</u>	<u>2016</u>
Investment income	\$ 154,214	\$ 112,971
Net realized and unrealized gain (losses), including change in value of beneficial interests	<u>752,698</u>	<u>(132,024)</u>
Total investment return	<u>\$ 906,912</u>	<u>\$ (19,053)</u>

NOTE 5 - 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, 2017 and 2016, JFS received distributions of approximately \$39,500 and \$40,500, 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 valued based on the fair value of the underlying assets in the Funds, estimated to be approximately \$858,000 and \$772,000 at June 30, 2017 and 2016, 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.

NOTE 6 - PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land	\$ 624,000	\$ 624,000
Buildings and improvements	4,816,431	4,790,407
Office furniture and equipment	<u>1,102,985</u>	<u>1,113,859</u>
Less accumulated depreciation/amortization	<u>(3,166,706)</u>	<u>(2,952,436)</u>
	<u>\$ 3,376,710</u>	<u>\$ 3,575,830</u>

(Continued)

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 - LINE OF CREDIT

JFS has an unsecured line of credit agreement with a bank which bears interest at the bank's prime rate (3.75% and 3.5%, respectively, at June 30, 2017 and 2016). The line of credit allows for maximum borrowings of \$500,000 and matures in December 2017. As of June 30, 2017 and 2016, there was no outstanding balance. The loan agreement requires JFS to meet certain operating and financial covenants, including a minimum liquidity amount. JFS is in compliance with the loan covenants as of June 30, 2017 and 2016.

NOTE 8 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are comprised of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Program specific activities	\$ 594,117	\$ 774,360
Earnings on endowment funds	113,199	94,686
Contributions receivable	3,133,128	4,235,484
Program specific activities to be spent in specific years	<u>1,573,714</u>	<u>1,242,106</u>
Total temporarily restricted net assets	<u>\$ 5,414,158</u>	<u>\$ 6,346,636</u>

Permanently restricted net assets are comprised of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Endowment funds	\$ 3,203,808	\$ 3,192,698
Life insurance policies	60,458	55,420
Beneficial interests-foundations	<u>858,088</u>	<u>772,075</u>
	<u>\$ 4,122,354</u>	<u>\$ 4,020,193</u>

NOTE 9- ENDOWMENT FUNDS

JFS's 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.

Although not legally subject to UPMIFA, JFS also includes permanently restricted life insurance policy assets and permanently restricted beneficial interests in assets held by others as part of the endowment.

(Continued)

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 9 - ENDOWMENT FUNDS (Continued)

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.

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.

Changes in endowment net assets for the year ended June 30, 2017, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2016	\$ (166,213)	\$ 94,686	\$ 4,020,193	\$3,948,666
Investment return:				
Interest income	-	58,072	15,823	73,895
Net realized and unrealized gains	<u>151,898</u>	<u>110,406</u>	<u>74,461</u>	<u>336,765</u>
Total investment return	151,898	168,478	90,284	410,660
Contributions	-	-	51,360	51,360
Appropriation of endowment assets for expenditure	-	(149,965)	-	(149,965)
Distributions from beneficial interests	<u> </u>	<u> </u>	<u>(39,483)</u>	<u>(39,483)</u>
Endowment net assets, June 30, 2017	<u>\$ (14,315)</u>	<u>\$ 113,199</u>	<u>\$ 4,122,354</u>	<u>\$4,221,238</u>

(Continued)

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 9 - 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 gains (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>-</u>	<u>-</u>	<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>

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, 2017 and 2016, such deficiencies amounted to \$14,315 and \$166,213, respectively.

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 minimum 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.

(Continued)

NOTE 9 - ENDOWMENT FUNDS (Continued)

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.

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.

NOTE 10 - 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 2017 and 2016. JFS contributed approximately \$180,700 and \$238,500 for the years ended June 30, 2017 and 2016, 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 \$69,400 and \$65,600 to the HSA for the years ended June 30, 2017 and 2016, 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's contributions under the deferred compensation plan totaled \$13,406 and \$113,900 for the years ended June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, the deferred compensation liability is included in accounts payable and accrued expenses and equals the fair value of the investments held.

NOTE 11 – 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.

(Continued)

JEWISH FAMILY SERVICE OF COLORADO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 11 – COMMITMENTS (Continued)

Future minimum lease payments are approximately as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2018	\$ 43,800
2019	43,800
2020	31,400
2021	<u>10,200</u>
Total	<u>\$ 129,200</u>

Lease expense was approximately \$61,700 and \$95,600 for the years ended June 30, 2017 and 2016, 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 \$170,222 at June 30, 2017 and for the period through February 2019.