

**JEWISH FAMILY SERVICE
OF LOS ANGELES**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

JEWISH FAMILY SERVICE OF LOS ANGELES

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jewish Family Service of Los Angeles

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Jewish Family Service of Los Angeles (JFSLA) (a non-profit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 consolidated financial position of JFSLA as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited JFSLA's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

To the Board of Directors
Jewish Family Service of Los Angeles

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidated Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated financial statements. The accompanying Consolidated Schedule of Awards from the City of Los Angeles is also presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019 on our consideration of JFSLA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JFSLA's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

November 19, 2019
Los Angeles, California

JEWISH FAMILY SERVICE OF LOS ANGELES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

With Summarized Totals at June 30, 2018

ASSETS	2019	2018
Cash and Cash Equivalents	\$ 4,207,306	\$ 3,025,588
Restricted Cash	5,567,492	8,842,626
Investments	16,476,284	9,128,825
Accounts and Other Receivables (Net)	2,639,825	2,541,287
Pledges Receivable (Net)	3,553,455	4,158,152
Beneficial Interest in Charitable Remainder Trusts	1,964,930	5,364,930
Beneficial Interest in Perpetual Trusts	2,915,570	2,914,093
Deposits and Other Assets	583,497	547,023
Land, Buildings and Equipment (Net)	12,755,120	4,992,681
<i>TOTAL ASSETS</i>	\$ 50,663,479	\$ 41,515,205
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 3,516,891	\$ 1,687,557
Accrued Liabilities	1,137,819	1,085,258
Refundable Advances	796,146	832,568
Line of Credit	141,947	2,650,000
Notes Payable	741,035	175,000
Loan Payable	50,001	50,001
<i>TOTAL LIABILITIES</i>	6,383,839	6,480,384
NET ASSETS:		
Without Donor Restrictions	13,602,381	2,106,537
With Donor Restrictions	30,677,259	32,928,284
<i>TOTAL NET ASSETS</i>	44,279,640	35,034,821
<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$ 50,663,479	\$ 41,515,205

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

JEWISH FAMILY SERVICE OF LOS ANGELES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT:				
Revenues:				
Government Fees	\$ 12,525,696	\$ -	\$ 12,525,696	\$ 10,045,344
Client Fees, Program Income and Reimbursements	5,148,254	-	5,148,254	5,181,617
Support - Direct:				
Contributions	2,239,217	4,433,345	6,672,562	4,749,457
Capital Campaign Contributions	-	5,318,718	5,318,718	7,859,992
Special Events (Net of Direct Expenses of \$191,575)	1,028,379	-	1,028,379	1,191,429
Grants	11,021,171	-	11,021,171	7,351,331
Gifts In-Kind	1,993,891	-	1,993,891	1,846,120
Change in Value of Charitable Remainder Trusts	-	-	-	109,673
Change in Value of Beneficial Interest in Perpetual Trusts	-	(2,523)	(2,523)	64,791
Support - Indirect:				
Allocation from Jewish Federation Council	2,473,816	-	2,473,816	2,770,003
Grants Passed Through Jewish Federation Council	305,985	-	305,985	83,206
Investment Return (Net)	356,302	93,900	450,202	564,662
Rental and Other Income	139,995	-	139,995	48,940
Net Assets Released from Purpose Restrictions	12,094,465	(12,094,465)	-	-
TOTAL REVENUE AND SUPPORT	49,327,171	(2,251,025)	47,076,146	41,866,565
EXPENSES:				
Program Services	30,200,228	-	30,200,228	26,975,973
Supporting Services	7,631,099	-	7,631,099	7,296,767
TOTAL EXPENSES	37,831,327	-	37,831,327	34,272,740
CHANGE IN NET ASSETS	11,495,844	(2,251,025)	9,244,819	7,593,825
Net Assets - Beginning of Year	2,106,537	32,928,284	35,034,821	27,440,996
NET ASSETS - END OF YEAR	\$ 13,602,381	\$ 30,677,259	\$ 44,279,640	\$ 35,034,821

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

JEWISH FAMILY SERVICE OF LOS ANGELES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	Program Services					Nonprofit Consulting Services	Total Program Services	Supporting Services		Total Supporting Services	Total Expenses	
	Nutrition and Hunger	Senior/Older Adults	Children and Families	Counseling	Shelter Services			Management and General	Fundraising		2019	2018
Salaries	\$ 1,667,136	\$ 8,221,904	\$ 510,335	\$ 595,423	\$ 1,537,434	\$ 71,792	\$ 12,604,024	\$ 2,699,133	\$ 852,025	\$ 3,551,158	\$ 16,155,182	\$15,195,974
Payroll Taxes and Employee Benefits	564,484	2,200,104	128,476	159,875	522,653	19,608	3,595,200	1,641,617	170,503	1,812,120	5,407,320	5,354,705
Employee Expenses	18,876	151,558	3,342	9,965	8,307	396	192,444	103,107	18,413	121,520	313,964	323,892
TOTAL PERSONNEL COSTS	2,250,496	10,573,566	642,153	765,263	2,068,394	91,796	16,391,668	4,443,857	1,040,941	5,484,798	21,876,466	20,874,571
Direct Client Services	734,172	7,409,366	-	321,712	35,338	19	8,500,607	4,399	5,056	9,455	8,510,062	6,347,288
Gifts In-Kind	1,993,891	-	-	-	-	-	1,993,891	-	-	-	1,993,891	1,846,120
Rent and Occupancy	475,202	206,997	18,438	57,670	117,464	9,246	885,017	227,368	384,856	612,224	1,497,241	1,434,547
Professional and Temporary Services	8,566	675,901	357	18,581	3,578	133	707,116	175,871	144,667	320,538	1,027,654	1,119,271
Data Communications	50,677	170,777	14,759	9,990	43,206	1,548	290,957	71,665	12,042	83,707	374,664	294,950
Program Activities	448	285,173	30,291	753	525	-	317,190	12,058	22,875	34,933	352,123	344,042
Equipment and Building Purchases	93,168	93,070	2,627	2,609	5,402	908	197,784	85,940	55,366	141,306	339,090	205,588
Interest and Other Fees	462	31,754	2,132	5,377	283	3	40,011	218,720	40,650	259,370	299,381	355,892
Publicity and Advertising	426	58,841	700	-	2,044	-	62,011	162,421	53,927	216,348	278,359	208,010
Property Taxes and Insurance	45,206	106,744	6,639	9,636	36,428	677	205,330	64,482	5,131	69,613	274,943	291,394
Supplies and Materials	36,737	78,982	5,606	10,864	41,862	318	174,369	28,723	18,759	47,482	221,851	240,424
Depreciation and Amortization	28,530	75,369	3,859	3,272	14,051	1,823	126,904	42,175	10,743	52,918	179,822	149,858
Security	54,832	51,723	7,309	5,232	11,872	22	130,990	978	532	1,510	132,500	88,284
Equipment, Repairs and Maintenance	27,011	32,621	2,254	1,586	16,544	575	80,591	31,174	4,131	35,305	115,896	122,991
Bad Debt Expense	-	-	-	-	-	-	-	112,185	-	112,185	112,185	117,244
Dues and Subscriptions	100	26,957	1	359	1,531	-	28,948	79,872	-	79,872	108,820	80,565
Printing and Reproduction	8,393	17,176	377	694	5,475	-	32,115	19,624	36,156	55,780	87,895	68,052
Postage and Delivery	504	13,416	866	690	3,403	5	18,884	8,401	4,688	13,089	31,973	43,114
Miscellaneous	925	14,888	-	32	-	-	15,845	666	-	666	16,511	40,535
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 5,809,746	\$ 19,923,321	\$ 738,368	\$ 1,214,320	\$ 2,407,400	\$ 107,073	\$ 30,200,228	\$ 5,790,579	\$ 1,840,520	\$ 7,631,099	\$ 37,831,327	
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 5,589,104	\$ 16,983,241	\$ 769,728	\$ 1,187,552	\$ 2,209,663	\$ 236,685	\$ 26,975,973	\$ 5,527,532	\$ 1,769,235	\$ 7,296,767		\$ 34,272,740

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

JEWISH FAMILY SERVICE OF LOS ANGELES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 9,244,819	\$ 7,593,825
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	179,822	149,858
Bad Debt Expense	112,185	117,244
Net Realized and Unrealized Gain on Investments	(23,835)	(233,243)
Donated Stocks	(513,864)	(90,989)
Proceeds on Sale of Donated Stocks	512,763	90,562
Contributions Required to Be Held in Perpetuity	(528,551)	(1,126,550)
Contributions Restricted for Capital Campaign	(5,318,718)	(7,859,992)
Change in Value of Beneficial Interest in Charitable Remainder Trusts	-	(109,673)
Change in Value of Beneficial Interest in Perpetual Trusts	(1,477)	(64,791)
(Increase) Decrease in:		
Accounts and Other Receivables	(219,523)	1,300,407
Pledges Receivable	684,438	3,937,628
Deposits and Other Assets	(36,474)	(249,265)
Increase (Decrease) in:		
Accounts Payable	1,829,334	(361,803)
Accrued Liabilities	52,561	52,112
Refundable Advances	(36,422)	237,154
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,937,058	3,382,484
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(7,942,261)	(1,825,428)
Reinvested Interest and Dividend Income (Net)	(207,103)	(168,359)
Proceeds from Sale of Investments	2,888,917	10,315,024
Purchase of Investments	(10,004,337)	(4,407,637)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(15,264,784)	3,913,600
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Contributions Required to Be Held in Perpetuity	528,551	1,531,550
Proceeds from Contributions Restricted for Capital Campaign	5,247,777	2,133,906
Net Payments on Lines of Credit	(2,508,053)	(675,000)
Proceeds from Notes Payable	566,035	-
Proceeds from Loan Payable	-	50,000
Distribution of Beneficial Interest in Charitable Remainder Trusts	3,400,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,234,310	3,040,456
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,093,416)	10,336,540
Cash and Cash Equivalents - Beginning of Year	11,868,214	1,531,674
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 9,774,798	\$ 11,868,214

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

JEWISH FAMILY SERVICE OF LOS ANGELES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 4,207,306	\$ 3,025,588
Restricted Cash	<u>5,567,492</u>	<u>8,842,626</u>
<i>TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</i>	<u>\$ 9,774,798</u>	<u>\$ 11,868,214</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	<u>\$ 68,269</u>	<u>\$ 109,672</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - ORGANIZATION

Jewish Family Service of Los Angeles (JFSLA) is a diverse and diversified social service agency. From its beginning in 1854, JFSLA has evolved along with a changing community and currently serves tens of thousands of people annually at various sites located throughout the County of Los Angeles. JFSLA serves clients of all ages, ethnicities and religions.

JFSLA's goals are to strengthen and preserve individual, family and community life by providing a wide range of social services to people in need. For more than 160 years, JFSLA has provided compassionate social services to all in need regardless of age, ethnicity, religion or ability to pay. JFSLA counsels families, supports the elderly, feeds the hungry, assists the disabled, and empowers survivors of violence to create independent lives. JFSLA connects older adults and people with disabilities to vital resources, and helps relatives and friends care for loved ones, young and old.

JFSLA employs a dedicated staff of about 300, including licensed social workers, psychologists, public health experts, gerontologists, clinical nurse practitioners, chefs and drivers. They are joined by hundreds of dedicated volunteers. A volunteer program, including recruitment, training and placement within JFSLA, provides resources upon which many of the above programs rely.

JFS Care, a California nonprofit public benefit corporation, was founded in 2011. It was formed with the primary purpose of providing in-home care services to individuals and families, and to connect those individuals and families with additional services. JFS Care was formed, and is operated exclusively to support JFSLA, and is controlled by JFSLA.

JFSLA intends to open a new headquarters and construction is now in progress, with an expected opening date in 2020. To achieve this, and to grow its endowment, JFSLA is in a capital campaign with a goal to raise \$51,000,000.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of JFSLA and JFS Care. All significant inter-company transactions and balances have been eliminated on consolidation.

(b) BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

(c) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves and emergency needs (See Note 13).

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) NET ASSETS (continued)

- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions (See Note 14).

(d) CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2019 approximates its fair value.

Excluded from cash and cash equivalents is restricted cash, which includes funds required to be set aside for funding certain building project costs pursuant to a loan agreement with Pacific Western Bank (see Note 12).

(e) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investments held in the Common Investment Pool managed by the Jewish Community Foundation (JCF) are reported at fair value based on the fair value of the underlying assets as reported by fund managers. Investment in Real Property LLC is based on the appraised value of the property, which approximates fair value.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the consolidated statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) ACCOUNTS AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2019, JFSLA has established an allowance for uncollectible accounts receivable in the amount of \$295,887.

(g) CONCENTRATION OF CREDIT RISK

JFSLA maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. JFSLA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts.

JFSLA is a beneficiary agency of the Jewish Federation Council of Greater Los Angeles (JFC). JFC provides certain services to JFSLA, including administration of risk management and pension plan. JFSLA reimburses JFC for the cost of these services. Approximately 5% of JFSLA's revenue and support is provided by JFC.

Approximately 27% of JFSLA's revenue and support is provided by various government agencies. Included in the accounts and other receivables balance outstanding at June 30, 2019 is \$2,748,650 of government contracts receivable due from city, county, state, and federal granting agencies. Concentration of credit risk with respect to these receivables is limited, as the majority of JFSLA's receivables consist of earned fees from contract programs granted by government agencies.

Approximately 69% of JFSLA's labor force is covered by a collective bargaining agreement, which covers the period of July 1, 2019 through June 30, 2022. The agreement provides a 3% wage increase in the first year and a 2.5% increase in each of the following two years of the agreement period.

(h) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions, including pledges recorded at fair value, are recognized as revenues when the pledge is received. JFSLA reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. A discount rate of 2% has been used to calculate the present value of pledges receivable.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

JFSLA has been designated as the beneficiary of assets held in charitable remainder trusts administered by other trustees. JFSLA recognizes contribution revenue with donor restrictions and, as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to JFSLA are recognized in the consolidated statement of activities as a change in value of beneficial interest in charitable remainder trusts. JFSLA has been named as a beneficiary for several living trusts and wills. Due to the conditional nature of these trusts and wills, no amounts have been recorded on the accompanying consolidated financial statements.

(j) BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Donors have established and funded trusts, which are administered by third parties other than JFSLA. Under the terms of each trust, JFSLA has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trust. JFSLA does not control the assets held by the outside trusts. Annual distributions from the trusts are reported as investment income. Adjustments to the beneficial interest to reflect changes in the fair value are reflected in the consolidated statement of activities as a change in value of beneficial interest in perpetual trusts.

(k) LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are recorded at cost at the date of acquisition if purchased or at estimated fair value at the date of donation if donated. Depreciation and amortization are computed using the straight-line basis over the estimated useful lives of the related assets. Land, buildings and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year. The estimated useful lives are as follows:

Buildings and Improvements	10 - 30 Years
Furniture, Vehicles and Equipment	3 - 5 Years
Leasehold Improvements	Lease Term

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for fixed assets from certain grant funds are expensed when acquired because the grantor retains title to such assets.

(l) LONG-LIVED ASSETS

JFSLA evaluates the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended June 30, 2019.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) REFUNDABLE ADVANCES

Grant funds are recognized as revenue in accordance with the term of the grant and when funds are expended for grant purposes. Refundable advances include both amounts received in excess of funds expended to date as well as grant amounts awarded and not yet expended. In accordance with the term of the grant, each contract must be treated as a separate fund; therefore, continuing programs that accrue debts related to one contract period cannot be paid by cash advances related to another contract period.

(n) CONTRIBUTED GOODS, SERVICES AND FACILITIES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed goods were valued at \$1,993,891 for the year ended June 30, 2019.

A substantial number of volunteers have donated significant amounts of their time to JFSLA. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

(o) PUBLICITY AND ADVERTISING

Publicity and advertising costs are expensed as incurred. Total publicity and advertising expense was \$278,359 for the year ended June 30, 2019.

(p) INCOME TAXES

JFSLA is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. JFS Care is a 501(c)(3) Supporting Organization.

(q) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing JFSLA's programs and other activities have been presented in the consolidated statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. JFSLA uses full-time equivalents to allocate indirect costs.

(r) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) RECLASSIFICATIONS

Certain reclassifications have been made to the summarized comparative consolidated information at June 30, 2018 to conform to the consolidated financial statement presentation at June 30, 2019. These reclassifications had no effect on the previously reported change in net assets.

(t) COMPARATIVE TOTALS

The consolidated 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with JFSLA's consolidated financial statements for the year ended June 30, 2018 from which the summarized information was derived.

(u) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in consolidated financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. JFSLA implemented this ASU during the year ended June 30, 2019.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For JFSLA, the ASU and subsequent amendments will be effective for the year ending June 30, 2020.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For JFSLA, the ASU will be effective for the year ending June 30, 2022.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For JFSLA, the ASU will be effective for the year ending June 30, 2020.

(v) SUBSEQUENT EVENTS

JFSLA has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2019 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through November 19, 2019, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

At June 30, 2019, investments consist of the following:

Money Market Funds and Cash Equivalents	\$ 9,939,298
Mutual Funds:	
Large Cap Equity	1,513,966
Small Cap Equity	188,544
Foreign Markets	759,745
Fixed Income	1,150,234
Alternative Investments	1,032,091
Investment in Real Property LLC	1,594,426
Jewish Community Foundation Common Investment Pool - Other Investments	297,980
TOTAL INVESTMENTS	\$ 16,476,284

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 4 - FAIR VALUE MEASUREMENTS

JFSLA has implemented the accounting standard for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about JFSLA's assets that are measured at fair value on a recurring basis at June 30, 2019 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds and Cash Equivalents	\$ 9,939,298	\$ 9,939,298	\$ -	\$ -
Mutual Funds:				
Large Cap Equity	1,513,966	1,513,966	-	-
Small Cap Equity	188,544	188,544	-	-
Foreign Markets	759,745	759,745	-	-
Fixed Income	1,150,234	1,150,234	-	-
Alternative Investments	1,032,091	1,032,091	-	-
TOTAL MUTUAL FUNDS	4,644,580	4,644,580	-	-
Investment in Real Property LLC	1,594,426	-	-	1,594,426
Jewish Community Foundation Common Investment Pool - Other Investments	297,980	-	297,980	-
TOTAL INVESTMENTS	16,476,284	14,583,878	297,980	1,594,426
Beneficial Interest in:				
Charitable Remainder Trusts	1,964,930	-	-	1,964,930
Perpetual Trusts	2,915,570	-	-	2,915,570
TOTAL	\$ 21,356,784	\$ 14,583,878	\$ 297,980	\$ 6,474,926

JFSLA recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels for the year ended June 30, 2019.

The fair values of marketable securities within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The fair values of the common investment pool partnership interest, and beneficial interest in charitable remainder trusts and perpetual trusts and investment in Real Property LLC were determined as described in Notes 2(e), 2(i), and 2(j).

	Investment in Real Property LLC	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
		Beneficial Interest in Charitable Remainder Trusts	Beneficial Interest in Perpetual Trusts	Total
Beginning Balance	\$ 1,594,426	\$ 5,364,930	\$ 2,914,093	\$ 9,873,449
Contributions (Distributions)	-	(3,400,000)	4,000	(3,396,000)
Change in Fair Value/Beneficial Interest	-	-	(2,523)	(2,523)
<i>ENDING BALANCE</i>	\$ 1,594,426	\$ 1,964,930	\$ 2,915,570	\$ 6,474,926

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2019 are expected to be collected as follows:

Within One Year	\$ 2,095,990
In One to Five Years	1,676,005
<i>TOTAL</i>	3,771,995
Less: Allowance for Doubtful Pledges	(139,924)
Less: Present Value Discount	(78,616)
<i>PLEDGES RECEIVABLE (NET)</i>	\$ 3,553,455

NOTE 6 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

JFSLA is the beneficiary of two charitable remainder trusts, the assets of which are administered by other trustees. Assets held in charitable remainder trusts totaled \$1,964,930 at June 30, 2019, representing the portion of the net present value of the charitable remainder trusts for which JFSLA is the designated beneficiary.

NOTE 7 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

JFSLA is the 100% beneficiary of eleven perpetual trusts and the 16.67%-25.00% beneficiary of four perpetual trusts whose assets are held by a third party trustee. JFSLA has legally enforceable rights or claims to the annual income. The carrying value of JFSLA's portion of these perpetual trusts at June 30, 2019 was \$2,915,570.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following as of June 30, 2019:

Land	\$	977,030
Construction in Process		10,808,639
Buildings and Improvements		6,797,171
Furniture, Vehicles and Equipment		1,545,146
Leasehold Improvements		538,338
TOTAL		<u>20,666,324</u>
Less: Accumulated Depreciation and Amortization		<u>(7,911,204)</u>
LAND, BUILDINGS AND EQUIPMENT (NET)	\$	<u>12,755,120</u>

Depreciation and amortization expense for the year ended June 30, 2019 was \$179,822.

In 1996, JFSLA and the City of Los Angeles owned, as tenants-in-common, certain real property used as a Multiservice Center for senior citizens. In 1997, the City of Los Angeles sold the property to JFSLA in return for a note in the amount of \$350,000. This note was fully forgiven during the year ended June 30, 2013. In addition, the balance of the Senior Services building annex was acquired in 1989 with a State of California grant for \$331,750. If JFSLA disposes of these buildings, a portion of the proceeds may revert to the grantor, namely the City of Los Angeles or the State of California.

Estimated remaining costs to complete the construction in progress at June 30, 2019 amounted to approximately \$20,000,000.

NOTE 9 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consist of the following:

Accrued Vacation	\$	716,361
Accrued Payroll		421,458
TOTAL ACCRUED LIABILITIES	\$	<u>1,137,819</u>

NOTE 10 - LINE OF CREDIT

JFSLA has a real estate line of credit with a financial institution due April 15, 2020 in the amount of \$5,800,000. The line is secured by certain real estate of JFSLA and bears interest at 2.25% above one-month LIBOR. At June 30, 2019, the balance due on the line of credit was \$141,947 and the interest rate was 4.64%.

This line of credit contains various covenants. At June 30, 2019, JFSLA was in compliance with all applicable covenants.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 11 - NOTES PAYABLE

Notes payable at June 30, 2019 consists of the following:

Note Payable to the City of Los Angeles Housing Department (LAHD) as successor to the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) in the Original Principal Amount of \$175,000. Secured by First Deed of Trust on land and buildings of the Gramercy Shelter, principal and interest at 3% due in annual payments made exclusively from Residual Receipts (as Defined in the Loan Agreement) derived from the Project at the financed property. No Residual Receipts are anticipated as the Gramercy Shelter does not charge fees for use. The Note Payable was due July 2016 and final approval of the forgiveness is pending.	\$ 175,000
Note Payable to the U.S. Department of Housing and Urban Development (HUD) passed through the City of Los Angeles Housing and Community Investment Department (HCID) in the Original Principal Amount of up to \$1,500,000 for reimbursement of certain project construction costs. Secured by a Deed of Trust on the real property of the Freda Mohr Multipurpose Center with an interest rate of 0%. To be forgiven in \$100,000 increments over 15 years commencing upon project completion.	<u>566,035</u>
TOTAL NOTES PAYABLE	<u>\$ 741,035</u>

No interest on the LAHD and HUD notes was payable recognized during the year ended June 30, 2019.

NOTE 12 - LOAN PAYABLE

In November 2017, JFSLA entered into a loan agreement with Pacific Western Bank (the lender) and Colorado Educational and Cultural Facilities Authority (the authority). Under the terms of the agreement the lender agreed to loan up to \$15,125,000 to the authority in return for tax-exempt Series R-1 bonds. The authority in turn agreed to lend the loan proceeds to JFSLA to finance the construction of a new facility. The agreement called for an initial loan disbursement of \$50,001 upon closing.

Pursuant to the terms of the agreement, JFSLA was required to set aside an amount of \$10,204,211 in a restricted cash account to be used for paying the project costs upon the lender's approval. No further loan proceeds will be disbursed until JFSLA has spent the restricted cash. Cash restricted by the loan agreement totaled \$5,567,492 at June 30, 2019.

The loan proceeds accrue interest at a fixed 3.75% interest rate or at a variable one-month LIBOR rate at the option of JFSLA. Interest is payable monthly. The repayment of the loan proceeds will be in a series of principal and interest payments beginning in December 2020 through November 2045.

The loan agreement contains various covenants. At June 30, 2019, JFSLA was in compliance with all applicable covenants.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 13 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes at June 30, 2019:

Undesignated	\$ 10,525,598
Board Designated:	
Emergency Needs Reserve Fund	2,476,783
Operating Reserve	600,000
	<hr/>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 13,602,381

The Board designated, from net assets without donor restrictions, certain funds for emergency needs included in the emergency needs reserve fund. In addition, during the year ended June 30, 2019, the Board set aside funds for planned special and capital projects in the operating reserve fund.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2019:

Subject to Passage of Time:	
Beneficial Interests in Charitable Remainder Trusts	\$ 1,964,930
Subject to Expenditure for Specified Purpose:	
Capital Campaign	15,108,209
Holocaust	2,175,505
SOVA Programs	358,527
Central Access	355,540
Freda Mohr Multipurpose Center	305,322
Other Activities	371,200
	<hr/>
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE	18,674,303
Subject to Appropriation or Spending Policy:	
Donor-Restricted Perpetual Endowments:	
Capital Campaign	1,156,509
Other Endowments	5,542,765
Unspent Endowment Earnings	423,182
	<hr/>
TOTAL SUBJECT TO APPROPRIATION OR SPENDING POLICY	7,122,456
Not Subject to Appropriation or Spending Policy:	
Beneficial Interests in Perpetual Trusts	2,915,570
	<hr/>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 30,677,259

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2019:

Expiration of Specified Time Period:	
Beneficial Interests in Charitable Remainder Trusts	\$ 3,400,000
Satisfaction of Purpose Restrictions:	
Capital Campaign	7,784,224
Holocaust	208,127
SOVA Programs	257,793
Central Access	118,435
Freda Mohr Multipurpose Center	141,306
Other Activities	184,580
	<hr/>
TOTAL SATISFACTION OF PURPOSE RESTRICTIONS	8,694,465
	<hr/>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 12,094,465
	<hr/>

NOTE 15 - RETIREMENT BENEFITS

JFSLA participates with other agencies in the Basic Pension Plan for Employees of Jewish Federation Council of Greater Los Angeles, (employer identification number: 95-1643388; plan number: 001), a multiemployer defined benefit and contribution pension plan (the Multiemployer Plan). The risks of participating in a multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to a multiemployer plan, the unfunded obligations of the multiemployer plan may be borne by the remaining participating employers.
- If JFSLA chooses to stop participating in the Multiemployer Plan, JFSLA may be required to pay the Multiemployer Plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Multiemployer Plan covers full-time employees with more than one year of service and is subject to a collective bargaining agreement, which expires on June 30, 2022. JFSLA's employer contributions under this plan for the year ended June 30, 2019 were \$1,426,272. JFSLA's contributions during the Multiemployer Plan year ended December 31, 2019 represented greater than 5% of total contributions to the Multiemployer Plan (per the most recently available annual report). Management believes the Multiemployer Plan to be underfunded; however, the amount attributable to JFSLA is indeterminable at this time and, therefore, any underfunding is not reflected on the accompanying consolidated financial statements.

The Multiemployer Plan's zone status, as defined by the Pension Plan Protection Act (the Act), for the year ended December 31, 2018, was considered to be in the "Green Zone" because the Multiemployer Plan's funded percentage was more than 80%. For the year ended December 31, 2018, the Multiemployer Plan's funded percentage was 88.4%. The funded percentage is determined by dividing the value of the plan's assets by the plan's liability for accrued pension benefits, measured as of the first day of the plan year.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 15 - RETIREMENT BENEFITS (continued)

The Multiemployer Plan adopted a Funding Improvement Plan on November 12, 2008 to meet compliance requirements under the Act. The Funding Improvement Plan provided for the Multiemployer Plan to continue its funding policy as described above. In November 2011, the Funding Improvement Plan was updated to adjust the schedule of projected contributions in future years, in order to ensure that the Multiemployer Plan would remain on target to achieve the required goals of the Funding Improvement Plan. The current Funding Improvement Plan is no longer in effect since the Plan is no longer in endangered status.

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the Multiemployer Plan currently and in future years. The funding policy of the Multiemployer Plan is to fund the plan based on contributions from the Participating Employers. The Participating Employers are required to make contributions that, collectively, are designed to meet or exceed the minimum ERISA funding requirements. The minimum ERISA funding requirements are determined by an actuary on an annual basis. The Participating Employers' contributions for the Multiemployer Plan's year ended December 31, 2018 exceeded the minimum funding requirements of ERISA.

Effective May 1, 2014, one employer ceased to participate in the Multiemployer Plan. However, the amount of liability attributable to JFSLA as a result of this action is indeterminable at this time. Therefore, no additional liability has been reflected in the accompanying consolidated financial statements.

Effective January 1, 2006, new employees are no longer eligible to participate in the Multiemployer Plan; instead they are eligible to participate in the defined contribution plan, which provides contributions at a set percentage of eligible compensation. JFSLA made contributions of \$382,553 to this defined contribution plan for the year ended June 30, 2019.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

JFSLA leases facilities and equipment under operating leases with various terms expiring through June 2023. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more are as follows:

Years Ending June 30	
2020	\$ 908,607
2021	497,342
2022	177,766
2023	174,337
TOTAL	\$ 1,758,052

Rent expense under operating leases for the year ended June 30, 2019 was \$986,763.

(b) CONTRACTS

JFSLA's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 17 - ENDOWMENTS

JFSLA's endowments consist of funds established for a variety of purposes. Endowment funds are established by gifts with donor restrictions and bequests to either provide a permanent endowment, which is to provide a permanent source of income to JFSLA, or a term endowment, which is to provide income for a specified period to JFSLA. Beneficial interests in perpetual trusts administered by outside trustees are not considered part of JFSLA's endowments.

JFSLA's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on endowments required to be held in perpetuity, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for JFSLA's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. Performance of the overall endowment against this objective is measured over an investment horizon of ten years. The endowments are also managed to optimize the long run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that funds JFSLA's existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index). Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

JFSLA has developed a spending policy that will distribute a specific payout rate of the endowment base to support JFSLA's programs. The endowment base has been defined as a 12-quarter moving average of the market value of the total endowment portfolio. The distribution or payout rate will be at 5% of the base. Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term.

At times, the fair value of assets associated with these endowment funds may fall below the level that the donors require JFSLA to retain as funds of perpetual duration. These deficiencies result from unfavorable market fluctuations. In accordance with generally accepted accounting principles, there are no deficiencies of this nature that are reported in net assets without donor restrictions at June 30, 2019.

At June 30, 2019, JFSLA's endowment net assets composition by type of fund was as follows:

Endowment Net Asset Composition by Type of Fund at June 30, 2019	With Donor Restrictions
Donor-Restricted:	
Original Donor-Restricted Gift Amount	\$ 6,699,274
Accumulated Investment Gains	423,182
<i>ENDOWMENT NET ASSETS - JUNE 30, 2019</i>	<u>\$ 7,122,456</u>

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 17 - ENDOWMENTS (continued)

Changes in endowment net assets were as follows for the year ended June 30, 2019:

Endowment Net Assets -		
Beginning of Year	\$	6,500,005
Contributions		528,551
Investment Return (Net)		93,900
		93,900
<i>ENDOWMENT NET ASSETS -</i>		
<i>END OF YEAR</i>	<i>\$</i>	<i>7,122,456</i>
		<i>7,122,456</i>

NOTE 18 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by JFSLA at June 30, 2019 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table:

Financial Assets at June 30, 2019		
Cash and Cash Equivalents	\$	4,207,306
Restricted Cash		5,567,492
Investments		16,476,284
Accounts and Other Receivables (Net)		2,639,825
Pledges Receivable (Net)		3,553,455
Beneficial Interest in Charitable Remainder Trusts		1,964,930
Beneficial Interest in Perpetual Trusts		2,915,570
		2,915,570
<i>TOTAL FINANCIAL ASSETS</i>		
<i>AT JUNE 30, 2019</i>		<i>37,324,862</i>
Less Amounts Not Available to Be Used		
within One Year, Due to:		
Donor-Imposed Restrictions:		
Beneficial Interest in Perpetual Trusts		(2,915,570)
Donor-Restricted Endowment Funds		(7,122,456)
Funds Held with Purpose Restrictions *		(15,120,848)
Beneficial Interest in Charitable Remainder Trusts		(1,964,930)
Pledges Restricted by Purpose or Time		(3,553,455)
Board-Imposed Designations:		
Board Designated Reserve Funds		(3,076,783)
		(3,076,783)
<i>FINANCIAL ASSETS AVAILABLE TO</i>		
<i>MEET GENERAL EXPENDITURES</i>		
<i>WITHIN ONE YEAR</i>	<i>\$</i>	<i>3,570,820</i>
		<i>3,570,820</i>

* Funds Held with Purpose Restrictions include a combination of cash and cash equivalents, restricted cash and investments.

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 18 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

JFSLA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. JFSLA is substantially supported by contributions and government grants and contracts. As part of JFSLA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

JFSLA has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities, and a \$5,800,000 line of credit with an available balance of \$5,658,053 at June 30, 2019. In addition, JFSLA has Board designated reserve funds of \$3,076,783 at June 30, 2019 that could be drawn upon for liquidity needs.

**JEWISH FAMILY SERVICE
OF LOS ANGELES**

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

JEWISH FAMILY SERVICE OF LOS ANGELES
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor/Passed Through Grantor/Program or Cluster Title	Grant Period	Contract and/or Passed through Grantor's Number	Federal CFDA Number	Disbursements or Expenditures
U.S. Department of Health and Human Services				
Passed through City of Los Angeles Department of Aging:				
West Wilshire C1 (a)	1-Jul-18 to 30-Jun-19	C-132416	93.045	\$ 215,945
West Wilshire C2 (a)	1-Jul-18 to 30-Jun-19	C-132416	93.045	174,484
NSIP-West Wilshire C1 (a)	1-Jul-18 to 30-Jun-19	C-132416	93.053	28,583
NSIP-West Wilshire C2 (a)	1-Jul-18 to 30-Jun-19	C-132416	93.053	36,087
City C1-Congregate (Westside) (a)	1-Jul-18 to 30-Jun-19	C-132416	93.045	210,729
City C2-Home Delivered (Westside) (a)	1-Jul-18 to 30-Jun-19	C-132416	93.045	121,702
City C1-NSIP (Westside) (a)	1-Jul-18 to 30-Jun-19	C-132416	93.053	32,905
City C2-NSIP (Westside) (a)	1-Jul-18 to 30-Jun-19	C-132416	93.053	29,125
OASIS (a)	1-Jul-18 to 30-Jun-19	C-132444	93.044	34,059
City IIIB-Westside (a)	1-Jul-18 to 30-Jun-19	C-132416	93.044	141,758
City IIIB-West Wilshire (a)	1-Jul-18 to 30-Jun-19	C-132416	93.044	157,804
Passed through County of Los Angeles:				
County Congregate Meals C1 (a)	1-Jul-18 to 30-Jun-19	ENP172007	93.045	67,432
County C1-NSIP (a)	1-Jul-18 to 30-Jun-19	ENP172007	93.053	7,347
County C2-Home Delivered Meals (a)	1-Jul-18 to 30-Jun-19	ENP172007	93.045	201,265
County C2-NSIP (a)	1-Jul-18 to 30-Jun-19	ENP172007	93.053	35,913
County Telephone Reassurance (a)	1-Jul-18 to 30-Jun-19	ENP172007	93.044	1,735
Supportive Services Program (a)	1-Jul-18 to 30-Jun-19	SSP-141812	93.044	66,011
TOTAL AGING CLUSTER				1,562,884
Passed through State of California Department of Aging:				
Multi-Purpose Senior Service Program, Medicaid Cluster	1-Jul-18 to 30-Jun-19	MS-1819-04	93.778	10,612
Passed through County of Los Angeles:				
County of LA CalWORKs, TANF Cluster	1-Jul-18 to 30-Jun-19	PH-003603	93.558	182,000
County of LA DVSS SUD	7-May-19 to 30-Jun-19	PH-003603-3	93.558	5,850
County of LA SAPC	1-Jul-18 to 30-Jun-19	PH-002782	93.959	323,861
UCLA Dementia Care Project	1-Jul-18 to 30-Jun-19	1558 P VA563	93.610	7,138
County of LA DA - XC	1-Jul-16 to 31-Dec-19	XC16010190	16.575	99,204
Total U.S. Department of Health and Human Services				2,191,549

See Independent Auditor's Report

JEWISH FAMILY SERVICE OF LOS ANGELES
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor/Passed Through Grantor/Program or Cluster Title	Grant Period	Contract and/or Passed through Grantor's Number	Federal CFDA Number	Disbursements or Expenditures
U.S. Department of Homeland Security				
EFSP for SOVA Community Food & Resource Center	1-Jan-18 to 31-Dec-18	Phase 35	97.024	31,198
EFSP for Family Violence Program	1-Jan-18 to 31-Dec-18	Phase 35	97.024	61,884
Total U.S. Department of Homeland Security				93,082
U.S. Department of Housing and Urban Development:				
Passed through Los Angeles Homeless Services Authority:				
HUD CoC Family Violence Program	1-Apr-18 to 31-Mar-19	CA0372L9D001710	14.267	213,651
HUD CoC Family Violence Program	1-Apr-19 to 31-Mar-20	CA0372L9D001811	14.267	62,132
				275,783
Passed through City of Los Angeles				
Community Development Department:				
City of L.A. HCID DVSO Transitional 2018-19 (a)	1-Jul-18 to 30-Jun-19	C-132055	14.218	145,121
HCIDLA-CDBG (a) (b)	16-March-18 to 15-March-20	C-131477	14.218	566,035
City of L.A. HCID DVSO Emergency 2018-19 (a)	1-Jul-18 to 30-Jun-19	C-132049	14.218	112,130
City of LA-EBP West Wilshire (a)	1-Apr-18 to 30-June-19	C-131382	14.218	23,579
TOTAL CDBG - ENTITLEMENT GRANTS CLUSTER				846,865
Senior Farmers Market Nutrition Program:				
West Wilshire	1-Jul-18 to 30-Jun-19	C-132416	10.576	5,800
Westside	1-Jul-18 to 30-Jun-19	C-132416	10.576	5,000
				10,800
Total U.S. Department of Housing and Urban Development				1,133,448
U.S. Department of Public Safety and Victim Services:				
Passed through State of California Office of Criminal Justice Planning:				
State of CA OES - Family Violence Program	1-Oct-17 to 30-Sep-18	DV17171773	16.575	66,668
State of CA OES - Family Violence Program	1-Oct-18 to 30-Sep-19	DV18181773	16.575	315,644
State of CA OES - Haven House	1-Oct-17 to 30-Sep-18	DV17141773	16.575	73,270
State of CA OES - Haven House	1-Oct-18 to 30-Sep-19	DV18151773	16.575	311,009
State of CA OES - XH (Transitional)	1-Jul-16 to 31-Dec-19	XH16011773	16.575	63,968
Total U.S. Department of Public Safety and Victim Services				830,559
TOTAL FEDERAL AWARDS				\$ 4,248,638

(a) Audited as a Major Program
(b) Federal Loan Program

See Independent Auditor's Report

JEWISH FAMILY SERVICE OF LOS ANGELES

NOTES TO CONSOLIDATED SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying Consolidated Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of JFSLA under programs of the Federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of JFSLA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of JFSLA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATE

JFSLA has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Total Disbursements or Expenditures by CFDA Number are summarized as follows:

Federal CFDA Number	Program Description	Disbursements or Expenditures
10.576	Senior Farmers Market Nutrition Program	\$ 10,800
14.218	Community Development Block Grants/Entitlement Grants	846,865
14.267	HUD CoC (Family Violence Program)	275,783
16.575	State of California OES (Family Violence Project)	929,763
93.044	Special Programs for the Aging Title III Part B	401,367
93.045	Special Programs for the Aging Title III Part C	991,557
93.053	Nutritional Services Incentive Program	169,960
93.558	Emergency Shelter Program for Battered Women and Children	187,850
93.610	UCLA Dementia Care Project	7,138
93.778	Medical Assistance Program - MSSP	10,612
93.959	Block Grants for Prevention and Treatment of Substance Abuse	323,861
97.024	EFSP for SOVA Community Food & Resource Center	93,082
TOTAL FEDERAL AWARDS		\$ 4,248,638

NOTE 4 - AWARDS TO SUBRECIPIENTS

JFSLA has not provided any federal awards to subrecipients from the federal expenditures presented in this Schedule.

JEWISH FAMILY SERVICE OF LOS ANGELES

CONSOLIDATED SCHEDULE OF AWARDS FROM THE CITY OF LOS ANGELES
Year Ended June 30, 2019

Funding	Program	Grant Number	Location	Department of Aging	USDA Entitlement (NSIP)	Housing & Community Investment Department	Non-Government Reimbursement (Non-Match)	Program Income	Matching (1)	Total (2)
Title III B	Supportive svcs	C-132416	Westside	\$ 141,758	\$ -	\$ -	\$ -	\$ 372	\$ 73,331	\$ 215,461
Title III B	Supportive svcs	C-132416	West Wilshire	157,804	-	-	-	-	145,303	303,107
Title III B-OASIS	Supportive svcs	C-132444	Citywide	34,059	-	-	-	-	19,996	54,055
Title III C1	Congregate Meals	C-132416	West Wilshire	280,111	28,583	-	-	21,982	294,365	625,041
Title III C2	Home Delivered Meals	C-132416	West Wilshire	261,854	36,087	-	-	10,938	222,354	531,233
Title III C1	Congregate Meals	C-132416	Westside	252,328	32,905	-	-	16,482	158,472	460,187
Title III C2	Home Delivered Meals	C-132416	Westside	171,732	29,125	-	-	7,872	65,953	274,682
City of LA-EBP West Wilshire	Health and Wellness	C-131382	West Wilshire	79,829	-	-	-	-	43,749	123,578
Proposition A	Cityride-Transportation	C-132416	West Wilshire	223,204	-	-	-	3,455	135,635	362,294
Proposition A	Cityride	C-132416	Westside	325,468	-	-	-	2,889	143,351	471,708
City of L.A. HCID D.V.										
Transitional Shelter 2018-19	D V Transitional Shelter	C-132055	North Hollywood	-	-	231,783	-	-	-	231,783
Emergency Shelter 2018-19	D V Transitional Shelter	C-132049	North Hollywood	-	-	179,090	-	-	-	179,090
TOTAL AWARDS FROM THE CITY OF LOS ANGELES				\$ 1,928,147	\$ 126,700	\$ 410,873	\$ -	\$ 63,990	\$ 1,302,509	\$ 3,832,219

(1) Matching revenue includes in-kind contributions from donated services. In accordance with nonprofit accounting, such matching amounts are not reflected in the consolidated financial statements of JFSLA, which are prepared in accordance with the accounting principles generally accepted in the United States of America.

(2) Basis of Accounting - The Consolidated Schedule of Awards from the City of Los Angeles has been reported on the accrual basis of accounting.

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